Kayne Anderson Rudnick
Investment Management

Small-Mid Cap Core Portfolio

Fourth Quarter 2018

Portfolio Review

The Small-Mid Cap Core portfolio outperformed the Russell 2500 Index during the fourth quarter. Strong stock selection in the health care and materials and processing sectors helped performance. Gains were offset somewhat by weak stock selection in financial services and an underweight in utilities.

Stocks that contributed the most to performance were Interactive Brokers and AMN Healthcare Services. Interactive Brokers shares gained as heightened volatility increased client trading activity and drove higher commissions for the business. Long-term underlying growth metrics unrelated to the periodic volatility of markets remained strong, with client accounts growing and client equity, even as it was impacted by the market drop, still grew. AMN reported mixed results this quarter, with its long-term position remaining strong while facing some near-term headwinds. The company's new technology platform launch has challenged its Locum Tenens segment, while the nursing and other solutions businesses have been stable. Overall, margins have been largely stable and management has actively been repurchasing shares.

Stocks that detracted the most from performance were Aspen Technology and FLIR Systems. After outperforming for much of the year, shares in Aspen corrected in line with other software technology stocks. Financial results this year have been negatively impacted by accounting changes from 606, which makes year-over-year comparisons more challenging. Still, demand remains strong for the core platform and the asset performance maintenance suite of products. Free cash flow continues to be strong with management repurchasing shares regularly. FLIR reported solid results this quarter, but concerns around some of its end markets have negatively impacted the stock. While the auto market has been a strong contributor to growth recently, there are legitimate concerns this segment could slow in the near term. With the security business divested, profitability has been climbing. Near-term headwinds notwithstanding, the company remains well-positioned and diversified across end markets.

Purchases and Sales

We purchased SiteOne Landscape and DocuSign. We sold out of Bank OZK, Core Laboratories, Landstar Systems and Wynn Resorts.

SiteOne is the largest and only national wholesale distributor of landscape supplies in the U.S. The company, while four times the size of its largest competitor and in either the No. 1 or 2 local market positions in nearly 80% of metropolitan statistical areas where it has store presence, has just about 10% market share. Given its scale and large number of customers and suppliers, the company has the ability to exert some pricing concessions from suppliers over its smaller competitors while maintaining the ability to price at a premium given fragmented local competition. Also, given that the company just came public in 2016, there is no long-term public financial record to draw upon. But management has cited Pool Corp. as an example of best-in-class distributor, and it is our belief, based on SiteOne's business model and structure, that SiteOne can achieve business growth and margins that are close to Pool's over the long-term.

DocuSign is the leader in verified electronic signatures with the intention of replacing all paper-based agreements. It has developed substantial capabilities and regulatory approvals that smaller upstart rivals will have to spend hundreds of millions of dollars to match. Additionally, unlike most enterprise software, the transaction sizes for e-signature are small (approx. $3 an envelope at the high end), making it a less attractive market to enter and be able to gain scale efficiently. DocuSign estimates the market to be over $20 billion globally as the vast majority of its competition is antiquated paper-and-pen agreements. With the leading brand and technology, the company is poised to continue to dominate this market. A recent decline in the stock price in concert with most high-priced software stocks provided for a good entry point.

We sold our entire position in Bank OZK (formerly Bank of the Ozarks) for a few reasons that we believe are structural. Our initial thesis for owning the business was based on the company's skilled lending expertise and low-cost operations that led to lower-than-market efficiency ratios. We have seen that while the company's efficiency ratio remains below the industry, loan growth has slowed as prepayments of existing loans have accelerated, and it appears that competition has become elevated over time. Our lack of confidence also relates to the general commercial real estate market and the company's ability to achieve solid loan growth at this stage of the cycle.

We sold our position in Core Labs to help fund the purchases of new ideas for the portfolio. While we view Core Labs as a quality business within the difficult energy sector with value-added products and services, we view the long-term environment as challenging despite a rebound in commodity prices. We believe there are other businesses in our investable universe that can provide a superior long-term return without sacrificing quality.

