

Small-Mid Cap Core Portfolio

Third Quarter 2018

Portfolio Review

The Small-Mid Cap Core portfolio outperformed the Russell 2500 Index during the third quarter. Strong stock selection in the financial services and materials and processing sectors helped performance, while weak stock selection in consumer discretionary and health care detracted.

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

- Aspen continues to generate healthy topline and bottom-line results, with strength in its core offering complemented by solid demand for its new Asset Performance Monitoring suite of products. Additionally, Aspen is seeing some renewed interest from its engineering and construction clients, the segment that has been struggling most with the decline in oil prices. Annual contract value is forecast to accelerate this year beyond the softer growth seen in the last few years.
- Primerica reported a strong quarter, with topline growing by 13% and operating income increasing by 17%. These positive results were generated primarily by continued execution via an increasing sales force, investing in digital capabilities and expanding product offerings. We continue to view Primerica's low-cost distribution as an advantage and remain owners of the business.

Stocks that detracted the most from performance were Wynn Resorts and Bank OZK.

- The Macau casino market has recently experienced heightened levels of competition for VIP players as competitors have increased commissions paid to junket operators and have extended additional credit to players. The result of this competition has been near-term business pressure for Wynn. Management, however, has illustrated that long-term fundamentals of the Macau market remain strong and that the company will not compete on price but will continue to compete by having the best product and service in the market.
- Bank OZK, formerly Bank of the Ozarks, saw its share price decline in the most recent quarter after the company reported 15% annualized loan growth, which, while impressive for most banks, was a further slowdown in growth at Bank OZK. Some investors remain myopically focused on the current pace of loan growth at the bank. However, our investment thesis is anchored to the fact that over long periods of time Bank OZK has been one of the most efficient banks in the country with credit metrics and profitability that are well-above those of its peers. We continue to have positive expectations for Bank OZK's financial performance and remain owners of the business.

Purchases and Sales

We purchased Elanco Animal health and Charles Rivers Laboratories. We sold our position in Carlisle Companies.

Elanco Animal Health develops and markets products for companion and food animals in the U.S. and internationally. While competition and challenges exist in the animal-health segment, Elanco's market share is expected to rise, as its separation from Eli Lilly produces greater efficiencies and product development. Increased pet ownership and the global demand for protein should also serve as significant tailwinds for years to come. In addition, Elanco has built up a strong R&D team during its time associated with Lilly. This should create a consistent stream of new products that could help improve margins over time.

Charles River Laboratories is an early-stage contract research company that provides drug discovery, non-clinical development, and safety testing services worldwide. Due to the comprehensiveness of its services, Charles River can tailor solutions to customer's needs. This is especially vital for young biotech businesses that are more likely to outsource, given their need for internal investments and focus. Charles River also has been able to conduct an effective M&A strategy over time, with a focus on early-stage companies.

Owning Carlisle over the past few years yielded mixed results: The core business of construction materials delivered as we expected, while some other parts of the business showed disappointing results for various reasons. Overall, Carlisle was a decent investment during our holding period, but we are selling this company to help fund a new purchase.

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-Mid Cap
Sub-Style: Core
Index: Russell 2500™
Portfolio Inception: 1992
Portfolio Assets: \$2,709.5 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 Bailey, CFA Senior Research Analyst	19
Julie Biel, CFA Senior Research Analyst	10
Julie Kutasov Senior Research Analyst	17
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 (%)
Aspen Technology	5.4
RBC Bearings	4.7
MSCI	4.7
Scotts Miracle-Gro	4.4
Cooper Companies	4.2
Total	23.3

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.

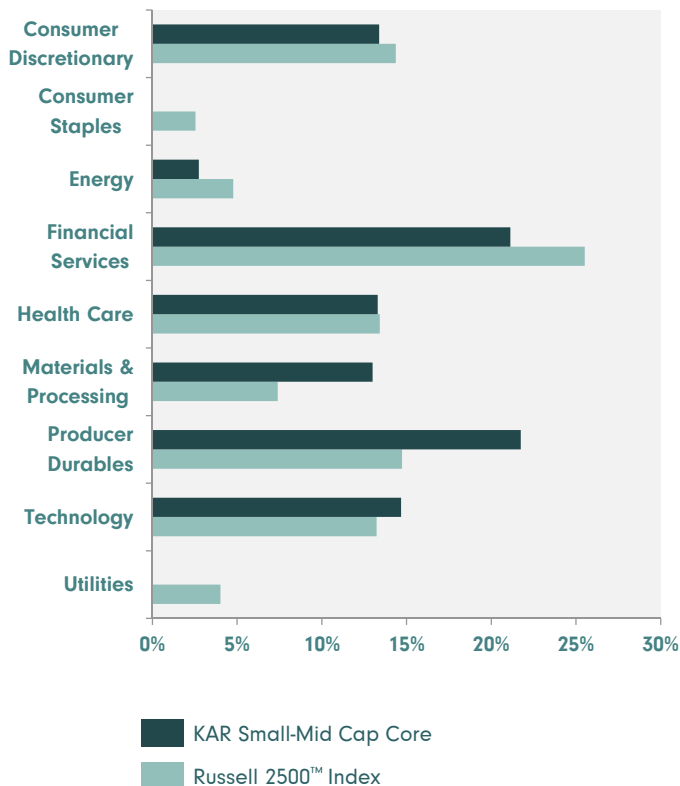
Higher Quality

Stronger, More Consistent Growth

Better Value

Sector Diversification

As of September 30, 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 September 30, 2018

