

## International Small Cap Portfolio

Fourth Quarter 2019

### Market Review

The MSCI All Country World ex. U.S. Small Cap Index increased 11.01% in the fourth quarter, and rallied 22.42% in a strong year for global equity markets. In 2018, equity markets around the world declined on economic growth fears, increasing trade tensions and tightening monetary conditions. In 2019, global economic growth appeared to be stabilizing, trade sentiment improved and global central banks were increasingly accommodative. In addition, the results of the recent election in the United Kingdom appeared to offer some clarity on an ultimate resolution to the Brexit saga that has dragged on for more than three years. As a result, equity markets moved sharply higher.

Information technology was the best performing sector in the quarter and for the year while the less economically sensitive consumer staples sector gained the least. Small cap stocks in developed markets significantly outperformed during the quarter, led by gains in the United Kingdom. Emerging markets underperformed, dragged down by negative returns in India and South Korea.

### Portfolio Overview

The International Small Cap portfolio outperformed the MSCI All Country World ex. U.S. Small Cap Index during the quarter and for the year. Our overweight position in Europe helped our portfolio somewhat, but our relatively strong performance was largely driven by outsized gains in many positions irrespective of geography or sector.

Our top two contributors in the fourth quarter, Mortgage Advice Bureau and Rightmove, are both listed in the United Kingdom. Mortgage Advice Bureau is one of the leading networks for mortgage brokers, and Rightmove is the largest real estate portal. Uncertainty related to Brexit had been hampering real estate transactions for some time, acting as a headwind on underlying fundamentals and sentiment on the stocks. Both stocks rallied sharply following the election results as investors viewed this as a clear mandate for the Conservative party to move forward with an orderly Brexit.

Other top contributors included Auto Trader, JOST Werke and Bouvet.

Our largest detractor from performance in the fourth quarter was Autohome, which is the largest online destination for automotive research in China. Automotive sales over the last year have been weak, negatively impacting Autohome's customers. This has impacted Autohome's ability to pass on historical levels of price increases for advertising on their platform. We are comfortable owning stocks through negative cyclical issues, but in the case of Autohome we have had increasing concerns about management veering outside of their core business. Most notably, we are skeptical about their decision to enter overseas markets where there are already strong, established competitors. As a result, we exited our position.

Pason Systems was another detractor from performance. Pason develops and sells technology to optimize drilling operations for exploration and production companies in the oil and gas industry. The stock declined as weak drilling activity in Canada weighed on earnings growth. The company's competitive position and financial condition remain strong and we believe the current valuation is attractive.

Other detractors included REA Group, Moneysupermarket.com and Goldlion.

### Purchases and Sales

New Purchases	Complete Sales
Adevinta	Autohome
CCU	CARE Ratings
FDM Group	Gocompare.com
Karnov Group	REA Group
Marel	Snieszka
Rotork	
SimCorp	

*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.*

### Portfolio Highlights

**Style:** Small Cap  
**Index:** MSCI® ACWI ex. U.S. Small Cap Index  
**Portfolio Inception:** 2012  
**Portfolio Assets:** \$2,106.8 M  
**Portfolio Turnover:** 25%–35%  
**Number of Holdings:** 40–50

### Investment Philosophy

- We believe that purchasing high-quality businesses with competitive protections at attractive valuations will achieve excess returns over a complete market cycle.

### Investment Objectives

- To achieve a return meaningfully above that of the MSCI® ACWI ex. U.S. Small Cap Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics

### Investment Management Team

Name	Years of research experience
<b>Douglas S. Foreman, CFA</b> Chief Investment Officer	33
<b>Hyung Kim</b> Portfolio Manager + Senior Research Analyst	15
<b>Craig Thrasher, CFA</b> Portfolio Manager + Senior Research Analyst	15
<b>Ekaterina V. Advena</b> Research Analyst	10
<b>David Forward</b> Research Analyst	5