We have held shares of Landstar since January 2008, with the company having performed in line with the Russell 2500 Index benchmark over that period. Over the past 10 years Landstar's return on equity has averaged over 30%, with a nearly 36% ROE achieved over the trailing 12 months. These impressive returns have been generated consistently from a strong, underleveraged balance sheet. We exited our small position in the company, however, due to the portfolio's higher-than-desired exposure to the transportation segment with our expectation that a peer and another portfolio holding, Expeditors International of Washington, could generate superior risk-adjusted return at this time.

We sold our entire position in Wynn as we see longer-term headwinds emerging in terms of the business model. The company stated it was seeing weakness in Macau due to low consumer confidence in China. We see this as a temporary issue and not indicative of the potential of Macau's ultimate success, but the ongoing construction of new venues could eat into market share for Wynn. With this and other challenging issues in front of Wynn for the next few years, we sold our position.

Outlook

There is a clear disconnect between the market's view of 2019-2020 economic growth and the Federal Reserve's. Equity, bond and commodity investors are pricing in much slower growth—perhaps even a recession—into this year and the next. The Fed, on the other hand, is looking at current conditions, which are primarily still solid. Markets will perform better when these two points of view converge.

We agree more with the market than with the Fed about 2019 growth prospects. Economic growth will be much slower than in 2018 but still positive—our best guess is in the 1.5%-to-2% range—and the S&P 500 Index will be able to grow earnings-per-share in the 5%-to-8% range. Equity returns may actually exceed profit growth as confidence gets restored in the sustainability of the corporate-profit outlook.

We cannot pinpoint where material excesses are in the global economy that could cause a recession over the next year or two. Yet after meaningful declines in markets over the last three months, we see that it is going to take some time to restore confidence among investors and that companies are going to have to prove that they can deliver positive earnings growth even in a slower-growth economy.

Timing the stock market is an impossible task even for seasoned professionals. We emphasize the importance of staying focused on long-term goals to help stomach the inevitable short-term volatility associated with investing.

Portfolio Highlights

Style: Small-Mid Cap
Sub-Style: Core
Index: Russell 2500™
Portfolio Inception: 1992
Portfolio Assets: $2,419.5 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research Experience
Douglas S. Foreman, CFA Chief Investment Officer	32
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	23
Craig Stone Portfolio Manager + Senior Research Analyst	29
Todd Beiley, CFA Senior Research Analyst	19
Julie Biel, CFA Senior Research Analyst	10
Julie Kutasov Senior Research Analyst	17
Chris Wright, CFA Senior Research Analyst	6
Sean Dixon Research Analyst	9
Adam Xiao, CFA Research Analyst	3

Top Five Holdings

As of December 31, 2018

Company	Percent of equity (%)
WABCO Holdings	5.0
Cooper Companies	4.9
Aspen Technology	4.7
MSCI	4.6
Lennox International	4.6
Total	**23.7**

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.

Kayne Anderson Rudnick
Investment Management

Investment Process: Discovering Quality

Development of High-Quality Universe

200 Stocks

Quantitative Screens
- High return on capital over a full economic cycle
- Long and resilient earnings history
- High return on net operating assets
- Minimal debt

Other Resources
- Research on existing portfolio holdings
- Meetings with companies
- Industry reviews
- Investment conferences
- Third-party research

Proprietary Fundamental Research

50–60 Stocks

Qualitative Analysis
- Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market

Financial Analysis
- Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately

Valuation Analysis
- Determine the current and potential value of the business

Portfolio Construction

25–35 Stocks

Position Weights
- Typically 3%-4%
- Maximum weight 10% (at market)

Sector Tolerances*
- Typically +/- 10% of the Russell 2500™ Index, utilizing Russell sector classifications

Non-U.S. Holdings
- Not to exceed 20% (at market)

