

Small Cap Sustainable Growth Portfolio

Third Quarter 2018

Portfolio Review

The Small Cap Sustainable Growth portfolio underperformed the Russell 2000 Growth Index during the third quarter. Performance was negatively affected by weak stock selection in the technology and financial services sectors. Strong stock selection in consumer discretionary and consumer staples helped trim some of the losses.

Stocks that contributed the most to the portfolio during the quarter were Fox Factory and The Chefs' Warehouse.

- Fox reported robust consolidated revenue growth, of nearly 30%, and an increase in operating earnings of about 28% in the quarter. The growth in revenue was fueled by an acquisition and organic growth in both the powered-vehicle and bike-operating segments. The Fox business continues to be supported by a strong brand and aims to drive ongoing growth through the market segment seeking premium and higher-performance products.
- The Chefs' Warehouse continued to take share within the fragmented food-distributor industry and outgrew larger peers on an organic basis. Profits grew faster than sales, supported by the strong growth and thanks to the operating leverage within the business. We believe the business can continue to outgrow its market and remain owners.

Stocks that detracted the most from the portfolio were Autohome and Interactive Brokers Group.

- Escalating trade friction between China and the U.S. and the potential impact the conflicts could have on China's economy have weighed on Autohome's stock. In addition, new-car sales have been weak in China following the demise of many peer-to-peer lending platforms.
- In a quarter of subdued market volatility, shares of Interactive Brokers reversed gains from the first half of the year where higher market volatility pushed up average client trading activity. However, long-term underlying growth metrics unrelated to the periodic volatility of markets remained strong, with client accounts growing by more than 20% and client equity growing 29% year over year. We believe Interactive Brokers will continue to take share in the brokerage industry as the low-cost operator.

Purchases and Sales

There were no new purchases or complete sales during the third quarter.

Outlook

A flat Treasury yield curve continues to concern investors, the U.S. and China are locked in an ongoing trade spat, and troubles in emerging markets persist. But uncertainty and volatility in markets are to be expected. While we do pay attention to such factors causing concern, we also remain focused on the economic and business fundamentals. The U.S. appears to be one of the pillars of strength in the global economy today, with third-quarter GDP growth projected to be strong and various sectors continuing to expand. We are committed to investing in high-quality businesses that have a sustainable competitive edge. We believe this is the best long-term protection we can provide in today's environment of heightened market and geopolitical uncertainty.



Portfolio Highlights

Style: Small Cap
Sub-Style: Growth
Index: Russell 2000® Growth
Portfolio Inception: 1998
Portfolio Assets: \$6,947.0 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	32
Todd Bailey, CFA Portfolio Manager + Senior Research Analyst	19
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	23
Julie Biel, CFA Senior Research Analyst	10
Julie Kutasov Senior Research Analyst	17
Craig Stone Senior Research Analyst	29
Chris Wright, CFA Senior Research Analyst	8
Sean Dixon Research Analyst	9
Adam Xiao, CFA Research Analyst	3

Top Five Holdings

As of September 30, 2018

Company	Percent of equity (%)
Fox Factory Holding	8.7
Autohome	7.0
Auto Trader Group	6.0
HEICO	5.2
The Chefs' Warehouse	5.2
Total	32.2

This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation to purchase securities. A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual investors' holdings may differ slightly. Data is obtained by FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding. Past performance is no guarantee of future results.

