

Small Cap Sustainable Growth Portfolio

Fourth Quarter 2019



Portfolio Review

The Small Cap Sustainable Growth portfolio delivered positive performance, but underperformed the Russell 2000 Growth Index during the fourth quarter. An underweight and poor stock selection in health care and an overweight and poor stock selection in consumer staples detracted from performance. Strong stock selection in technology and an underweight in utilities contributed positively to performance.

The biggest contributors to performance during the quarter were Paycom Software and Auto Trader Group. Paycom Software reported another very strong quarter of profitability and top- and bottom-line growth. Its expansion into larger customers continues as well as its work to drive employee usage of its software to improve customer loyalty. Auto Trader's shares rose as the company's financial results remained healthy despite weak industry conditions. The stock also benefited from the progress made toward reaching a Brexit resolution. Other top contributors included Rightmove, DocuSign and Fox Factory.

The biggest detractors from the portfolio were Interactive Brokers Group and U.S. Physical Therapy. At the beginning of October, a competing large electronic broker, Charles Schwab, lowered its commissions for U.S. equity trades to zero following Interactive Brokers creating a zero-commission Lite account offering in late September. As a result, TD-Ameritrade, Fidelity and E*TRADE followed suit by cutting U.S. equity trade commissions to zero. Market participants reacted negatively to the commission cuts and sold off public electronic broker stocks as a group. U.S. Physical Therapy's shares were lower in the quarter after reporting financial results that gave rise to investor concerns. The industrial business has experienced integration of some M&A deals that have impacted margins. Also, there is some concern about a potential CMS rate cut in 2021 for physical therapy services. We are monitoring these issues, but continue to believe the business is structurally sound. Other bottom contributors included Autohome, HEICO and The Chefs' Warehouse.

Purchases and Sales

During the quarter, we purchased Goosehead Insurance and Grocery Outlet and we sold Copart.

Goosehead Insurance is a holding company which engages in the provision of independent personal lines insurance agency. Goosehead does not underwrite policies. Instead, its employees and franchisees serve as agents to place customer policies with insurance carrier partners.

Grocery Outlet is a discount retailer of consumable and fresh grocery products tracing its original concept of selling surplus military goods back to 1946. Grocery Outlet differentiates itself from other competitors through the sale of closeout grocery products and everyday grocery goods. Grocery Outlet's value proposition is offering their best deals at prices 40% to 70% below conventional retailers.

We sold Copart due to the company's larger market capitalization.

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: Growth
Index: Russell 2000® Growth
Portfolio Inception: 1998
Portfolio Assets: \$7,584.4 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 (%)
Auto Trader	6.9
Paycom Software	6.8
Autohome	6.7
Fox Factory	6.4
Rightmove	6.0
Total	32.7

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 	20–35 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

