

Small Cap Core Portfolio

Fourth Quarter 2019



Portfolio Review

The Small Cap Core portfolio delivered positive performance, but underperformed the Russell 2000 Index during the fourth quarter. An underweight and poor stock selection in health care and poor stock selection in consumer discretionary detracted from performance. An underweight in utilities and good stock selection in producer durables contributed positively to performance.

The biggest contributors to performance during the quarter were Rightmove and CDW. As the leading online residential property listing site in the U.K., Rightmove enjoys a powerful competitive position that has translated into steady financial results despite a market-wide decline in sales transactions. Also, increasing clarity on Brexit lifted the shares. CDW continues to deliver strong financial performance, with consistent topline growth, stable margins and prudent capital allocation. Its diversified customer base has been spending to upgrade core technology, most notably security. The company benefits from being a trusted and agnostic provider of the latest software and hardware advancements. Other top contributors included MarketAxess Holdings, Old Dominion Freight Line and Teledyne Technologies.

The biggest detractors to performance during the quarter were Autohome and Dril-Quip. Autohome's profitability suffered in the third quarter 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. Dril-Quip's business has suffered over the past five years amid a severe cyclical downturn in the energy industry. Although customer orders have improved recently, the company's stock price remains volatile as current financial results remain subdued and signs of a broad industry recovery have yet to emerge. Other bottom contributors included RBC Bearings, Aspen Technology and Core Laboratories.

Purchases and Sales

There were no new purchases or complete sales during the quarter.

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: Small Cap
Sub-Style: Core
Index: Russell 2000®
Portfolio Inception: 1992
Portfolio Assets: \$7,979.6 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	33
Todd Bailey, CFA Portfolio Manager + Senior Research Analyst	20
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	24
Julie Biel, CFA Senior Research Analyst	11
Julie Kutasov Senior Research Analyst	18
Craig Stone Senior Research Analyst	30
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 (%)
Teledyne Technologies	8.0
CDW	7.8
Autohome	6.6
Rightmove	5.8
Primerica	5.7
Total	34.0

*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 	20–40 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