Investment Process: Discovering Quality

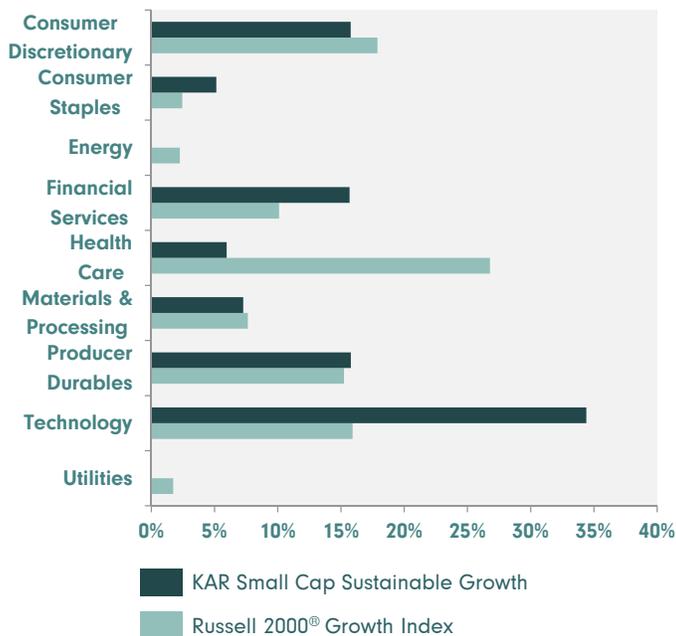
Development of High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
200 Stocks Quantitative Screens <ul style="list-style-type: none"> High return on capital over a full economic cycle Long and resilient earnings history High return on net operating assets Minimal debt Other Resources <ul style="list-style-type: none"> Research on existing portfolio holdings Meetings with companies Industry reviews Investment conferences Third-party research 	50–60 Stocks Qualitative Analysis <ul style="list-style-type: none"> Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market Financial Analysis <ul style="list-style-type: none"> Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately Valuation Analysis <ul style="list-style-type: none"> Determine the current and potential value of the business 	20–35 Stocks Position Weights <ul style="list-style-type: none"> Typically 3%-4% Maximum weight 10% (at market) Sector Tolerances <ul style="list-style-type: none"> Typically +/- 10%* of the Russell 2000® Growth Index, utilizing Russell sector classifications Non-U.S. Holdings <ul style="list-style-type: none"> Not to exceed 20% (at market) Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years, but is often longer Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Typically will not exceed 10% once a portfolio is fully invested 	Extended Valuation Portfolio Upgrade Diversification Requirements Acquisition Activity Negative Company or Industry Changes

*A consequence of our high-quality investment philosophy is that certain sectors do not meet our financial criteria and offer fewer investable ideas. Our portfolios therefore will likely have persistently low exposure to those segments of the economy (and therefore may cause our sector weights to be outside of the 10% threshold relative to the benchmark). Companies operating in these areas produce consistently low or no profitability, are capital intensive, are heavily indebted, or have overly complex balance sheet structures. These may include large sectors such as Health Care (biotechnology) and also smaller sectors such as Materials & Processing (chemicals, metals and mining), Energy (oil and gas), Financials (real estate and banking), and Utilities where we will have little to no exposure.

Higher Quality	Stronger, More Consistent Growth	Better Value
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Sector Diversification[†]

As of September 30, 2018



[†]The large underweight in the KAR portfolio relative to the Russell 2000 Growth Index in the health-care sector is due to the benchmark's large weighting in biotechnology companies and pharmaceutical companies. Within the benchmark's health-care sector, biotechnology represents 12.7% and pharmaceutical represents another 3.0% as of September 30, 2018. These two sub-sectors represent 15.7% of the health-care sector within the benchmark and is outside our investable universe given the difficulty in discerning a competitive advantage, persistent lack of profitability and not meeting our overall investment criteria. Compared to the remaining 11.1% weight in the benchmark, our portfolio has a 6.0% weight in health care. The overweight the technology sector is due to the classification of the diverse business models held within our portfolio by the Russell sector classification system that is used. Many of these businesses within the technology sector will be categorized to other non-technology sectors by other index classification systems beginning in the third quarter 2018 (i.e., GICS is adding a Communication Services sector beginning in 3Q that will reduce this overweight as many of the companies currently held will move to this new sector).

Portfolio Characteristics

As of September 30, 2018

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Quality		
Return on Equity—Past 5 Years	23.9%	12.4%
Total Debt/EBITDA	0.8 x	4.9 x
Earnings Variability—Past 10 Years	26.7%	79.0%
Growth		
Earnings Per Share Growth—Past 10 Years	10.9%	8.5%
Capital Generation—{ROE x (1-Payout)}	18.6%	10.4%
Value		
P/E Ratio—Trailing 12 Months	37.7 x	74.1 x
Free Cash Flow Yield [‡]	2.4%	1.0%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$3.7 B	\$2.3 B
Largest Market Cap—3-Year Avg.	\$10.8 B	\$8.6 B
Annualized Standard Deviation—Since Inception [§]	17.8%	22.6%

A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual Investors' holdings may differ slightly. The sector information represented above is based on Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

[‡]Free cash flow data is as of June 30, 2018. Prices are as of September 30, 2018. Excludes financials.

