

Small Cap Core Portfolio

First Quarter 2020



Manager of the
Decade for the last
5 years (2015-19)

Portfolio Review

The Small Cap Core portfolio and the Russell 2000 Index both slid into negative territory late in the first quarter, with the Small Cap Core portfolio outperforming the index. During the first quarter, performance was driven primarily by strong stock selection in the consumer discretionary and producer durables sectors. Poor stock selection in health care and technology detracted from performance.

The biggest contributors to performance during the quarter were Old Dominion Freight Line and RLI. 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. Relative to other insurers, RLI derives a smaller percentage of its profits from investment income and a greater amount from underwriting profits. This has allowed it to be more resilient than the broader market in the sell-off due to the COVID-19 pandemic. Other top contributors included Jack Henry & Associates, FactSet Research Systems and WABCO Holdings.

The biggest detractors to performance during the quarter were CDW and First Hawaiian Bank. Despite reporting another excellent quarter, CDW declined due to investor expectations that the company's business volumes may decline as small-to-medium sized businesses hold off on new investments. However, with the recent COVID-19 pandemic, we see opportunities for the company to take share. First Hawaiian Bank's operating results have been hampered due to higher costs related to the separation from former parent BNP Paribas and a flattening yield curve, which is a challenge for all banks. More recently, the significant reduction in tourist travel due to COVID-19 will be a headwind for the Hawaiian economy and the bank, which pressured shares further. While we expect the impact of COVID-19 to be meaningful, we think First Hawaiian's conservative balance sheet will allow it to navigate this tough environment. Other bottom contributors included Rightmove, Primerica and Aspen Technology.

Purchases and Sales

During the quarter, we purchased First Hawaiian Bank and Simpson Manufacturing and sold Core Laboratories.

Founded in 1858, First Hawaiian is the oldest bank in Hawaii and is well-known amongst the local residences. First Hawaiian is a well-run bank that benefits from barriers to entry in an industry that typically lacks this type of competitive protection.

Founded in 1956, Simpson Manufacturing manufactures connectors, fasteners, anchors and other building products primarily for residential wood construction. The Simpson Strong Tie brand is well known in the building community. Architects and engineers have used Simpson-branded products for decades.

We sold Core Laboratories given the extreme financial uncertainty facing the company.

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: Small Cap
Sub-Style: Core
Index: Russell 2000®
Portfolio Inception: 1992
Portfolio Assets: \$6,489.4 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	34
Todd Bailey, CFA Portfolio Manager + Senior Research Analyst	21
Jon Christensen, CFA Portfolio Manager + Senior Research Analyst	25
Julie Biel, CFA Senior Research Analyst	12
Julie Kutasov Senior Research Analyst	19
Craig Stone Senior Research Analyst	31
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 (%)
Teledyne Technologies	8.0
Autohome	6.8
Old Dominion Freight Line	6.7
CDW	5.9
Graco	5.1
Total	32.6

*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.***

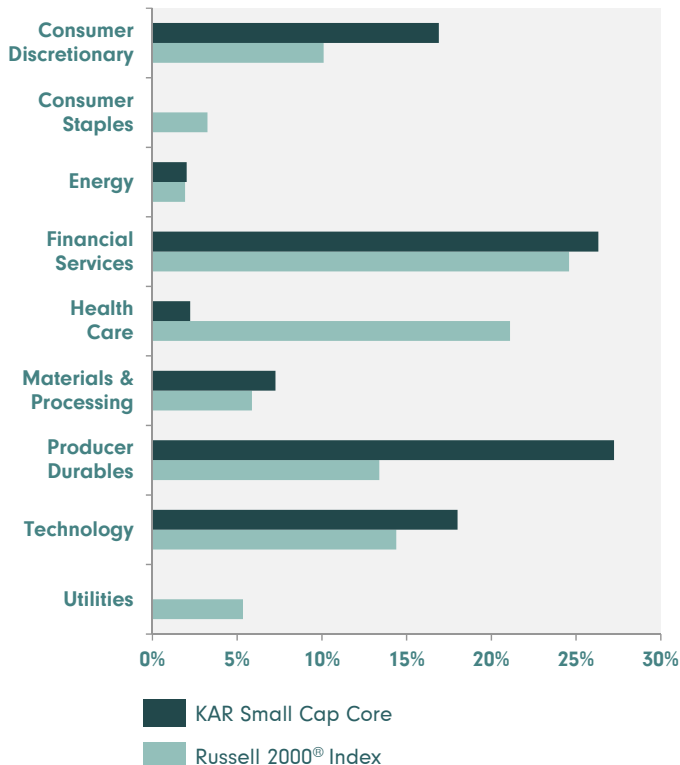
Investment Process: Discovering Quality

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 Small Cap Core	Russell 2000® Index
Quality		
Return on Equity—Past 5 Years	25.9%	9.4%
Total Debt/EBITDA	1.0 x	4.9 x
Earnings Variability—Past 10 Years	22.6%	66.8%
Growth		
Earnings Per Share Growth—Past 10 Years	16.6%	8.8%
Dividend Per Share Growth—Past 10 Years	13.1%	7.4%
Capital Generation—{ROE x (1-Payout)}	19.1%	7.1%
Value		
P/E Ratio—Trailing 12 Months	20.6 x	27.9 x
Dividend Yield	1.5%	1.9%
Free Cash Flow Yield*	3.9%	2.9%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$7.1 B	\$2.3 B
Largest Market Cap—3-Year Avg.	\$13.9 B	\$9.2 B
Annualized Standard Deviation—Since Inception†	15.1%	19.0%

