

Small-Mid Cap Core Portfolio

First Quarter 2019



Portfolio Review

The Small-Mid Cap Core portfolio slightly underperformed the Russell 2500 Index during the first quarter. Weak stock selection in the health care and producer durables sectors detracted from performance, while strong stock selection in financial services and strong stock selection and an overweight in technology contributed positively to performance.

Stocks that contributed the most to performance were MSCI and Aspen Technology.

- MSCI's shares had declined along with the broad market sell-off at the end of last year. However, despite the headwind from market volatility, MSCI was able to grow revenue in the most recent quarter. Investors reacted favorably to these results causing the share price to increase.
- Aspen Technology continues to report solid growth, which has been accelerated by its new Asset Performance Monitoring suite of products. In addition to accelerating growth, the company continues to deliver strong profitability and free cash flow.

Stocks that detracted the most from performance were AMN Healthcare and Interactive Brokers Group.

- While AMN Healthcare has had several victories establishing its longer-term contracts, the company has also had missteps in its locum tenens business. As a result of consolidating its technology around this offering, it has been harder to execute for customers and revenue has sagged. We view these self-inflicted problems as short-term and expect this segment to recover in the coming year.
- Interactive Brokers' shares declined as long-term interest rates fell in relation to short-term interest rates and investors turned negative on electronic brokers' stocks as a whole because of potential reductions in net-interest-margin revenue. Looking through the cyclical driven by market volatility and interest rates, Interactive Brokers continues to gain client account market share by providing the best value via its lowest cost structure.

Purchases and Sales

We purchased Interactive Brokers Group during the quarter. There were no complete sales from the portfolio.

Interactive Brokers Group is an online discount brokerage company. Customers include individual investors, hedge funds, mutual funds, registered investment advisors, proprietary trading groups, and introducing brokers. It is among the top four U.S. public online brokers. Through a focus on automation, Interactive Brokers is able to offer the best executions and lowest transaction costs in the industry. The company's trade execution capabilities and low prices are consistently recognized by third-party analytics companies.

Outlook

We believe the likelihood of an outright meaningful recession over the next 12-to-18 months is low. We have had rolling recessions over the last 10 years in cyclical areas like energy, industrials, and materials from 2014 to 2016. Europe is close to or already in a recession over the last six months due to slow exports and Brexit fears adversely affecting business confidence. Although this expansion has been lengthy, it hasn't been robust by historical standards. Classic signals of excess business confidence, such as elevated capital spending, excessive inventory buildup in anticipation of robust sales, and excess labor hiring, don't seem prevalent today. Even in a slower growth environment (1.5% to 2.5% GDP growth), U.S. companies should be able to grow their earnings in the 5% to 8% range. This growth combined with business confidence improving can lead to solid double-digit returns for stocks in 2019.

Portfolio Highlights

Style: Small-Mid Cap
Sub-Style: Core
Index: Russell 2500™
Portfolio Inception: 1992
Portfolio Assets: \$2,947.0 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	33
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	24
Julie Kutasov Portfolio Manager + Senior Research Analyst	18
Craig Stone Portfolio Manager + Senior Research Analyst	30
Todd Bailey, CFA Senior Research Analyst	20
Julie Biel, CFA Senior Research Analyst	11
Chris Wright, CFA Senior Research Analyst	7
Sean Dixon Research Analyst	10
Adam Xiao, CFA Research Analyst	4

Top Five Holdings

As of March 31, 2019

Company	Percent of equity (%)
MSCI	5.4
WABCO Holdings	5.3
Aspen Technology	5.1
Cooper Companies	4.9
Lennox International	4.8
Total	25.4

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 	25–35 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 2500™ 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 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.

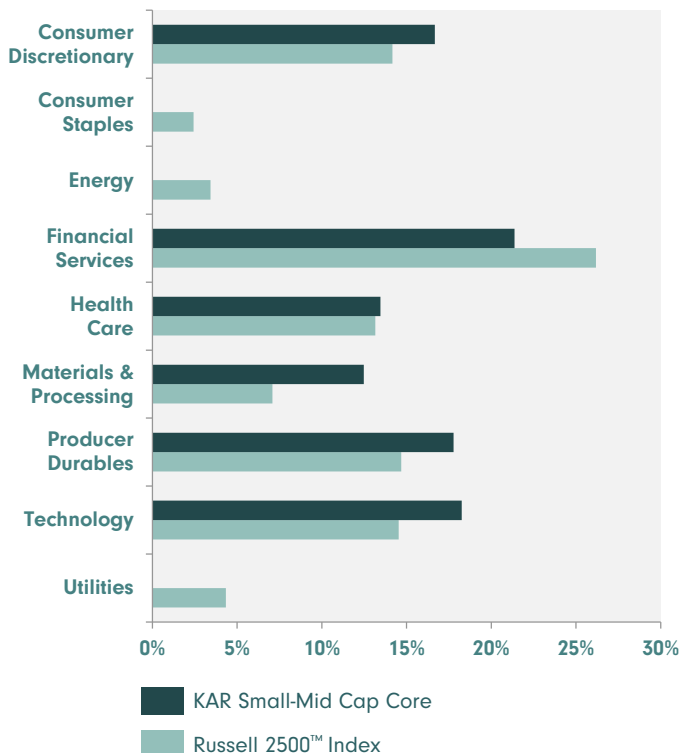
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of March 31, 2019



