

Mid Cap Core Portfolio

Fourth Quarter 2019



Portfolio Review

The Mid Cap Core portfolio slightly outperformed the Russell Midcap Index during the fourth quarter. Performance was driven by an underweight in utilities and strong stock selection in consumer staples. Poor stock selection in the technology and materials & processing sectors detracted from performance.

The biggest contributors to performance during the quarter were SiteOne Landscape Supply and Zebra Technologies. With strong organic daily sales growth this quarter, SiteOne is on track to deliver mid-single-digit full year growth, which didn't look promising given the poor weather at the start of 2019. Its barcode initiative has been successful in the pilot branches and will be rolled out to the rest of the branches and complete by the first half of 2020. In addition, management noted that in the markets where they have a full product line, these branches tend to be higher performers and also have higher margins. Despite a slowdown in the soft China spending environment, Zebra saw continued strength in its North America business. The company also announced its largest win in the company's history, which is a project with the U.S. Postal Service for handheld touch devices to scan, track and trace packages. Other top contributors included Globus Medical, Lamb Weston and Brooks Automation.

The biggest detractors from the portfolio were Verisk Analytics and Autohome. Verisk Analytics slightly declined during the fourth quarter after the business reported a high-single-digit organic sales growth rate that did not exceed the high expectations of market participants. The slight stock decline created relative underperformance compared to the remainder of the portfolio, which saw broad appreciation in the fourth quarter. Autohome's profitability suffered after the company increased its promotional spending in an effort to support new car sales activity in China. Also, management announced it will not raise the price of its dealer subscription product in 2020 after several years of consistent increases. Moreover, aggressive product development activities and geographic expansion have created uncertainty about the future profitability profile of the company. Other bottom contributors included Aspen Technology, Exponent and International Flavors & Fragrances.

Purchases and Sales

There were no purchases during the quarter.

We sold our position in International Flavors & Fragrances after the company announced a deal to conduct a reverse merger with DuPont's Nutrition and Biosciences unit. We believe that the company's management has taken an overly-aggressive approach to growth that takes away from our core investment philosophy.

Outlook

On the surface, there appears to be less concerns about the 2020 outlook than there was at the beginning of 2019. The stock market made numerous new highs in December reflecting this outlook. It is no heroic assumption to predict returns in 2020 will not be as good as 2019 despite a reduction in uncertainty. We believe corporate profits should improve in 2020 to the 5% to 10% growth level despite a slowing in overall GDP probably to the 1.0% to 1.5% range. Modest economic growth coupled with better growth overseas could lead to continued improving corporate profitability. The Federal Reserve will probably hold rates steady if this kind of environment unfolds. Election rhetoric will create some volatility in 2020, but it is premature to handicap any outcomes.

Portfolio Highlights

Style: Mid Cap
Sub-Style: Core
Index: Russell Midcap®
Portfolio Inception: 2000
Portfolio Assets: \$999.1 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
Craig Stone Portfolio Manager + Senior Research Analyst	30
Todd Beiley, CFA Senior Research Analyst	20
Julie Biel, CFA Senior Research Analyst	11
Julie Kutsov Senior Research Analyst	18
Chris Wright, CFA Senior Research Analyst	7
Sean Dixon Research Analyst	10
Adam Xiao, CFA Research Analyst	4

Top Five Holdings

As of December 31, 2019

Company	Percent of equity (%)
AMETEK	5.9
Globus Medical	5.6
Aspen Technology	4.9
Brooks Automation	4.6
SiteOne Landscape Supply	4.4
Total	25.3