	KAR Small-Mid Cap Core	Russell 2500™ Index
Quality		
Return on Equity—Past 5 Years	22.4%	11.8%
Total Debt/EBITDA	2.1 x	6.4 x
Earnings Variability—Past 10 Years	37.6%	73.6%
Growth		
Earnings Per Share Growth—Past 5 Years	13.1%	10.6%
Earnings Per Share Growth—Past 10 Years	15.3%	8.8%
Capital Generation—{ROE x (1-Payout)}	17.2%	8.7%
Value		
P/E Ratio—Trailing 12 Months	25.3 x	30.2 x
Dividend Yield	0.9%	1.4%
Free Cash Flow Yield†	3.6%	2.4%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$7.5 B	\$4.5 B
Largest Market Cap—3-Year Avg.	\$18.8 B	\$16.1 B
Annualized Standard Deviation—Since Inception‡	13.9%	16.9%

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

‡April 1, 1992

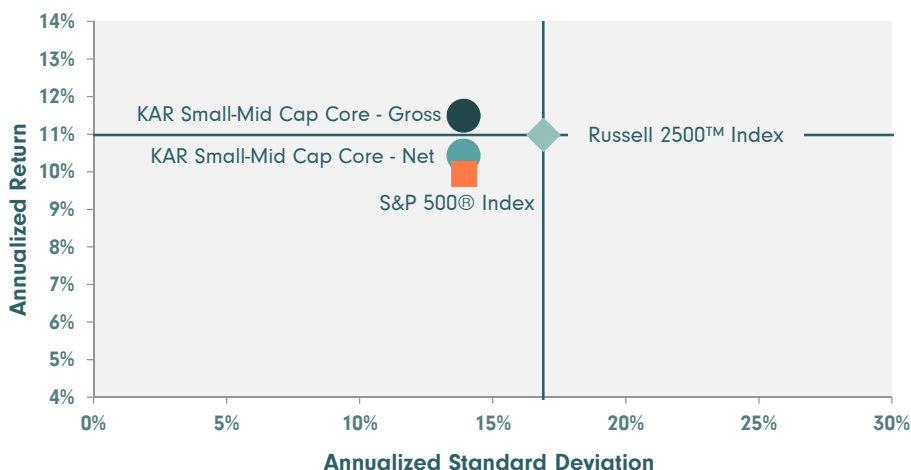
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

Small-Mid Cap Core Portfolio

Third Quarter 2018

Strong Risk-Adjusted Returns

Inception* to September 30, 2018



Historical Returns

	KAR Small-Mid Cap Core (gross)	KAR Small-Mid Cap Core (net) [†]	Russell 2500™ Index
Annualized Returns (%)[†]			
As of September 30, 2018			
3 rd Quarter	6.16	5.93	4.70
Year to Date	12.49	11.74	10.41
One Year	21.90	20.83	16.19
Three Years	18.81	17.77	16.13
Five Years	14.96	13.93	11.37
Seven Years	16.89	15.87	16.49
Ten Years	13.90	12.87	12.02
Inception*	11.49	10.43	10.98
Annual Returns (%)			
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.

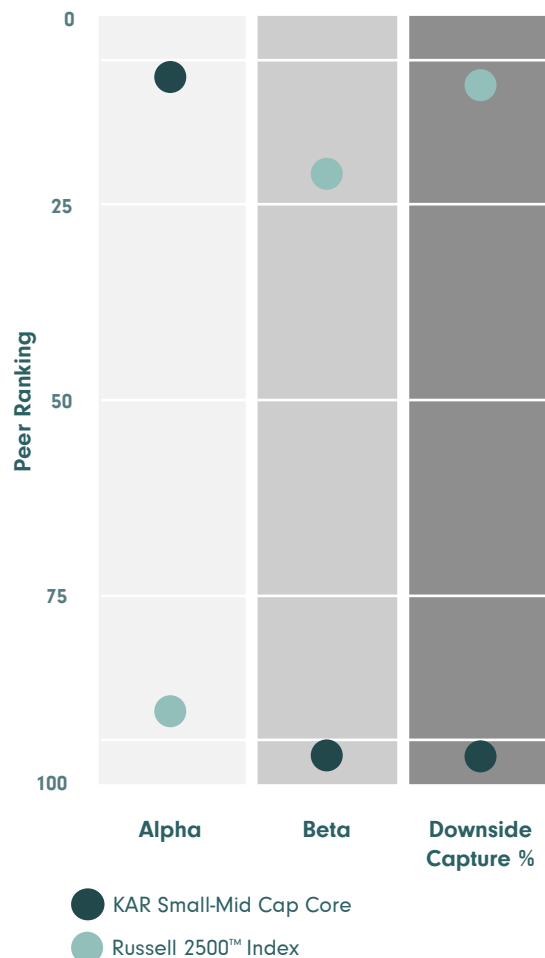
[‡]Net of all fees and expenses. Assumes a 0.90% annual fee.

[§]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 September 30, 2018



Performance Statistics

Inception* to September 30, 2018

	KAR Small-Mid Cap Core	Russell 2500™ Index
Annualized Return	11.49	10.98
Annualized Standard Deviation	13.90	16.90
Alpha	2.67	0.00
Beta	0.72	1.00
Sharpe Ratio	0.65	0.50
R-Squared	76.34	100.00

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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-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.