[§]January 1, 1998

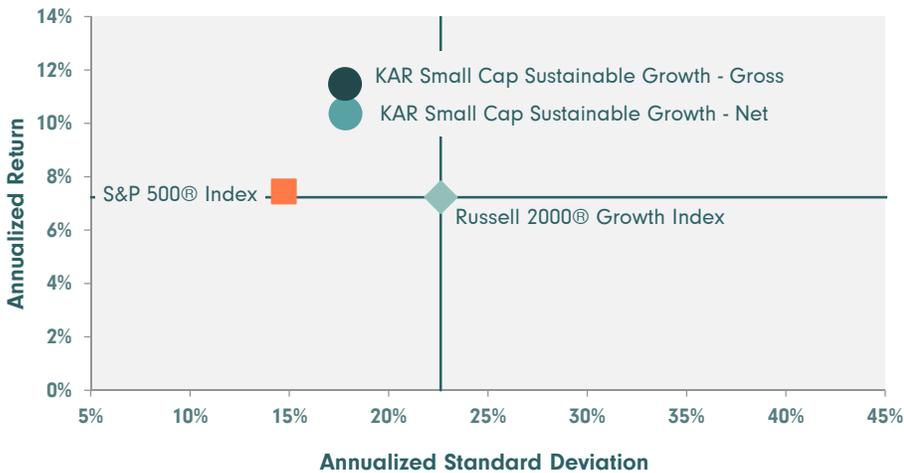
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

Small Cap Sustainable Growth Portfolio

Third Quarter 2018

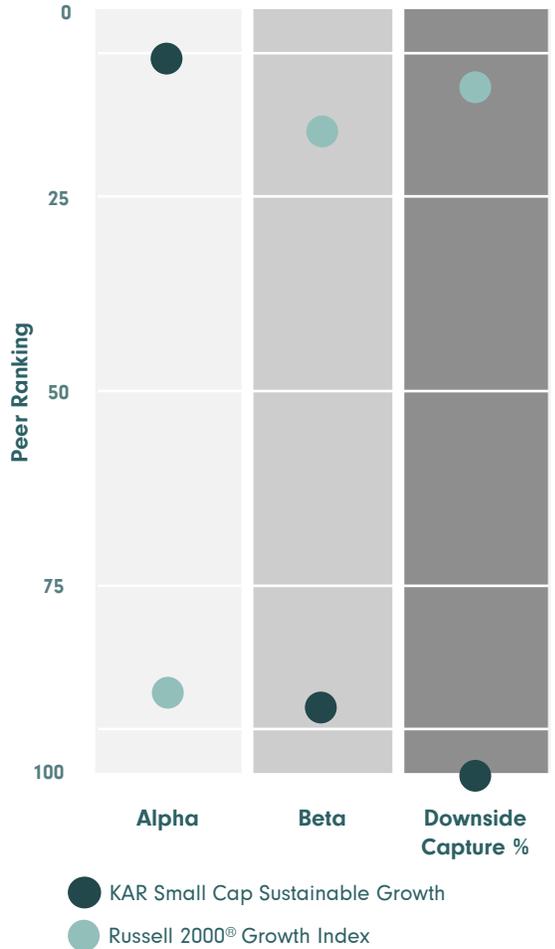
Strong Risk-Adjusted Returns

Inception* to September 30, 2018



Peer Comparison Chart

Ten Years Ending September 30, 2018



Historical Returns

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [†]	Russell 2000® Growth Index
Annualized Returns (%)[†]			
As of September 30, 2018			
3 rd Quarter	2.64	2.38	5.52
Year to Date	25.04	24.13	15.76
One Year	34.57	33.26	21.06
Three Years	34.58	33.28	17.98
Five Years	21.04	19.85	12.14
Seven Years	22.78	21.57	17.52
Ten Years	17.88	16.72	12.65
Inception*	11.48	10.37	7.23
Annual Returns (%)			
2017	39.03	37.69	22.17
2016	26.11	24.88	11.32
2015	2.57	1.55	(1.38)
2014	6.47	5.40	5.60
2013	39.89	38.53	43.30
2012	13.29	12.16	14.59
2011	17.82	16.69	(2.91)
2010	14.82	13.69	29.09
2009	38.51	37.16	34.47
2008	(33.61)	(34.32)	(38.54)
2007	(0.59)	(1.59)	7.05
2006	15.80	14.66	13.35
2005	1.88	0.85	4.15
2004	12.82	11.68	14.31
2003	38.44	37.10	48.54
2002	(23.82)	(24.60)	(30.26)
2001	0.48	(0.49)	(9.23)
2000	6.28	5.22	(22.43)
1999	31.19	29.92	43.09
1998	3.33	2.28	1.23

