

Small Cap Quality Value Portfolio

First Quarter 2020

Portfolio Review

The Small Cap Quality Value portfolio and the Russell 2000 Value Index both slid into negative territory late in the first quarter, with the Small Cap Quality Value portfolio outperforming the index. Strong stock selection in the financial services and materials & processing sectors contributed to performance. An underweight in utilities and poor stock selection and an underweight in health care 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 Houlihan Lokey and WD-40. 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 the company's restructuring bankers. We believe it is well-positioned throughout the economic cycle to generate profits by providing advice to corporate clients. WD-40 sells a necessity that enables maintenance and repair activities and has demonstrated the ability to generate steady cash flow through prior economic downturns. The stock remained resilient during the broader market sell off in the quarter. We believe that WD-40 is well positioned to continue to grow by leveraging the company's highly recognizable brand in introducing new products and driving international expansion. Other top contributors included RLI, Jack Henry & Associates and Scotts Miracle-Gro.

The biggest detractors to performance were Thor Industries and Cheesecake Factory. Thor Industries underperformed as recent economic developments stemming from shelter-in-place restrictions due to COVID-19 are likely to negatively impact the overall demand of new RVs for a period of time. However, we continue to believe Thor's capacity to flex its cost structure protects its business throughout an economic cycle. The Cheesecake Factory's stock came under pressure due to the impacts and restrictions from shelter-in-place orders across the U.S. As a result, the Cheesecake Factory has been required to shutter in-restaurant dining and solely service take-out food orders. Somewhat uniquely, the Cheesecake Factory produces a favorable revenue profile from take-out only sales and can operate sustainably under current conditions. Other detractors included Cinemark, Bank of Hawaii and CoreLogic.

Purchases and Sales

During the quarter, we purchased Albany International and sold Core Laboratories and Jones Lang LaSalle.

Albany International was founded in 1895 and currently operates in two separate businesses, Machine Clothing and Albany Engineered Composites. The Machine Clothing business dates back to the company's original founding and Albany occupies a dominant position as a premium-priced machine clothing supplier to the manufacturers of paper, paperboard and pulp. The Albany Engineered Composites business is the exclusive and lifetime supplier to SAFRAN of 3D composite engine fan blades, fan cases and spacers for the LEAP jet engine program utilized on the Boeing 737MAX (LEAP-1B) and Airbus A320neo (LEAP-1A).

Core Laboratories' shares lagged along with those of energy sector peers due to challenging operating conditions driven by depressed drilling activity before declining sharply in late December 2019 following the company's announcement of a significant dividend cut. We see the long-term operating environment as challenging and were disappointed by management's capital allocation missteps.

We received cash and shares of Jones Lang LaSalle as part of the company's acquisition of HFF that closed in July of 2019. We held on to the shares due to the stock's price decline post acquisition. Our intention was to never hold on to the shares of Jones Lang LaSalle long-term due to the larger market cap and business quality relative to HFF. With the stock appreciating over 20% since the close of the acquisition, we sold our shares to fund a new purchase.

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: Value
Index: Russell 2000® Value
Portfolio Inception: 1998
Portfolio Assets: \$2868.9 M
Portfolio Turnover: 25%–35%

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	34
Julie Kutsov Portfolio Manager + Senior Research Analyst	19
Craig Stone Portfolio Manager + Senior Research Analyst	31
Todd Beiley, CFA Senior Research Analyst	21
Julie Biel, CFA Senior Research Analyst	12
Jon Christensen, CFA Senior Research Analyst	25
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 (%)
Scotts Miracle-Gro	8.3
SiteOne Landscape Supply	7.1
Houlihan Lokey	5.7
MGM Growth Properties	5.4
Watsco	4.9
Total	31.4

