

Mid Cap Core Portfolio

First Quarter 2020



Manager of the
Decade for the last
4 years (2016-19)

Portfolio Review

The Mid Cap Core portfolio and the Russell Midcap Index both slid into negative territory late in the first quarter, with the Mid Cap Core portfolio outperforming the index. Performance was driven by strong stock selection in producer durables and financial services. Poor stock selection and an underweight in technology and consumer staples detracted from performance, along with a general deterioration of the overall equity markets due to the COVID-19 pandemic.

The biggest contributors to performance during the quarter were Old Dominion Freight Line and Houlihan Lokey. During the most recent quarter, Old Dominion Freight Line showed continued price increases despite declining volumes. Industry volumes are likely to be challenged mid-year due to the COVID-19 pandemic-related declines in economic activity, but the company has a net cash balance and high margins that should allow it to better weather the downturn than peers. During the most recent quarter, Houlihan Lokey reported double-digit growth in both revenue and profits. The emergence of COVID-19 will be a headwind to M&A growth in 2020, but the economic disruption caused by the pandemic will create increased activity for Houlihan Lokey's restructuring bankers. As a result, we believe the company is well-positioned throughout the economic cycle to generate profits by providing advice to corporate clients. Other top contributors included West Pharmaceutical, Exponent and Graco.

The biggest detractors from the portfolio were AMETEK and Globus Medical. AMETEK came under pressure as recent events surrounding COVID-19 and the accompanying economic slowdown have likely impacted the near-term prospects for the business. However, we believe its focus on nuanced and niche products positions the business to retain its structural competitive advantages which are likely to benefit the company throughout an economic cycle. Globus Medical saw its shares fall in the quarter due to concerns about the drop in elective procedures due to COVID-19 and the impact it could have on sales momentum. However, we believe the company should benefit when hospital capacity re-opens, and with a strong balance sheet (no debt) and a solid margin profile, can withstand this volatile environment. Other bottom contributors included Lamb Weston, Amphenol and Brooks Automation.

Purchases and Sales

During the quarter, we purchased Allegion and HEICO. There were no complete sales.

Allegion manufactures and sells mechanical and electronic security products and solutions. The company offers door closers and controls; doors and door systems; electronic security products and systems; exit devices; and locks and lock sets. Its leading brands are Schlage, Von Duprin and LCN. The company was spun off from Ingersoll Rand in 2013.

HEICO engages in the design, manufacture and sale of aerospace, defense and electronic-related products and services. HEICO is the only significant parts manufacture approval (PMA) manufacturer of size. HEICO has developed over 11,000 parts for which PMAs have been received, and has built relationships with over 200 direct customers.

Outlook

We believe that a few things will need to occur for the economy to begin to emerge from a recession: 1) The number of global COVID-19 cases peak out and decline sequentially; 2) fixed-income spreads stabilize and tighten fairly consistently; 3) returns for the Russell 2000 Index (small-capitalization stocks) are greater than the S&P 500 Index (large-capitalization stocks), particularly on down days; and 4) debt-laden companies perform better (or at least stop going down).

Nobody really knows when this will happen in the future, so what are we doing at KAR? Fortunately, our quality investment style lends itself to owning businesses with more variable cost structures, debt-free balance sheets and positive cash flow. These businesses are not immune to recession, but we believe they have the highest probability of surviving it and will ultimately prosper. As always, we are thinking about the next three-to-five years and we feel very confident that we will recover at some point.

Uncertainty is high in the short-term and predictability is very low over the near-term, but we believe the long-term outlook for our businesses is favorable.