Holding Period
- Typically 3-to-5 years, but is often longer
- Portfolio turnover is typically 25% to 35%

Cash Levels
- Typically will not exceed 10% once a portfolio is fully invested

Sell Discipline

Extended Valuation

Portfolio Upgrade

Diversification Requirements

Acquisition Activity

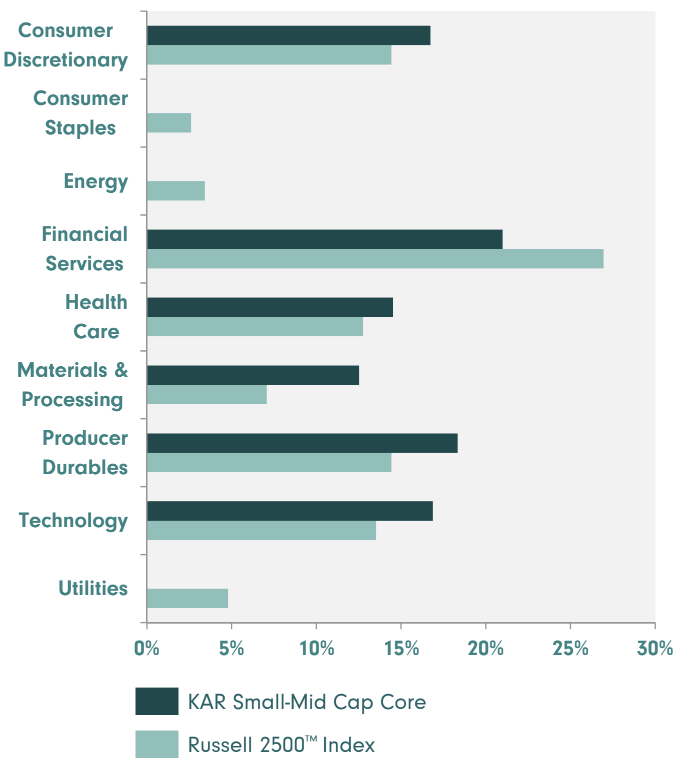
Negative Company or Industry Changes

**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 Financials (real estate and banking) and Health Care (biotechnology) and also smaller sectors such as Materials & Processing (chemicals, metals and mining), Energy (oil and gas), and Utilities where we will have little to no exposure.*

Higher Quality | Stronger, More Consistent Growth | Better Value

Sector Diversification

As of December 31, 2018



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.

Portfolio Characteristics

As of December 31, 2018

	KAR Small-Mid Cap Core	Russell 2500™ Index
Quality		
Return on Equity—Past 5 Years	23.5%	12.0%
Total Debt/EBITDA	2.0 x	4.2 x
Earnings Variability—Past 10 Years	39.0%	69.5%
Growth		
Earnings Per Share Growth—Past 5 Years	13.9%	10.6%
Earnings Per Share Growth—Past 10 Years	16.1%	8.9%
Capital Generation—{ROE x (1-Payout)}	18.6%	8.6%
Value		
P/E Ratio—Trailing 12 Months	21.5 x	22.7 x
Dividend Yield	1.0%	1.8%
Free Cash Flow Yield[†]	4.9%	3.0%
Market Characteristics		
$ Weighted Average Market Cap—3-Year Avg.	$7.6 B	$4.6 B
Largest Market Cap—3-Year Avg.	$18.4 B	$16.7 B
Annualized Standard Deviation—Since Inception*	14.2%	17.1%