*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

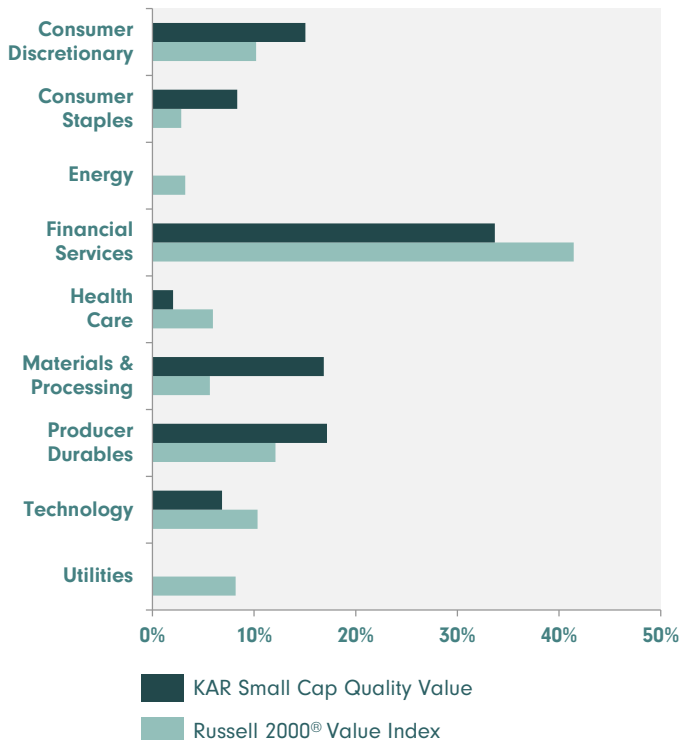
Higher Quality

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 Quality Value	Russell 2000 Value Index
Quality		
Return on Equity—Past 5 Years	20.1%	8.2%
Total Debt/EBITDA	1.6 x	5.9 x
Earnings Variability—Past 10 Years	32.5%	65.8%
Growth		
Earnings Per Share Growth—Past 5 Years	12.3%	9.3%
Earnings Per Share Growth—Past 10 Years	10.5%	7.8%
Dividend Per Share Growth—Past 5 Years	11.2%	6.8%
Dividend Per Share Growth—Past 10 Years	8.8%	6.9%
Capital Generation—{ROE x (1-Payout)}	11.7%	5.4%
Value		
P/E Ratio—Trailing 12 Months	18.0 x	15.1 x
Dividend Yield	2.4%	3.1%
Free Cash Flow Yield [†]	6.0%	4.9%
Market Characteristics		
\$ Weighted Average Market Cap—3-Year Avg.	\$3.6 B	\$2.0 B
Largest Market Cap—3-Year Avg.	\$10.4 B	\$7.0 B
Annualized Standard Deviation—Since Inception [‡]	16.4%	19.0%

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

[‡]June 1, 1998

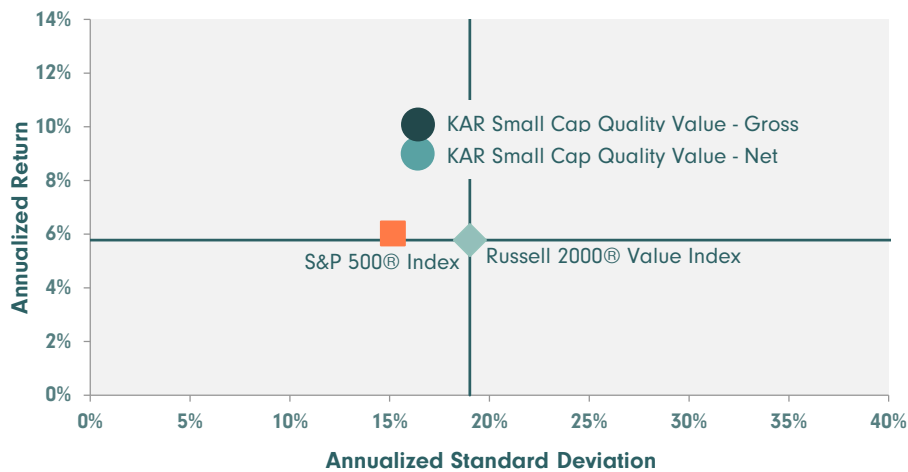
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics.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

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First Quarter 2020

Strong Risk-Adjusted Returns

Inception* to March 31, 2020



Historical Returns

	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net) [‡]	Russell 2000 [®] Value Index
Annualized Returns (%)[†]			
As of March 31, 2020			
1 st Quarter	(21.99)	(22.20)	(35.66)
One Year	(11.60)	(12.49)	(29.64)
Three Years	(1.34)	(2.32)	(9.51)
Five Years	4.30	3.27	(2.42)
Seven Years	7.58	6.51	1.80
Ten Years	9.80	8.72	4.79
Inception*	10.08	9.00	5.78
Annual Returns (%)			
2019	25.79	24.56	22.39
2018	(14.80)	(15.66)	(12.86)
2017	20.48	19.30	7.84
2016	26.74	25.50	31.74
2015	(0.16)	(1.16)	(7.47)
2014	3.05	2.00	4.22
2013	41.06	39.72	34.52
2012	9.97	8.87	18.05
2011	6.57	5.54	(5.50)
2010	25.10	23.88	24.50
2009	26.97	25.73	20.58
2008	(28.51)	(29.26)	(28.92)
2007	2.19	1.18	(9.78)
2006	24.45	23.25	23.48
2005	8.88	7.79	4.71
2004	28.10	26.83	22.25
2003	21.88	20.69	46.03
2002	1.11	0.10	(11.43)
2001	19.42	18.29	14.02
2000	24.92	23.70	22.83
1999	(7.69)	(8.60)	(1.49)
1998 [§]	9.61	9.07	(10.93)