Performance Statistics

Inception* to September 30, 2018

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Annualized Return	11.48	7.23
Annualized Standard Deviation	17.80	22.62
Alpha	5.62	0.00
Beta	0.67	1.00
Sharpe Ratio	0.54	0.23
R-Squared	71.86	100.00

*January 1, 1998

[†]All periods less than one year are total returns and are not annualized. Returns are preliminary.

[†]Net of all fees and expenses. Assumes a 1% annual fee.

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Returns of the Kayne Anderson Rudnick composite are preliminary and gross of fees unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. The Small Cap Growth Universe includes all managers categorized in the small cap growth asset class by eVestment. Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.

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Third Quarter 2018

Disclosure

Kayne Anderson Rudnick Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Kayne Anderson Rudnick Investment Management, LLC has been independently verified for the period from January 1, 1999 through December 31, 2017.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Small Cap Sustainable Growth Composite has been examined for the period from January 1, 1999 through December 31, 2017. The verification and performance examination reports are available upon request.

Kayne Anderson Rudnick Investment Management, LLC, a wholly owned subsidiary of Virtus Investment Partners, Inc., is a registered investment advisor under the Investment Advisers Act of 1940. Registration of an Investment Advisor does not imply any level of skill or training. Kayne Anderson Rudnick Investment Management, LLC manages a variety of equity and fixed-income strategies focusing exclusively on securities the firm defines as high quality.

The composite includes all fully discretionary institutional and pooled Small Cap Sustainable Growth Portfolios. Small Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations in line with the Russell 2000® Growth Index, that have market control, rising free

cash flow, shareholder-oriented management, strong consistent profit growth and low-debt balance sheets. For comparison purposes, the composite is measured against the Russell 2000® Growth Index. The Russell 2000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 1998. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Prior to January 1, 2011, the composite minimum was \$250,000. Prior to January 1, 2011, accounts that experienced a significant cash flow, defined as aggregate flows that exceeded 25% of the account's beginning of period market value, were temporarily removed from the composite. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. Previously, only institutional accounts were included.

The standard management fee schedule currently in effect is as follows: 1.00% for the first \$25 million; 0.80% on the next \$25 million; 0.70% on the balance. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part 2A of Form ADV, which is available on request. The performance information is supplied for reference. Past performance is no guarantee of future results. Results will vary among accounts. The

U.S. dollar is the currency used to express performance. Returns are presented net of transaction fees and include the reinvestment of all income. Gross returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Model net returns have been calculated by deducting 1/12th of the highest tier of the standard management fee schedule in effect for the respective period from the gross composite returns on a monthly basis.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns for accounts in the composite for the entire year. For those years when less than five accounts were included for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation measures the variability of the composite (using gross returns) and the benchmark for the 36-month period ended at the following dates:

3-Yr Annualized Standard Deviation (%)

	December 31	Composite	Benchmark
2011		19.74	24.65
2012		15.54	21.01
2013		12.22	17.52
2014		12.35	14.02
2015		14.08	15.16
2016		14.85	16.91
2017		12.69	14.80

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Growth Index Annual Return (%)	Internal Dispersion
2008	3,445	12	14	(33.61)	(34.32)	(38.54)	1.04
2009	4,010	11	11	38.51	37.16	34.47	0.94
2010	4,729	12	12	14.82	13.69	29.09	0.22
2011	5,232	180	14	17.82	16.69	(2.91)	0.51
2012	6,545	155	17	13.29	12.16	14.59	0.42
2013	7,841	232	23	39.89	38.53	43.30	1.42
2014	7,989	205	20	6.47	5.40	5.60	0.40
2015	8,095	244	17	2.57	1.55	(1.38)	0.40
2016	9,989	614	19	26.11	24.88	11.32	0.54
2017	14,609	2038	40	39.03	37.69	22.17	1.40

The Russell 2000® Growth Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.