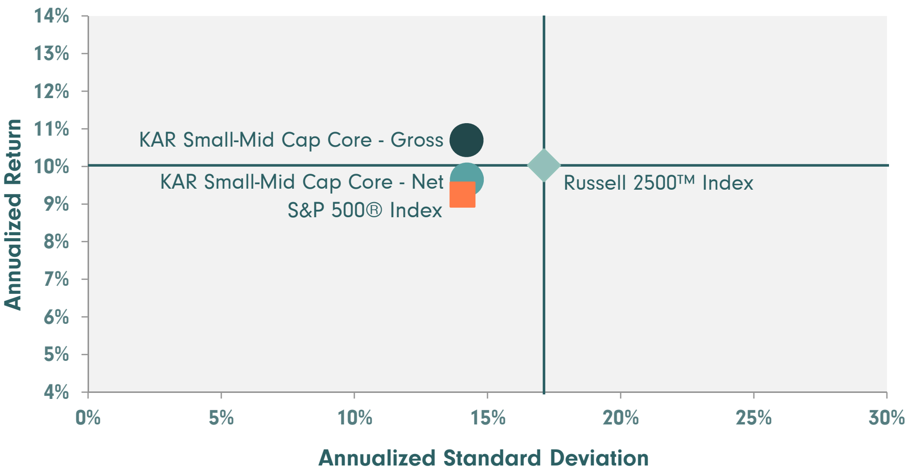
[†]Free cash flow data is as of September 30, 2018. Prices are as of December 31, 2018. Excludes financials.

[‡]April 1, 1992

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-Mid Cap Core Portfolio
Fourth Quarter 2018

Strong Risk-Adjusted Returns
Inception* to December 31, 2018



Historical Returns

	KAR Small-Mid Cap Core (gross)	KAR Small-Mid Cap Core (net)‡	Russell 2500™ Index
Annualized Returns (%)† As of December 31, 2018			
4th Quarter	(15.02)	(15.22)	(18.49)
One Year	(4.41)	(5.27)	(10.00)
Three Years	10.33	9.35	7.32
Five Years	9.36	8.39	5.15
Seven Years	12.21	11.23	10.97
Ten Years	14.35	13.32	13.15
Inception*	10.70	9.65	10.03
Annual Returns (%)			
2018	(4.41)	(5.27)	(10.00)
2017	19.77	18.71	16.81
2016	17.30	16.26	17.59
2015	6.16	5.23	(2.90)
2014	9.74	8.74	7.07
2013	31.61	30.47	36.80
2012	8.82	7.90	17.88
2011	8.45	7.56	(2.51)
2010	20.46	19.27	26.71
2009	30.58	29.31	34.39
2008	(30.20)	(30.92)	(36.79)
2007	0.35	(0.66)	1.38
2006	13.83	12.71	16.17
2005	3.13	2.09	8.11
2004	14.19	13.03	18.29
2003	24.81	23.60	45.51
2002	(16.98)	(17.83)	(17.80)
2001	5.06	4.03	1.22
2000	23.80	22.58	4.27
1999	6.09	5.06	24.14
1998	21.39	20.20	0.38
1997	20.82	19.63	24.36
1996	27.00	25.74	19.03
1995	17.47	16.30	31.70
1994	2.75	1.74	(1.05)
1993	20.00	18.84	16.55
1992§	9.65	8.85	11.36

*April 1, 1992

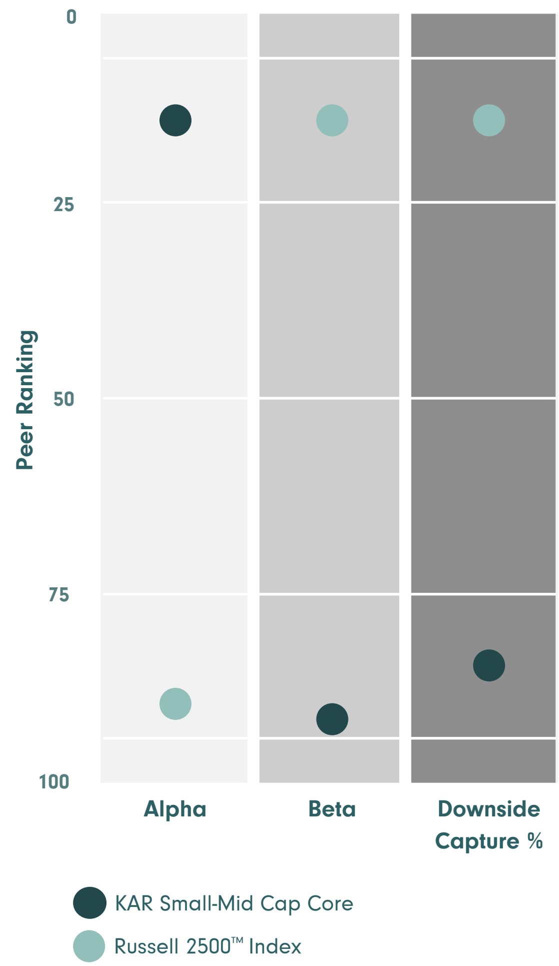
†All periods less than one year are total returns and are not annualized. Returns are preliminary.