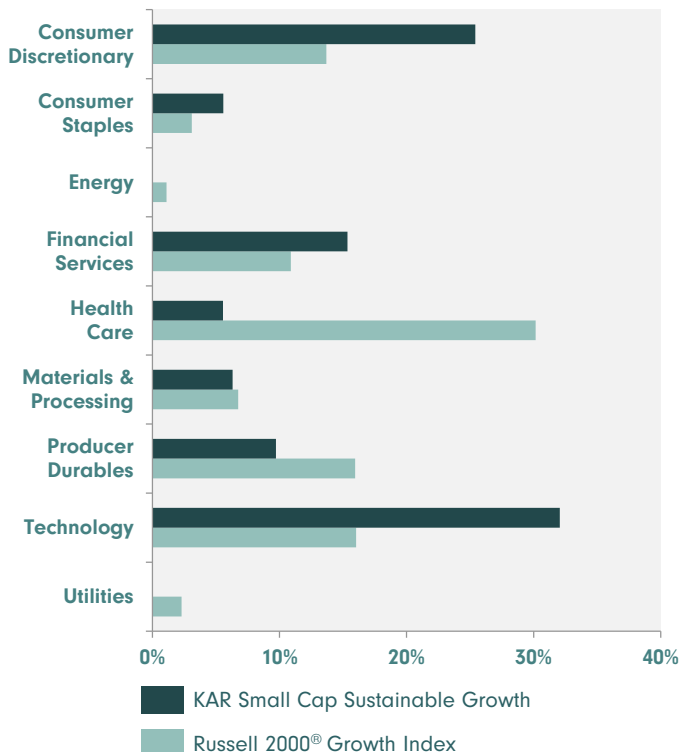
Higher Quality

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 Small Cap Sustainable Growth	Russell 2000® Growth Index
Quality		
Return on Equity—Past 5 Years	21.8%	11.4%
Total Debt/EBITDA	0.9 x	4.8 x
Earnings Variability—Past 10 Years	23.3%	65.8%
Growth		
Earnings Per Share Growth—Past 10 Years	13.0%	10.2%
Capital Generation—{ROE x (1-Payout)}	18.5%	9.5%
Value		
P/E Ratio—Trailing 12 Months	44.6 x	88.4 x
Free Cash Flow Yield†	2.1%	1.2%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$5.3 B	\$2.6 B
Largest Market Cap—3-Year Avg.	\$14.2 B	\$9.4 B
Annualized Standard Deviation—Since Inception‡	17.9%	22.7%

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

‡January 1, 1998

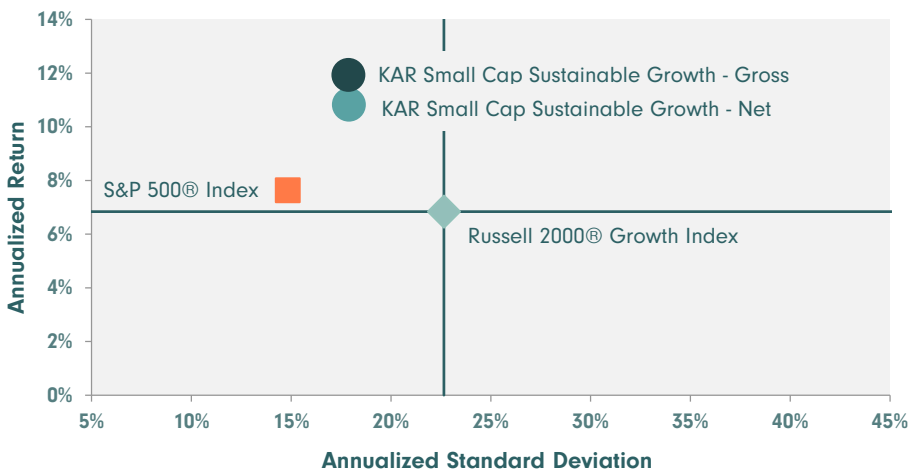
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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Fourth Quarter 2019

