

Mid Cap Sustainable Growth Portfolio

Fourth Quarter 2019

Portfolio Overview

The Mid Cap Sustainable Growth portfolio outperformed the Russell Midcap Growth Index during the fourth quarter. Performance was driven by strong stock selection in the consumer discretionary and information technology sectors. An underweight in health care and poor stock selection in the communication services sector detracted from performance.

The biggest contributors to performance during the quarter were Trade Desk and GSX Techedu. Following the launch of its programmatic ad buying platform in China, Trade Desk disclosed another piece of positive news when it was selected to provide programmatic advertising to Amazon content providers. After selling off in 3Q 2019 on concerns that the spotlight on data privacy will reduce the value of its service and risk-off sentiment towards high-multiple software stocks, the shares snapped back in the fourth quarter. In 3Q 2019, GSX Techedu's revenue growth accelerated further from already hyper-growth due to online growth and share gains from offline. Reinforcing our view of the business model flywheel providing protection, the company disclosed that the top 30% of its top teachers have been approached by competing platforms and "none of their sophisticated teachers have left". Other top contributors include Paycom Software, Fair Isaac and MarketAxess Holdings.

The biggest detractors from the portfolio were Elastic and Zscaler. In the most recent quarter, delays in the Federal business caused Elastic to miss the consensus for quarterly billings and the market took a somewhat skeptical view on the company's ambitions to expand into application performance monitoring and security, spaces that have a number of similarly disruptive competitors. One of Zscaler's legacy competitors, Palo Alto Networks (PANW), has been on record this quarter talking down Zscaler's solution while at the same time launching its own cloud security offering. Combine that with a disappointing quarter where the company said larger deals were taking longer to close and its newly hired Chief Revenue Officer would likely ramp investments to build out additional C-suite sales team and tools, and you have a recipe for a weak stock. The mounting uncertainty about Zscaler maintaining its competitive advantages became too great in the quarter and we exited the position. Other bottom contributors include Goosehead Insurance, Rollins and Autohome.

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.

Purchases and Sales

New Purchases	Complete Sales
Bill.com	bluebird bio
Rollins	Zscaler

Portfolio Highlights

Style: Mid Cap
Sub-Style: Growth
Index: Russell Midcap® Growth
Portfolio Assets: \$696.2 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer & Portfolio Manager	33
Richard Sherry, CFA Senior Research Analyst	21
Chris Armbruster, CFA Research Analyst	14
Noran Eid Research Analyst	6

Top Five Holdings

As of December 31, 2019

Company	Percent of equity (%)
Trade Desk	4.2
Paycom Software	4.2
Fair Isaac	4.1
MarketAxess Holdings	3.9
MercadoLibre	3.8
Total	20.1

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 Qualitative Methods <ul style="list-style-type: none"> Investment conferences Meetings with companies Industry reviews Research on existing portfolio holdings Third-party research Quantitative Screens <ul style="list-style-type: none"> High return on capital over a full economic cycle Earnings surprise Long and resilient earnings history High return on net operating assets Minimal debt 	60–70 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 	25–50 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 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% 	Negative Company or Industry Changes Portfolio Upgrade Acquisition Activity Extended Valuation
Higher Quality		Stronger, More Consistent Growth	

Portfolio Characteristics

As of December 31, 2019

	KAR Mid Cap Sustainable Growth	Russell Midcap® Growth Index
Quality		
Return on Equity—Past 5 Years	19.1%	18.8%
Total Debt/EBITDA	2.5 x	3.4 x
Earnings Variability—Past 10 Years	37.8%	47.9%
Growth		
Earnings Per Share Growth—Past 5 Years	15.4%	15.3%
Earnings Per Share Growth—Past 10 Years	12.1%	13.7%
Capital Generation—{ROE x (1-Payout)}	15.4%	14.9%
Value		
P/E Ratio—Trailing 12 Months	65.2 x	35.9 x
P/E-to-10 Year Growth	5.4 x	2.6 x
Free Cash Flow Yield*	1.8%	3.2%
Market Characteristics		
\$ Weighted Average Market Cap	\$18.1 B	\$20.3 B
Largest Market Cap	\$85.2 B	\$78.6 B