*June 1, 1998

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

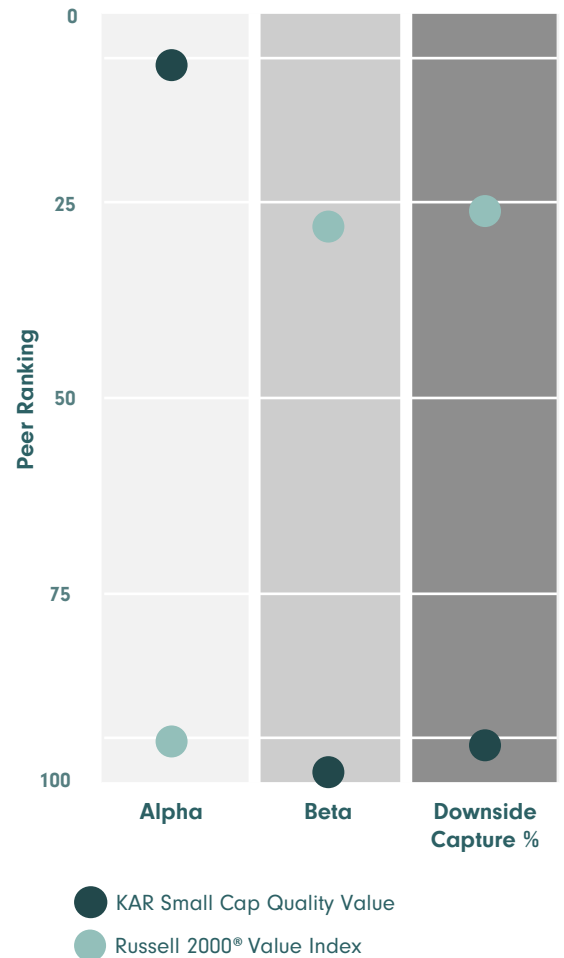
[‡]Net of all fees and expenses. Assumes a 1% annual fee.

[§]Performance calculations are for the seven months ended December 31, 1998.

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 Value Universe includes all managers categorized in the small cap value 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

Inception* to March 31, 2020



Performance Statistics

Inception* to March 31, 2020

	KAR Small Cap Quality Value	Russell 2000 [®] Value Index
Annualized Return	10.08	5.78
Annualized Standard Deviation	16.42	19.02
Alpha	4.95	0.00
Beta	0.76	1.00
Sharpe Ratio	0.50	0.20
R-Squared	77.51	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 Quality Value 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 Quality Value Portfolios. Small Cap Quality Value Portfolios are invested in equity securities with capitalizations consistent with the Russell 2000® Value 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® Value Index. The Russell 2000® Value Index is a market capitalization-weighted index of value-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 independent verifiers. The composite was created in June 1998. 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: 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	21.64	26.42
2012	16.24	20.17
2013	14.50	16.05
2014	13.06	12.98
2015	13.94	13.65
2016	14.30	15.72
2017	12.32	14.17
2018	14.42	15.98

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Value Index Annual Return (%)	Internal Dispersion
2009	4,010	71	66	26.97	25.73	20.58	0.80
2010	4,729	98	77	25.10	23.88	24.50	0.60
2011	5,232	521	106	6.57	5.54	(5.50)	0.48
2012	6,545	474	120	9.97	8.87	18.05	0.35
2013	7,841	646	142	41.06	39.72	34.52	1.05
2014	7,989	581	149	3.05	2.00	4.22	0.52
2015	8,095	535	151	(0.16)	(1.16)	(7.47)	0.20
2016	9,989	711	141	26.74	25.50	31.74	1.13
2017	14,609	996	191	20.48	19.30	7.84	0.56
2018	17,840	895	152	(14.80)	(15.66)	(12.86)	0.35

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