Portfolio Highlights

Style: Mid Cap
Sub-Style: Core
Index: Russell Midcap®
Portfolio Inception: 2000
Portfolio Assets: \$847.1 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	34
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	25
Craig Stone Portfolio Manager + Senior Research Analyst	31
Todd Beiley, CFA Senior Research Analyst	21
Julie Biel, CFA Senior Research Analyst	12
Julie Kutsov Senior Research Analyst	19
Chris Wright, CFA Senior Research Analyst	8
Sean Dixon Research Analyst	11
Adam Xiao, CFA Research Analyst	5

Top Five Holdings

As of March 31, 2020

Company	Percent of equity (%)
AMETEK	5.2
West Pharmaceutical Services	5.2
Globus Medical	4.9
Old Dominion Freight Line	4.5
Aspen Technology	4.4
Total	24.1

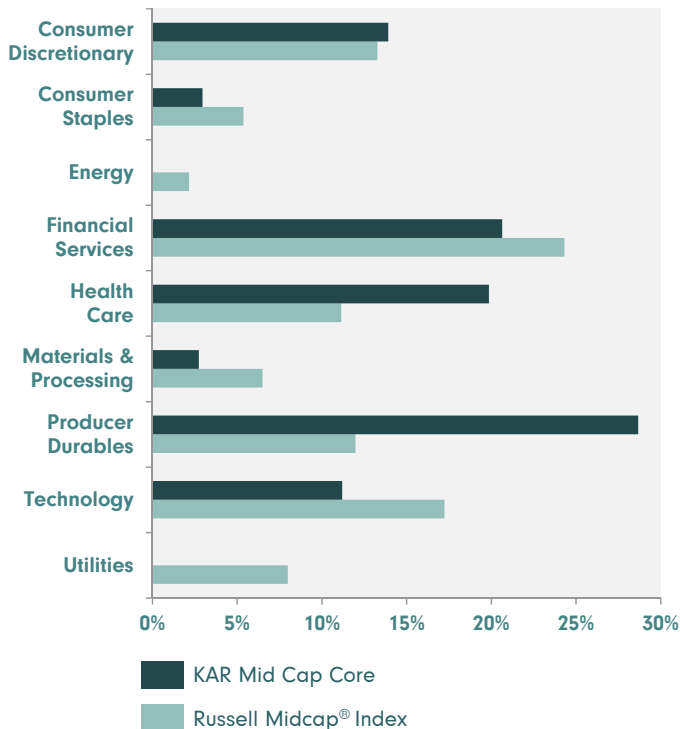
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation 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
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 	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 	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 March 31, 2020



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 March 31, 2020

	KAR Mid Cap Core	Russell Midcap® Index
Quality		
Return on Equity—Past 5 Years	22.5%	14.6%
Total Debt/EBITDA	1.5 x	5.5 x
Earnings Variability—Past 10 Years	31.9%	51.6%
Growth		
Earnings Per Share Growth—Past 5 Years	17.7%	11.5%
Earnings Per Share Growth—Past 10 Years	14.7%	10.5%
Dividend Per Share Growth—Past 5 Years	13.5%	9.3%
Dividend Per Share Growth—Past 10 Years	16.4%	11.5%
Capital Generation—{ROE x (1-Payout)}	17.2%	10.1%
Value		
P/E Ratio—Trailing 12 Months	25.6 x	19.5 x
Dividend Yield	0.9%	2.3%
Free Cash Flow Yield*	4.0%	4.5%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$13.2 B	\$15.2 B
Largest Market Cap—3-Year Avg.	\$40.2 B	\$49.5 B
Annualized Standard Deviation—Since Inception†	14.2%	17.1%

*Free cash flow data is as of December 31, 2019. Prices are as of March 31, 2020. Excludes financials.