### Top 10 Holdings

As of December 31, 2019

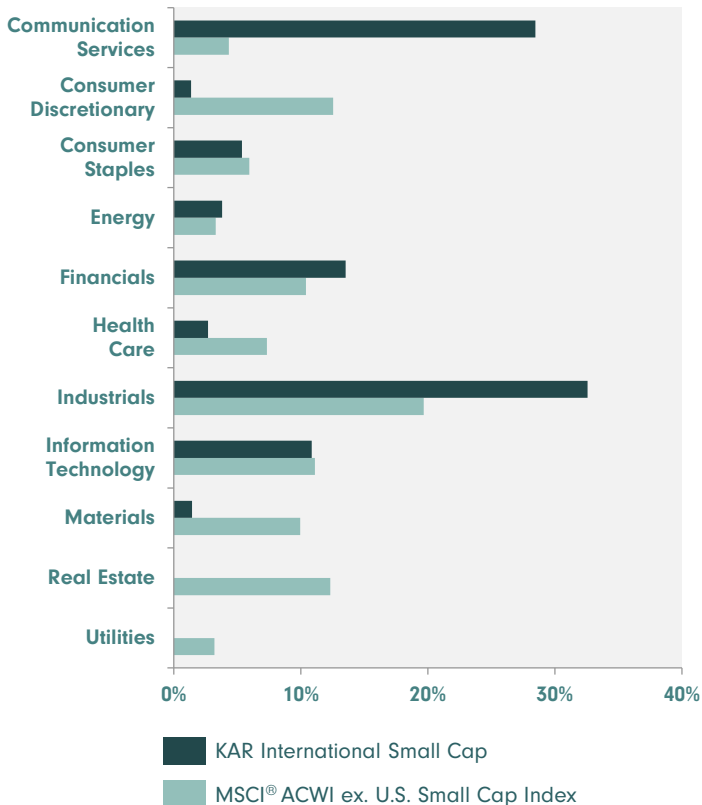
Company	Country	Percent of equity (%)
Rightmove	United Kingdom	5.7
Auto Trader	United Kingdom	5.6
Headhunter Group	Russian Federation	5.0
Scout24	Germany	3.8
Ascential	United Kingdom	3.6
Vostok New Ventures	Sweden	3.3
Sabre Insurance Group	United Kingdom	3.3
Karnov Group	Sweden	3.2
Alten	France	3.2
Mortgage Advice Bureau	United Kingdom	3.1
<b>Total</b>		<b>40.0</b>

## Investment Process: Discovering Quality

Development of High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
<b>400 Stocks</b> <b>Quantitative Screens</b> <ul style="list-style-type: none"> <li>High return on capital over a full economic cycle</li> <li>Long and resilient earnings history</li> <li>High return on net operating assets</li> <li>Minimal debt</li> </ul> <b>Other Resources</b> <ul style="list-style-type: none"> <li>Research on existing portfolio holdings</li> <li>Meetings with companies</li> <li>Industry reviews</li> <li>Investment conferences</li> <li>Third-party research</li> </ul>	<b>100–120 Stocks</b> <b>Qualitative Analysis</b> <ul style="list-style-type: none"> <li>Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market</li> </ul> <b>Financial Analysis</b> <ul style="list-style-type: none"> <li>Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately</li> </ul> <b>Valuation Analysis</b> <ul style="list-style-type: none"> <li>Determine the current and potential value of the business</li> </ul>	<b>30–60 Stocks</b> <b>Position Weights</b> <ul style="list-style-type: none"> <li>Maximum initial position size is 5% (at cost)</li> <li>Maximum position size is 10% (at market)</li> </ul> <b>Sector and Geographic Tolerances</b> <ul style="list-style-type: none"> <li>Seek broad diversification, but no sector constraints</li> </ul> <b>Holding Period</b> <ul style="list-style-type: none"> <li>Typically 3-to-5 years</li> <li>Portfolio turnover is typically 25% to 35%</li> </ul> <b>Cash Levels</b> <ul style="list-style-type: none"> <li>Typically will not exceed 10% once a portfolio is fully invested; review by CIO triggered if over 10%</li> </ul>	<b>Extended Valuation</b> <b>Portfolio Upgrade</b> <b>Acquisition Activity</b> <b>Negative Company or Industry Changes</b>
Higher Quality   Stronger, More Consistent Growth   Better Value			

## Sector Diversification

As of December 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 GICS sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