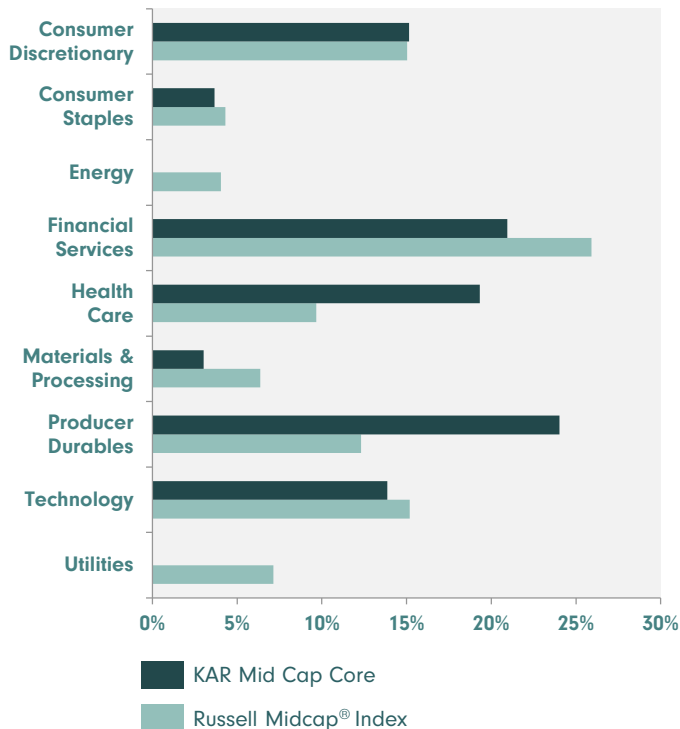
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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"> Maximum initial position size is 5% (at cost) Maximum position size is 10% (at market) Sector Tolerances <ul style="list-style-type: none"> Seek broad diversification, but no sector constraints Non-U.S. Holdings <ul style="list-style-type: none"> Up to 20% 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; review by CIO triggered if over 10% 	Extended Valuation Portfolio Upgrade Acquisition Activity Negative Company or Industry Changes
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 Russell sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of December 31, 2019

	KAR Mid Cap Core	Russell Midcap Index
Quality		
Return on Equity—Past 5 Years	22.7%	13.9%
Total Debt/EBITDA	1.5 x	4.0 x
Earnings Variability—Past 10 Years	36.3%	55.0%
Growth		
Earnings Per Share Growth—Past 5 Years	14.1%	10.9%
Earnings Per Share Growth—Past 10 Years	14.9%	10.4%
Dividend Per Share Growth—Past 5 Years	13.8%	9.4%
Dividend Per Share Growth—Past 10 Years	18.5%	11.4%
Capital Generation—{ROE x (1-Payout)}	17.1%	9.5%
Value		
P/E Ratio—Trailing 12 Months	31.4 x	26.9 x
Dividend Yield	0.7%	1.7%
Free Cash Flow Yield†	3.0%	3.1%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$13.1 B	\$15.0 B
Largest Market Cap—3-Year Avg.	\$39.0 B	\$48.4 B
Annualized Standard Deviation—Since Inception‡	13.9%	16.5%

†Free cash flow data is as of September 30, 2019. Prices are as of December 31, 2019. Excludes financials.

‡January 1, 2000

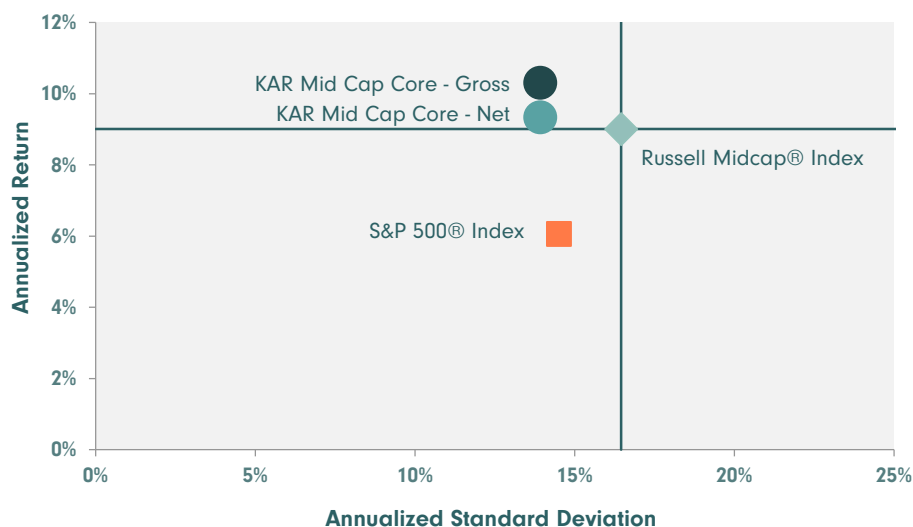
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