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 March 31, 2019

	KAR Small-Mid Cap Core	Russell 2500™ Index
Quality		
Return on Equity—Past 5 Years	22.4%	12.1%
Total Debt/EBITDA	2.1 x	4.3 x
Earnings Variability—Past 10 Years	36.3%	65.2%
Growth		
Earnings Per Share Growth—Past 5 Years	15.7%	10.6%
Earnings Per Share Growth—Past 10 Years	15.7%	9.8%
Capital Generation—{ROE x (1-Payout)}	17.7%	8.8%
Value		
P/E Ratio—Trailing 12 Months	26.0 x	28.1 x
Dividend Yield	0.8%	1.6%
Free Cash Flow Yield†	4.3%	2.8%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$7.7 B	\$4.7 B
Largest Market Cap—3-Year Avg.	\$17.8 B	\$17.8 B
Annualized Standard Deviation—Since Inception*	13.7%	16.4%

†Free cash flow data is as of December 31, 2018. Prices are as of March 31, 2019. Excludes financials.

*April 1, 1992

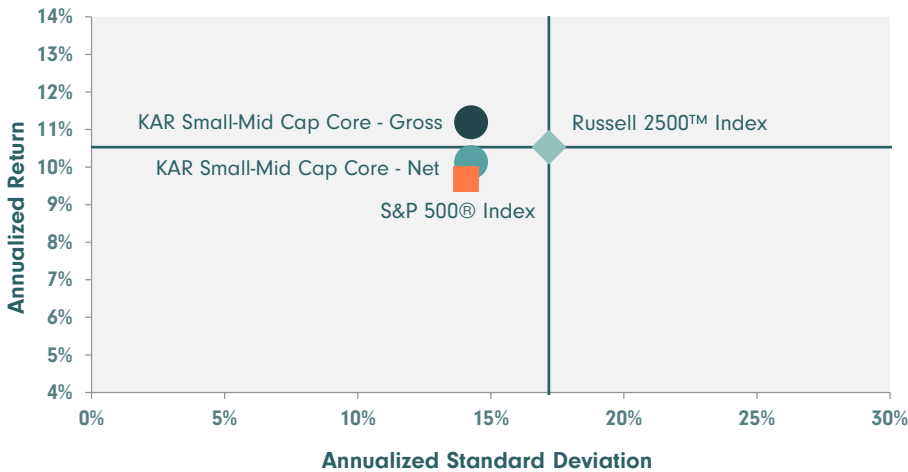
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

Small-Mid Cap Core Portfolio

First Quarter 2019

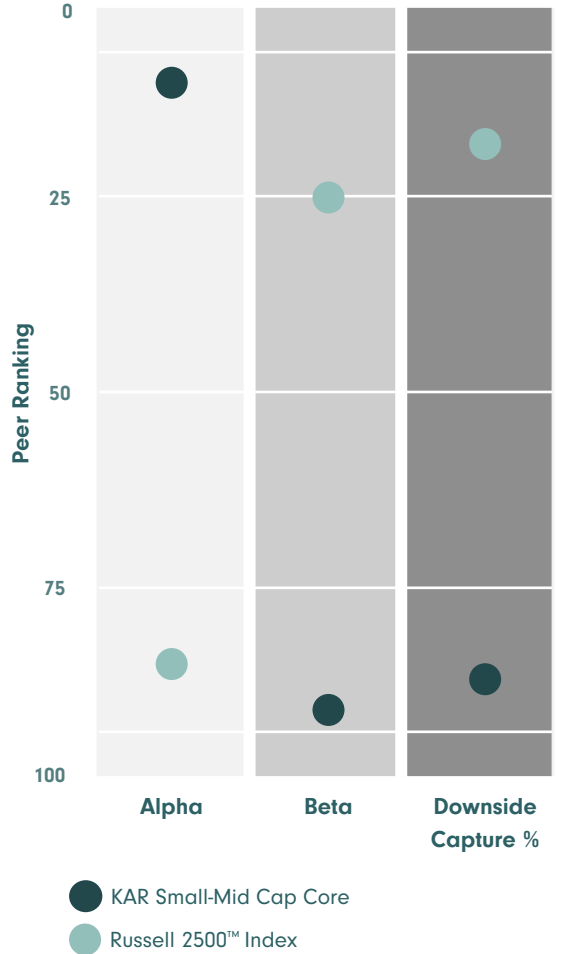
Strong Risk-Adjusted Returns

Inception* to March 31, 2019



Peer Comparison Chart

Ten Years Ending March 31, 2019



Historical Returns

	KAR Small-Mid Cap Core (gross)	KAR Small-Mid Cap Core (net) [‡]	Russell 2500™ Index
Annualized Returns (%)[†]			
As of March 31, 2019			
1 st Quarter	15.44	15.19	15.82
One Year	8.69	7.72	4.48
Three Years	14.12	13.11	12.56
Five Years	12.98	11.97	7.79
Seven Years	13.09	12.09	11.36
Ten Years	17.19	16.15	16.23
Inception*	11.19	10.13	10.53
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.

Performance Statistics

Inception* to March 31, 2019

	KAR Small-Mid Cap Core	Russell 2500™ Index
Annualized Return	11.19	10.53
Annualized Standard Deviation	14.26	17.18
Alpha	2.62	0.00
Beta	0.73	1.00
Sharpe Ratio	0.61	0.47
R-Squared	77.07	100.00

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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.