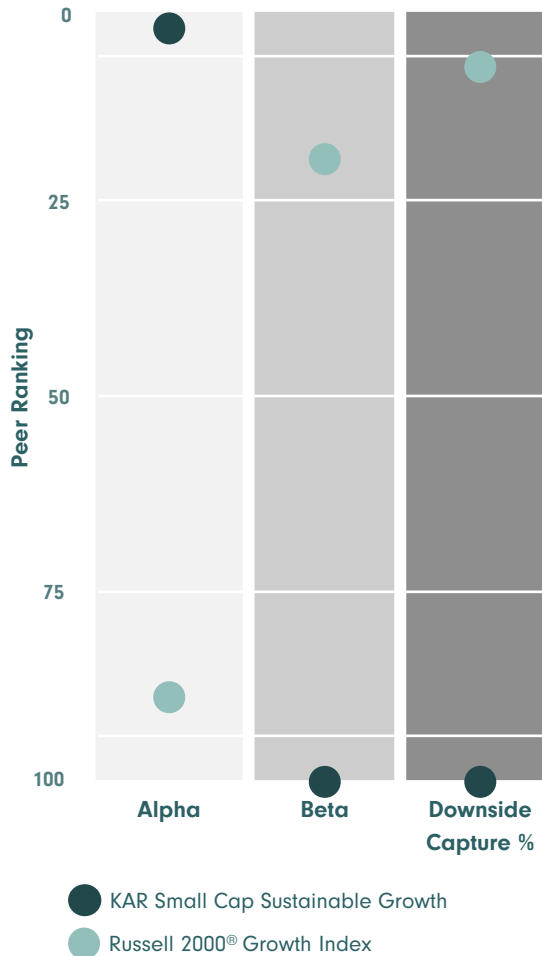
Strong Risk-Adjusted Returns

Inception* to December 31, 2019



Peer Comparison Chart

Ten Years Ending December 31, 2019



Historical Returns

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net) [‡]	Russell 2000® Growth Index
Annualized Returns (%)[†]			
As of December 31, 2019			
4 th Quarter	8.53	8.27	11.39
One Year	41.36	39.99	28.48
Three Years	29.57	28.31	12.49
Five Years	22.99	21.78	9.34
Seven Years	22.72	21.51	13.08
Ten Years	20.44	19.26	13.01
Inception*	11.93	10.82	6.84

Annual Returns (%)	KAR Small Cap Sustainable Growth	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
2019	41.36	39.99	28.48
2018	10.69	9.59	(9.31)
2017	39.03	37.69	22.17
2016	26.11	24.88	11.32
2015	2.57	1.55	(1.38)
2014	6.47	5.40	5.60
2013	39.89	38.53	43.30
2012	13.29	12.16	14.59
2011	17.82	16.69	(2.91)
2010	14.82	13.69	29.09
2009	38.51	37.16	34.47
2008	(33.61)	(34.32)	(38.54)
2007	(0.59)	(1.59)	7.05
2006	15.80	14.66	13.35
2005	1.88	0.85	4.15
2004	12.82	11.68	14.31
2003	38.44	37.10	48.54
2002	(23.82)	(24.60)	(30.26)
2001	0.48	(0.49)	(9.23)
2000	6.28	5.22	(22.43)
1999	31.19	29.92	43.09
1998	3.33	2.28	1.23

*January 1, 1998

[†]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.

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 Growth Universe includes all managers categorized in the small cap growth 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 Small Cap Sustainable Growth	Russell 2000® Growth Index
Annualized Return	11.93	6.84
Annualized Standard Deviation	17.87	22.65
Alpha	6.29	0.00
Beta	0.67	1.00
Sharpe Ratio	0.56	0.21
R-Squared	72.02	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 Sustainable Growth 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 fully discretionary institutional and pooled Small Cap Sustainable Growth Portfolios. Small Cap Sustainable Growth Portfolios are invested in equity securities with market capitalizations in line with the Russell 2000® 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 2000® Growth Index. The Russell 2000® Growth Index is a market capitalization-weighted index of growth-oriented stocks 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 January 1998. 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. 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.

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	19.74	24.65
2012	15.54	21.01
2013	12.22	17.52
2014	12.35	14.02
2015	14.08	15.16
2016	14.85	16.91
2017	12.69	14.80
2018	13.29	16.69

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Growth Index Annual Return (%)	Internal Dispersion
2009	4,010	11	11	38.51	37.16	34.47	0.94
2010	4,729	12	12	14.82	13.69	29.09	0.22
2011	5,232	180	14	17.82	16.69	(2.91)	0.51
2012	6,545	155	17	13.29	12.16	14.59	0.42
2013	7,841	232	23	39.89	38.53	43.30	1.42
2014	7,989	205	20	6.47	5.40	5.60	0.40
2015	8,095	244	17	2.57	1.55	(1.38)	0.40
2016	9,989	614	19	26.11	24.88	11.32	0.54
2017	14,609	2038	40	39.03	37.69	22.17	1.40
2018	17,840	4738	79	10.69	9.59	(9.31)	0.85

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