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

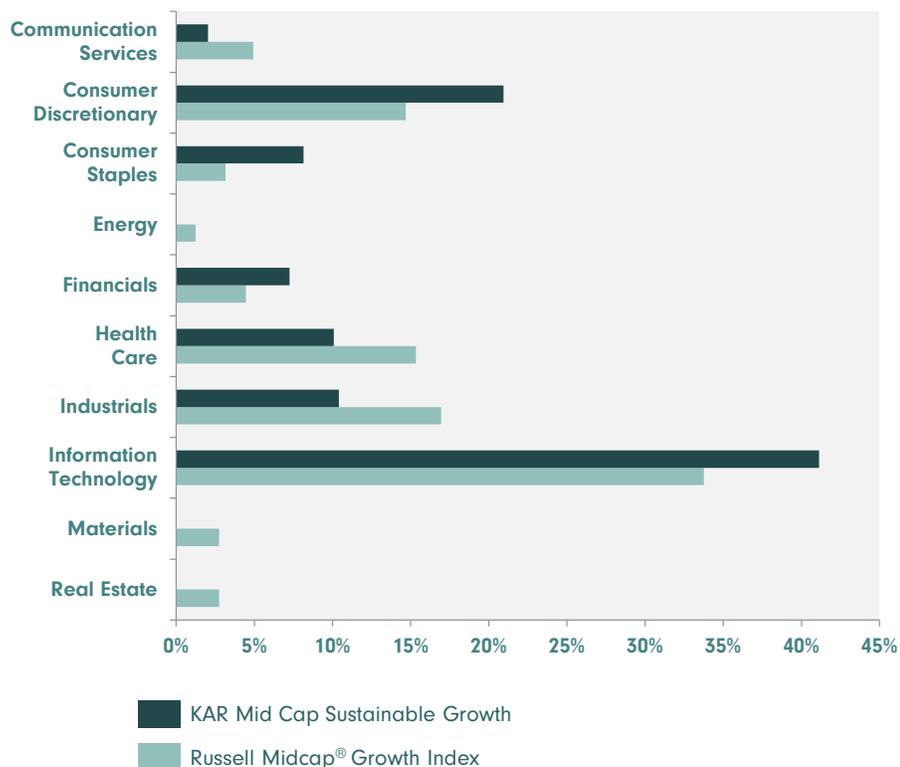
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. **Past performance is no guarantee of future results.**

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Fourth Quarter 2019

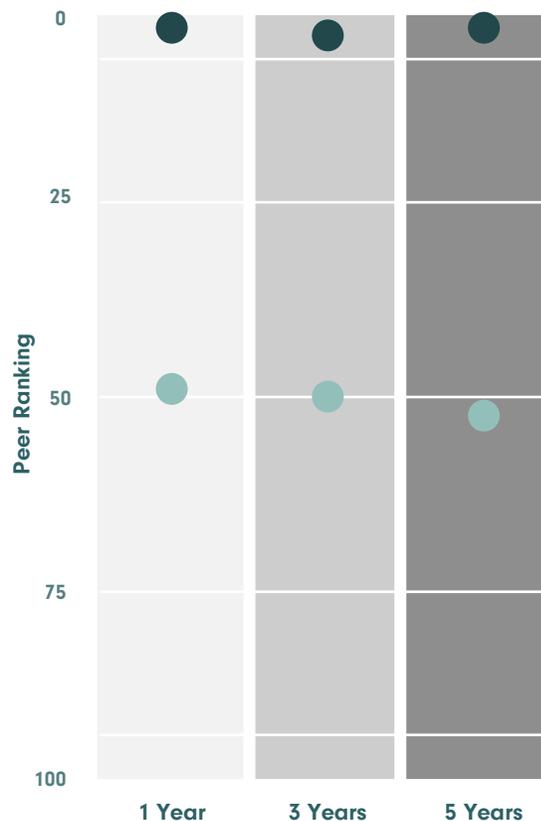
Sector Diversification

As of December 31, 2019



Peer Comparison Chart

Annualized Returns Ending December 31, 2019



● KAR Mid Cap Sustainable Growth
● Russell Midcap Growth Index

Historical Returns

	KAR Mid Cap Sustainable Growth (gross)	KAR Mid Cap Sustainable Growth (net) [†]	Russell Midcap Growth Index
Annualized Returns (%)[†]			
As of December 31, 2019			
4 th Quarter	12.63	12.43	8.17
One Year	46.05	44.99	35.47
Three Years	29.15	28.20	17.36
Five Years	18.28	17.41	11.60
Seven Years	17.40	16.53	14.81
Inception*	16.96	16.10	14.94
Annual Returns (%)			
2019	46.05	44.99	35.47
2018	9.04	8.23	(4.75)
2017	35.26	34.28	25.27
2016	3.27	2.50	7.33
2015	4.06	3.30	(0.20)
2014	4.98	4.18	11.90
2013	26.46	25.54	35.74
2012	13.97	13.12	15.81

*January 1, 2012

[†]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. 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 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 Sustainable Growth	Russell Midcap Growth Index
Annualized Return	16.96	14.94
Annualized Standard Deviation	14.19	12.71
Beta	1.02	1.00
Sharpe Ratio	1.15	1.13
R-Squared	83.94	100.00

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Fourth Quarter 2019

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. The verification reports are available upon request.

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. Verification does not ensure the accuracy of any specific composite presentation.

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 Sustainable Growth Portfolios. Mid Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® Growth 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® Growth Index. The Russell Midcap® Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 2012. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

This composite contained 100% non-fee-paying portfolios as of December 31, 2012, 100% non-fee-paying portfolios as of December 31, 2013, and < 1% non-fee-paying portfolios as of each annual period from 2014-2018.

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 gross of

management fees and 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. 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
2014	11.25	11.02
2015	13.28	11.47
2016	14.38	12.35
2017	13.14	11.04
2018	14.52	13.00

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Midcap® Growth Index Annual Return (%)	Internal Dispersion
2012	6,545	82	< 5	13.97	13.12	15.81	N/A
2013	7,841	93	< 5	26.46	25.54	35.74	N/A
2014	7,989	90	< 5	4.98	4.18	11.90	N/A
2015	8,095	88	< 5	4.06	3.30	(0.20)	N/A
2016	9,989	83	< 5	3.27	2.50	7.33	N/A
2017	14,609	98	< 5	35.26	34.28	25.27	N/A
2018	17,840	172	7	9.04	8.23	(4.75)	N/A

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