Mid Cap Core Portfolio

Fourth Quarter 2019

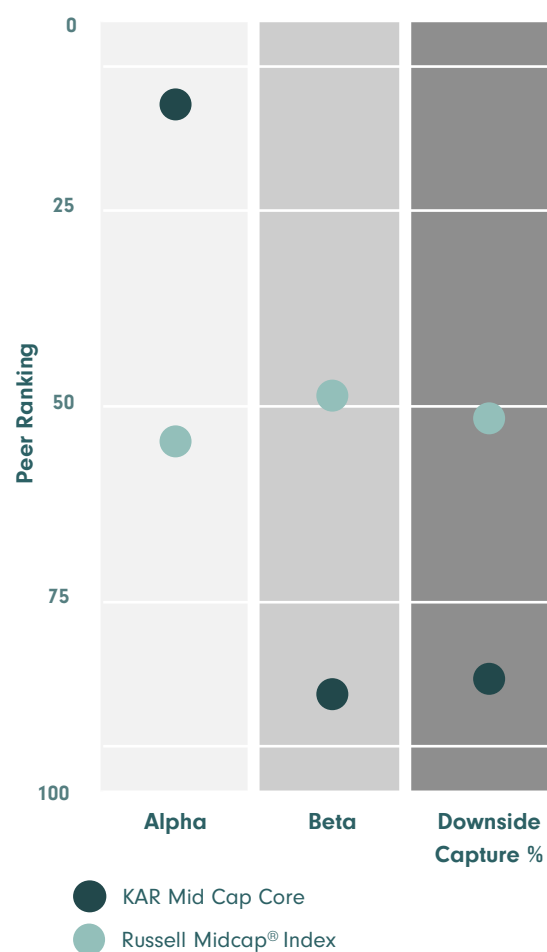
Strong Risk-Adjusted Returns

Inception* to December 31, 2019



Peer Comparison Chart

Ten Years Ending December 31, 2019



Historical Returns

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [†]	Russell Midcap [®] Index
Annualized Returns (%)[†]			
As of December 31, 2019			
4 th Quarter	7.69	7.49	7.06
One Year	32.18	31.22	30.54
Three Years	17.29	16.43	12.06
Five Years	13.38	12.54	9.33
Seven Years	16.11	15.26	13.21
Ten Years	15.35	14.47	13.19
Inception*	10.31	9.34	9.01

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [†]	Russell Midcap [®] Index
Annual Returns (%)			
2019	32.18	31.22	30.54
2018	(3.21)	(3.93)	(9.06)
2017	26.13	25.21	18.52
2016	12.32	11.49	13.80
2015	3.37	2.60	(2.44)
2014	18.17	17.28	13.22
2013	28.54	27.62	34.76
2012	16.58	15.72	17.28
2011	4.52	3.76	(1.55)
2010	20.23	19.06	25.48
2009	21.11	19.92	40.48
2008	(28.63)	(29.37)	(41.46)
2007	6.45	5.40	5.60
2006	13.05	11.93	15.26
2005	8.86	7.78	12.65
2004	15.23	14.08	20.22
2003	26.72	25.49	40.06
2002	(12.62)	(13.50)	(16.19)
2001	(2.76)	(3.71)	(5.62)
2000	21.54	20.33	8.25

*January 1, 2000

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

[†]Net of all fees and expenses. Assumes a 0.75% 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 Mid Cap Core Universe includes all managers categorized in the 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 December 31, 2019

	KAR Mid Cap Core	Russell Midcap [®] Index
Annualized Return	10.31	9.01
Annualized Standard Deviation	13.92	16.45
Alpha	2.67	0.00
Beta	0.78	1.00
Sharpe Ratio	0.62	0.45
R-Squared	85.03	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 Mid Cap Core Composite has been examined for the period from January 1, 2000 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 Mid Cap Core Portfolios. Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Index. The Russell Midcap® Index is a market capitalization-weighted index of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 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 2000. Previously, only institutional accounts were included. 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. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. 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.

The standard management fee schedule currently in effect is as follows: 0.75% for the first \$25 million; 0.65% on the next \$25 million; 0.55% 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.

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	17.51	21.86
2012	15.39	17.44
2013	12.53	14.23
2014	10.29	10.29
2015	11.96	11.00
2016	12.31	11.72
2017	10.76	10.51
2018	11.33	12.15

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Midcap® Index Annual Return (%)	Internal Dispersion
2009	4,010	8	9	21.11	19.92	40.48	0.40
2010	4,729	8	7	20.23	19.06	25.48	0.31
2011	5,232	10	14	4.52	3.76	(1.55)	0.26
2012	6,545	11	15	16.58	15.72	17.28	0.18
2013	7,841	15	15	28.54	27.62	34.76	0.48
2014	7,989	17	12	18.17	17.28	13.22	0.13
2015	8,095	40	15	3.37	2.60	(2.44)	0.44
2016	9,989	79	22	12.32	11.49	13.80	0.36
2017	14,609	170	72	26.13	25.21	18.52	0.23
2018	17,840	352	181	(3.21)	(3.93)	(9.06)	0.30

The Russell Midcap® Index and Russell 1000® Index are trademarks/service marks of Frank Russell Company. Russell® is a trademark of Frank Russell Company.