†January 1, 2000

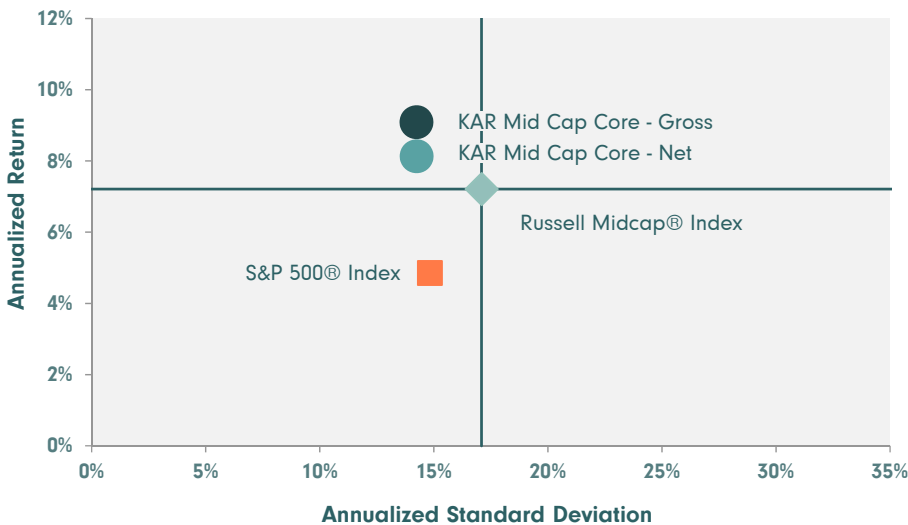
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

Mid Cap Core Portfolio

First Quarter 2020

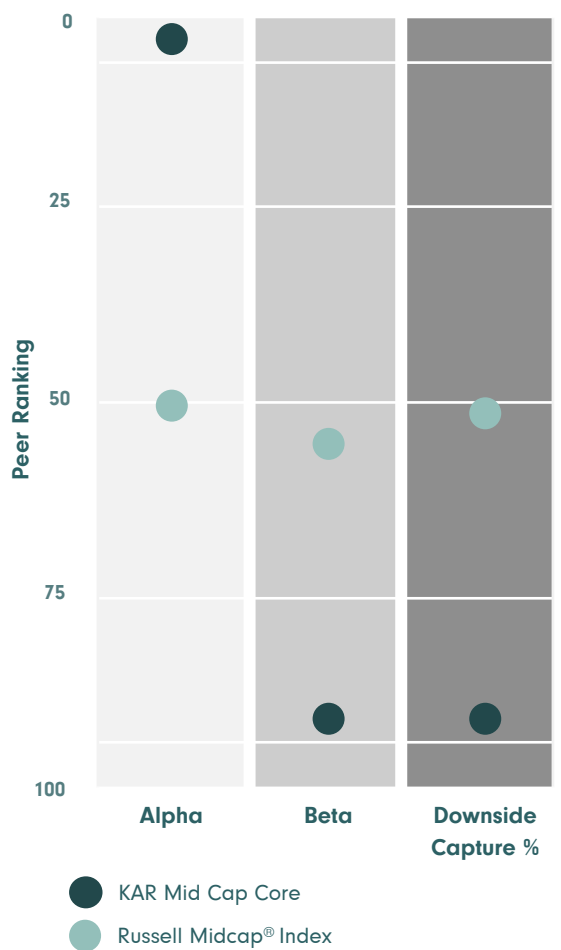
Strong Risk-Adjusted Returns

Inception* to March 31, 2020



Peer Comparison Chart

Ten Years Ending March 31, 2020



Historical Returns

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [†]	Russell Midcap [®] Index
Annualized Returns (%)[†]			
As of March 31, 2020			
1 st Quarter	(18.22)	(18.38)	(27.07)
One Year	(5.10)	(5.81)	(18.31)
Three Years	7.64	6.84	(0.81)
Five Years	7.55	6.76	1.85
Seven Years	11.20	10.37	6.35
Ten Years	12.26	11.41	8.77
Inception*	9.09	8.13	7.21
Annual Returns (%)			
2019	32.17	31.20	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 March 31, 2020

	KAR Mid Cap Core	Russell Midcap [®] Index
Annualized Return	9.09	7.21
Annualized Standard Deviation	14.24	17.09
Alpha	2.87	0.00
Beta	0.77	1.00
Sharpe Ratio	0.52	0.32
R-Squared	85.75	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 a trademarks/service marks of Frank Russell Company. Russell® is a trademark of Frank Russell Company.