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

†April 1, 1992

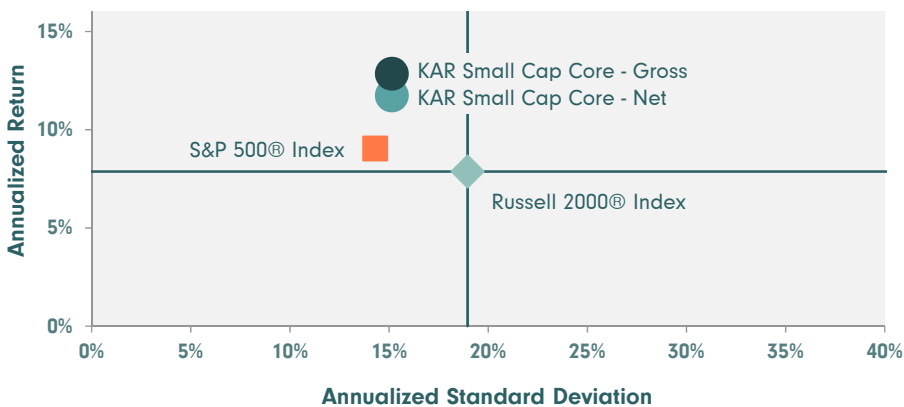
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

Small Cap Core Portfolio

First Quarter 2020

Strong Risk-Adjusted Returns

Inception* to March 31, 2020



Historical Returns

	KAR Small Cap Core (gross)	KAR Small Cap Core (net) [‡]	Russell 2000 [®] Index
Annualized Returns (%)[†]			
As of March 31, 2020			
1 st Quarter	(17.67)	(17.89)	(30.61)
One Year	(4.20)	(5.16)	(23.99)
Three Years	14.02	12.89	(4.64)
Five Years	12.97	11.86	(0.25)
Seven Years	13.55	12.43	4.21
Ten Years	14.75	13.63	6.90
Inception*	12.85	11.74	7.87
Annual Returns (%)			
2019	40.88	39.51	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.

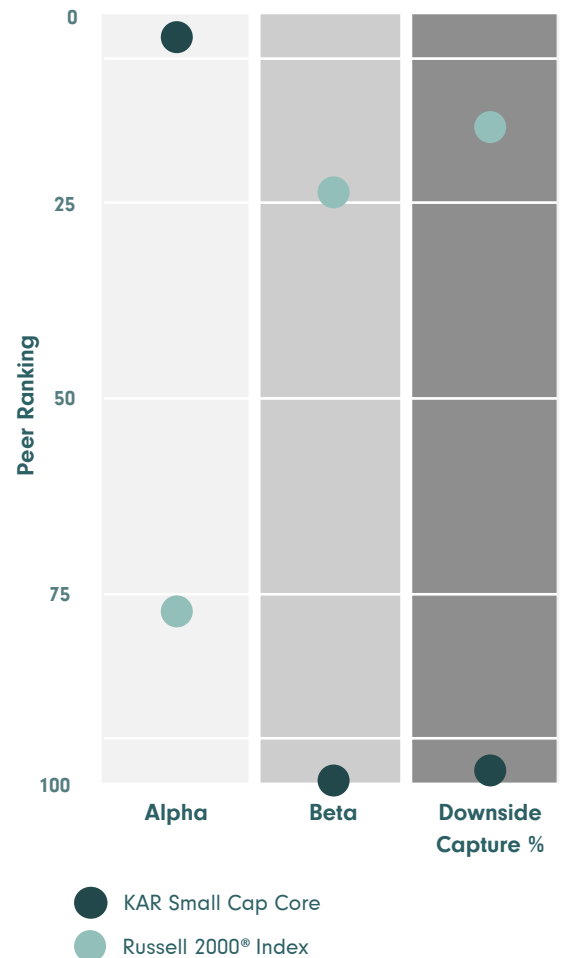
[‡]Net of all fees and expenses. Assumes a 1% annual fee.

[§]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 March 31, 2020



Performance Statistics

Inception* to March 31, 2020

	KAR Small Cap Core	Russell 2000 [®] Index
Annualized Return	12.85	7.87
Annualized Standard Deviation	15.14	18.96
Alpha	6.15	0.00
Beta	0.70	1.00
Sharpe Ratio	0.68	0.28
R-Squared	76.02	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 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.