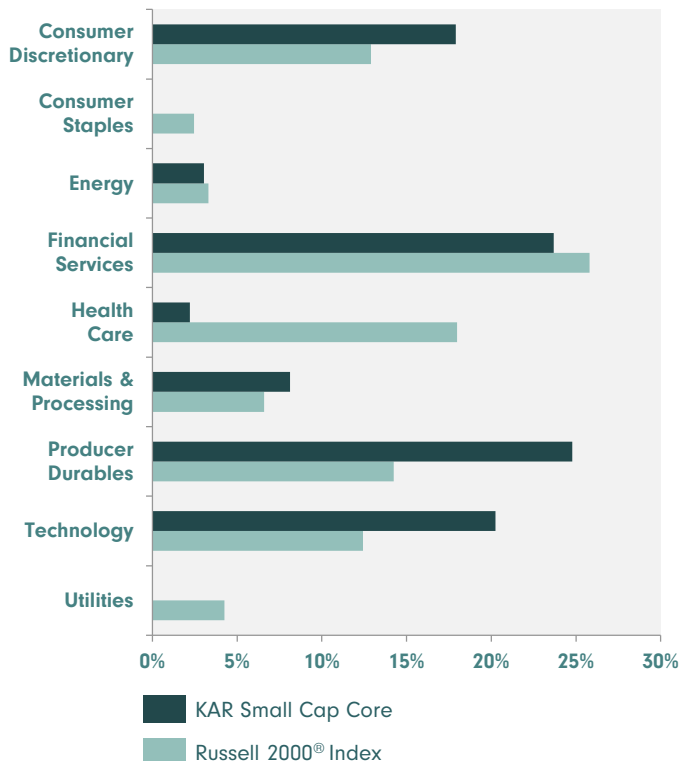
Higher Quality

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 Small Cap Core	Russell 2000® Index
Quality		
Return on Equity—Past 5 Years	23.9%	9.5%
Total Debt/EBITDA	1.1 x	5.3 x
Earnings Variability—Past 10 Years	24.0%	67.1%
Growth		
Earnings Per Share Growth—Past 10 Years	17.2%	9.1%
Dividend Per Share Growth—Past 10 Years	13.7%	7.7%
Capital Generation—{ROE x (1-Payout)}	17.9%	7.3%
Value		
P/E Ratio—Trailing 12 Months	27.9 x	39.8 x
Dividend Yield	1.0%	1.4%
Free Cash Flow Yield [†]	3.2%	1.6%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$6.8 B	\$2.3 B
Largest Market Cap—3-Year Avg.	\$13.2 B	\$9.4 B
Annualized Standard Deviation—Since Inception [‡]	15.0%	18.5%

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

[‡]April 1, 1992

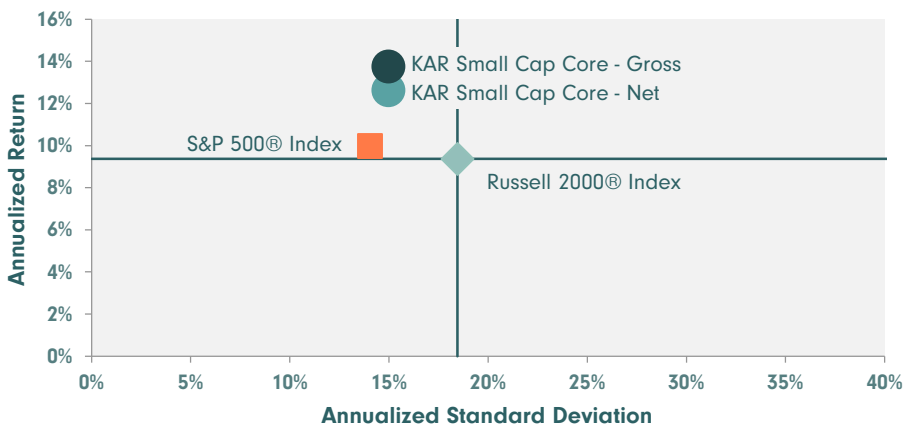
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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Strong Risk-Adjusted Returns

Inception* to December 31, 2019



Historical Returns

	KAR Small Cap Core (gross)	KAR Small Cap Core (net) [†]	Russell 2000 [®] Index
Annualized Returns (%)[†]			
As of December 31, 2019			
4 th Quarter	5.67	5.41	9.94
One Year	40.83	39.46	25.52
Three Years	24.03	22.81	8.59
Five Years	18.39	17.23	8.23
Seven Years	18.36	17.19	11.65
Ten Years	17.65	16.50	11.83
Inception*	13.76	12.64	9.37
Annual Returns (%)			
2019	40.83	39.46	25.52
2018	(0.83)	(1.82)	(11.01)
2017	36.61	35.29	14.65
2016	19.10	17.93	21.31
2015	2.37	1.36	(4.41)
2014	7.51	6.43	4.89
2013	30.10	28.84	38.82
2012	13.42	12.29	16.35
2011	10.14	9.08	(4.18)
2010	25.00	23.79	26.85
2009	32.09	30.80	27.17
2008	(27.64)	(28.40)	(33.79)
2007	3.16	2.14	(1.57)
2006	13.43	12.30	18.37
2005	7.78	6.70	4.55
2004	23.37	22.14	18.33
2003	34.34	33.06	47.25
2002	(12.74)	(13.62)	(20.48)
2001	6.16	5.13	2.49
2000	21.38	20.18	(3.02)
1999	6.09	5.06	21.26
1998	21.39	20.20	(2.55)
1997	20.82	19.63	22.36
1996	27.00	25.74	16.49
1995	17.47	16.30	28.45
1994	2.75	1.74	(1.82)
1993	20.00	18.84	18.88
1992 [§]	9.65	8.85	10.16