## Portfolio Characteristics

As of December 31, 2019

	KAR International Small Cap	MSCI <sup>®</sup> ACWI ex. U.S. Small Cap Index
<b>Quality</b>		
Return on Equity—Past 5 Years	27.2%	11.5%
Total Debt/EBITDA	1.1 x	4.7 x
Interest Expense Coverage	1.0 x	3.7 x
<b>Growth</b>		
Earnings Per Share Growth—Past 5 Years	24.4%	11.6%
Earnings Per Share Growth—Past 10 Years	11.6%	9.8%
Dividend Per Share Growth—Past 5 Years	13.5%	11.3%
Dividend Per Share Growth—Past 10 Years	12.5%	9.0%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	21.1 x	19.9 x
Dividend Yield	2.3%	2.5%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap	\$2.9 B	\$2.5 B
Largest Market Cap	\$7.8 B	\$7.8 B

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.**

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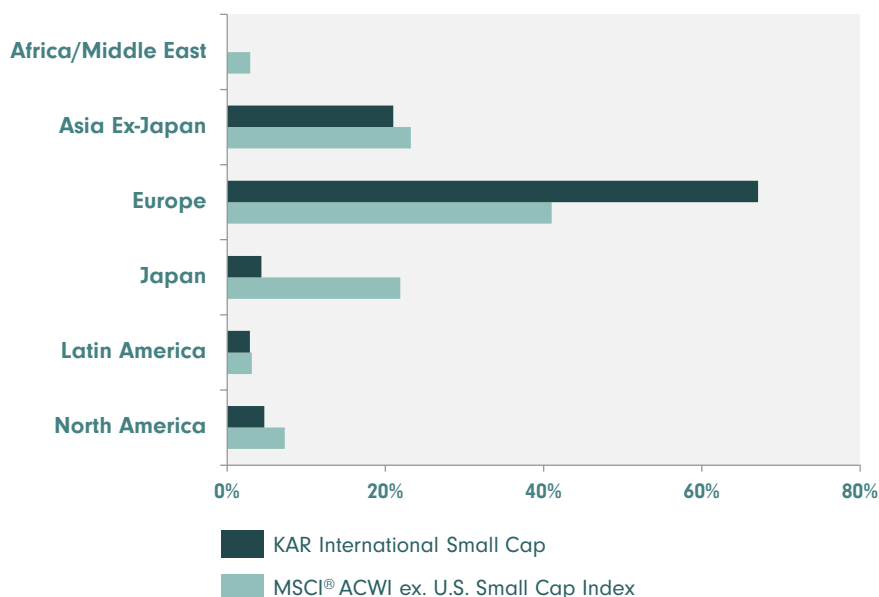
## Developed vs. Emerging Markets

As of December 31, 2019

	Percent of equity (%)
Developed Markets	79.3
Emerging Markets	20.7
<b>Total</b>	<b>100.0</b>