‡Net of all fees and expenses. Assumes a 0.90% annual fee.

§Performance calculations are for the nine months ended December 31, 1992.

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-Mid Cap Core Universe includes all managers categorized in the small-mid cap core 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.

Peer Comparison Chart
Ten Years Ending December 31, 2018



Performance Statistics
Inception* to December 31, 2018

	KAR Small-Mid Cap Core	Russell 2500™ Index
Annualized Return	10.70	10.03
Annualized Standard Deviation	14.21	17.12
Alpha	2.52	0.00
Beta	0.73	1.00
Sharpe Ratio	0.58	0.44
R-Squared	76.84	100.00

Kayne Anderson Rudnick
Investment Management

Small-Mid Cap Core Portfolio

Fourth 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-Mid Cap Core 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-Mid Cap Core Portfolios. Small-Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 2500™ Index. The Russell 2500™ Index is a market capitalization-weighted index of the 2,500 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 July 2000. 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. From July 1, 2000 to December 31, 2010, only non-taxable Small-Mid Cap Core Portfolios are included in the composite. As of January 1, 2011, the composite was redefined to include both taxable and tax-exempt accounts. This composite contained 0.23% non-fee-paying portfolios as of December 31, 2013, 0.7% non-fee-paying portfolios as of December 31, 2014, 0.7% non-fee-paying portfolios as of December 31, 2015, 0% non-fee-paying portfolios as of December 31, 2016, and 0.2% non-fee-paying portfolios as of December 31, 2017

The standard management fee schedule currently in effect is as follows: 0.90% for the first $25 million; 0.80% on the next $25 million; 0.75% on the next $50 million; 0.60% on the balance. Prior to January 1, 2013, the standard management fee schedule in effect for this strategy was as follows: 0.85% for the first $25 million; 0.70% on the next $25 million; 0.60% on the next $50 million; 0.50% 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. Prior to January 1, 2011, the highest tier assumed of the standard management fee schedule for this product was 1.00%.

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	18.53	23.73
2012	15.19	19.24
2013	12.17	15.85
2014	10.27	11.84
2015	12.23	12.59
2016	12.63	13.86
2017	11.15	12.31

Year	Total Firm Assets ($ millions)	Total Composite Assets ($ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2500™ Index Annual Return (%)	Internal Dispersion
2008	3,445	17	14	(30.20)	(30.92)	(36.79)	0.17
2009	4,010	22	12	30.58	29.31	34.39	0.47
2010	4,729	25	9	20.46	19.27	26.71	0.13
2011	5,232	37	25	8.45	7.56	(2.51)	0.13
2012	6,545	40	26	8.82	7.90	17.88	0.12
2013	7,841	59	27	31.61	30.47	36.80	0.24
2014	7,989	21	20	9.74	8.74	7.07	0.26
2015	8,095	21	18	6.16	5.23	(2.90)	0.23
2016	9,989	34	39	17.30	16.26	17.59	0.13
2017	14,609	137	83	19.77	18.71	16.81	0.31

The Russell 2500™ Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.