*April 1, 1992

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

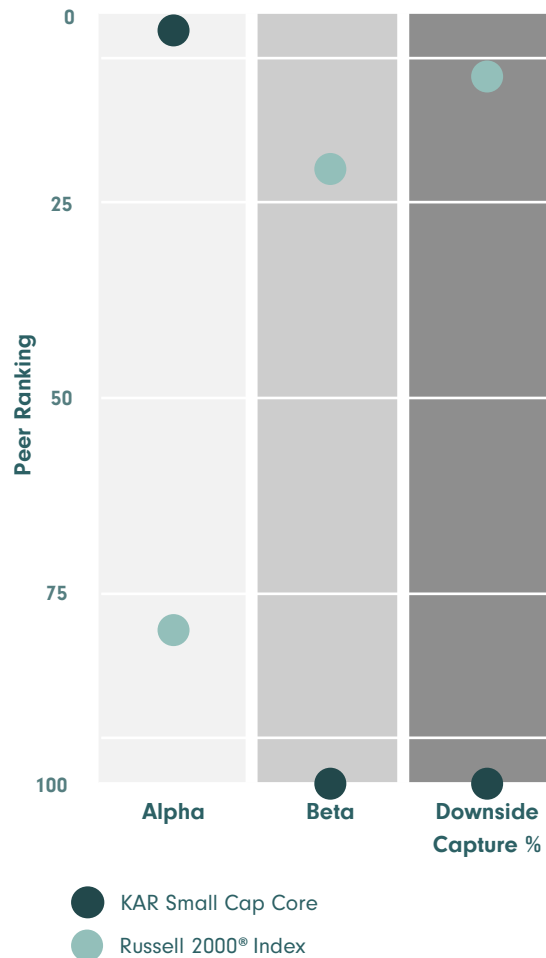
[‡]Net of all fees and expenses. Assumes a 1% annual fee.

[§]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 Cap Core Universe includes all managers categorized in the small 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 December 31, 2019



Performance Statistics

Inception* to December 31, 2019

	KAR Small Cap Core	Russell 2000 [®] Index
Annualized Return	13.76	9.37
Annualized Standard Deviation	14.96	18.45
Alpha	5.97	0.00
Beta	0.70	1.00
Sharpe Ratio	0.75	0.37
R-Squared	75.48	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 Small Cap Core Composite has been examined for the period from January 1, 1999 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 discretionary institutional and pooled Small Cap Core Portfolios. Small Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2000® 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 2000® Index. The Russell 2000® Index is a market capitalization-weighted index of the 2,000 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 April 1992. 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 December 31, 2010, only non-taxable portfolios are included in the composite. As of January 1, 2011, the composite was redefined to include both taxable and tax-exempt accounts. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. Previously, only institutional accounts were included. 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: 1.00% for the first \$25 million; 0.80% on the next \$25 million; 0.70% 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	20.61	25.34
2012	15.26	20.48
2013	11.81	16.68
2014	9.79	13.31
2015	11.28	14.16
2016	12.50	15.99
2017	11.59	14.11
2018	14.03	16.01

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Index Annual Return (%)	Internal Dispersion
2009	4,010	75	23	32.09	30.80	27.17	0.55
2010	4,729	63	22	25.00	23.79	26.85	0.76
2011	5,232	362	88	10.14	9.08	(4.18)	0.67
2012	6,545	541	102	13.42	12.29	16.35	0.33
2013	7,841	1018	121	30.10	28.84	38.82	1.41
2014	7,989	965	145	7.51	6.43	4.89	0.24
2015	8,095	1048	157	2.37	1.36	(4.41)	0.23
2016	9,989	1303	209	19.10	17.93	21.31	0.49
2017	14,609	2091	392	36.61	35.29	14.65	0.70
2018	17,840	2619	557	(0.83)	(1.82)	(11.01)	0.45

The Russell 2000® Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.