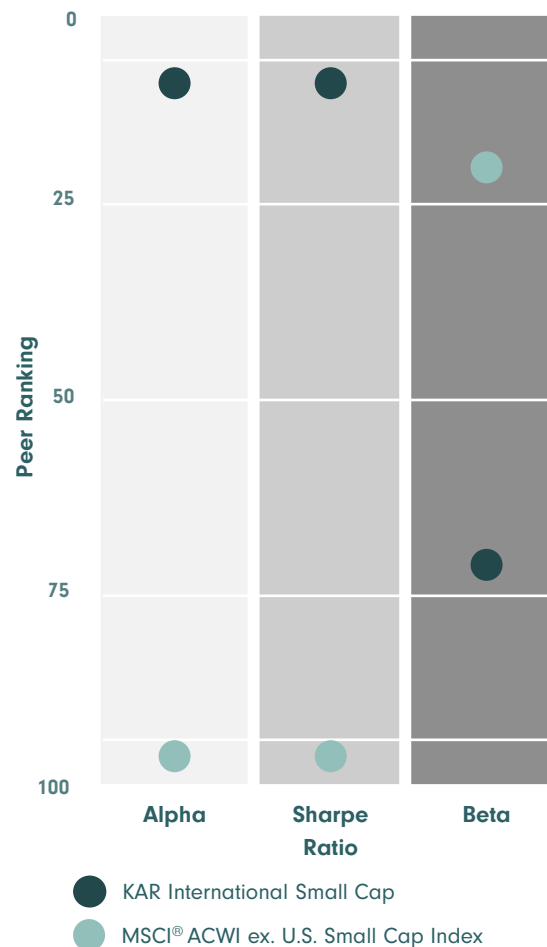
## Geographical Exposure

As of December 31, 2019



## Peer Comparison Chart

Inception\* to December 31, 2019



## Historical Returns

	KAR International Small Cap (gross)	KAR International Small Cap (net) <sup>‡</sup>	MSCI ACWI ex. U.S. Small Cap Index
<b>Annualized Returns (%)<sup>†</sup></b>			
As of December 31, 2019			
4 <sup>th</sup> Quarter	14.51	14.24	11.01
One Year	29.50	28.24	22.42
Three Years	16.90	15.75	9.65
Five Years	14.36	13.24	7.04
Seven Years	14.25	13.13	7.09
Inception*	15.52	14.40	8.45
<b>Annual Returns (%)</b>			
2019	29.50	28.24	22.42
2018	(5.33)	(6.28)	(18.20)
2017	30.29	29.02	31.65
2016	22.81	21.61	3.91
2015	(0.28)	(1.25)	2.60
2014	(1.92)	(2.91)	(4.03)
2013	32.42	31.16	19.73
2012	24.87	23.66	18.52

\*January 1, 2012

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

<sup>‡</sup>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 ACWI ex. U.S. Small Cap Universe includes all managers categorized in the ACWI ex. U.S. small cap 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 December 31, 2019

	KAR International Small Cap	MSCI ACWI ex. U.S. Small Cap Index
Annualized Return	15.52	8.45
Alpha	7.50	0.00
Upside Capture %	120.35	100.00
Sharpe Ratio	1.21	0.61
Information Ratio	1.41	N/A
Beta	0.89	1.00
Downside Capture %	66.66	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, 2018.

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 International Small Cap Composite has been examined for the period from January 1, 2012 through December 31, 2018. 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 International Small Cap Portfolios. International Small Cap Portfolios are invested in equity securities with market capitalizations in line with the MSCI® ACWI ex.

U.S.A. Small Cap 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 MSCI® ACWI ex U.S.A. Small Cap Index (net). The MSCI® ACWI ex. U.S.A. Small Cap Index is a market capitalization-weighted index of small-capitalization stocks of the MSCI® Global Investable Market Indices Universe, excluding U.S. companies. The index is calculated on a total-return basis with dividends reinvested, net of withholding taxes. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

The composite contained 100% non-fee-paying portfolios as of December 31, 2012, 12% non-fee-paying portfolios as of December 31, 2013, 12% non-fee-paying portfolios as of December 31, 2014, 7% non-fee-paying portfolios as of December 31, 2015 and December 31, 2016, 15% non-fee-paying portfolios as of December 31, 2017, and < 1% non-fee-paying portfolios as of December 31, 2018.

The standard management fee schedule currently in effect is as follows: 1.00% for the first \$100 million; 0.90% 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 withholding taxes and 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, which measures the variability of the composite (using gross returns) and the benchmark for the 36-month period, is not presented for periods prior to 2014 because 36 monthly composite returns are not available.

#### 3-Yr Annualized Standard Deviation (%)

	December 31	Composite	Benchmark
2014		11.99	13.33
2015		12.02	11.49
2016		13.26	12.31
2017		13.01	11.69
2018		12.39	12.52

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	MSCI® ACWI ex. U.S. Small Cap Index (net) Annual Return (%)	Internal Dispersion
2012	6,545	4	< 5	24.87	23.66	18.52	N/A
2013	7,841	43	< 5	32.42	31.16	19.73	N/A
2014	7,989	42	< 5	(1.92)	(2.91)	(4.03)	N/A
2015	8,095	46	< 5	(0.28)	(1.25)	2.60	N/A
2016	9,989	55	< 5	22.81	21.61	3.91	N/A
2017	14,609	324	< 5	30.29	29.02	31.65	N/A
2018	17,840	905	< 5	(5.33)	(6.28)	(18.20)	N/A

The MSCI® ACWI ex. U.S. Small Cap Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc..