



Kayne Anderson Rudnick  
Investment Management

Mid Cap Core Portfolio  
Managed Accounts  
Third Quarter 2018 Review

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# Firm Overview

As of September 30, 2018



Kayne Anderson Rudnick  
Investment Management

## Profile

- Originally established to manage founder capital
- Over three decades of experience
- A differentiated “business analyst” investment approach focusing on high-quality businesses
- A disciplined and repeatable investment process that produces high-conviction portfolios
- A wholly owned, independent subsidiary of Virtus Investment Partners

## At a Glance

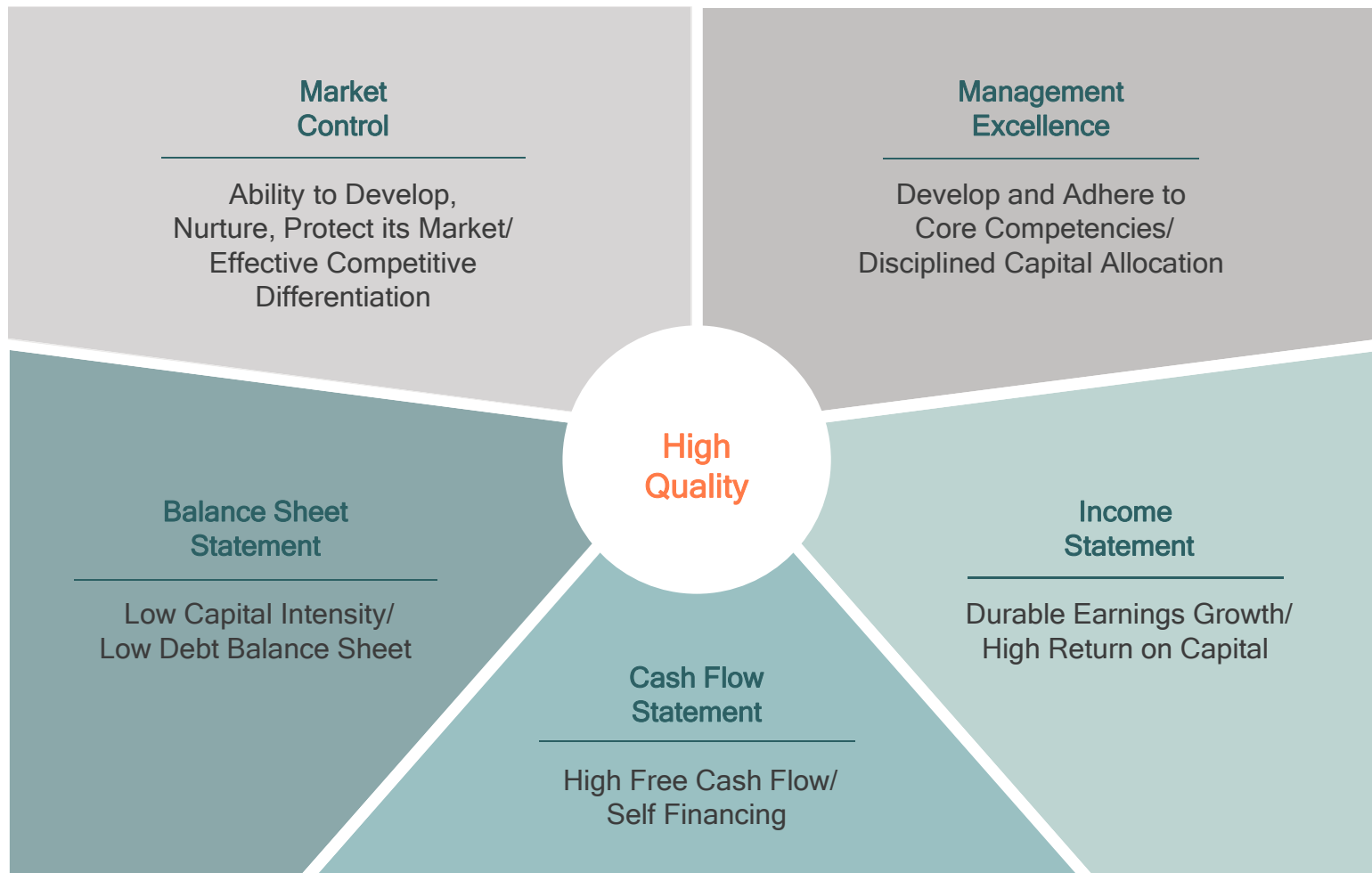
|                                    |                 |
|------------------------------------|-----------------|
| Year Founded                       | 1984            |
| Headquarters                       | Los Angeles, CA |
| AUM                                | \$26.8 billion  |
| Number of Investment Professionals | 17              |
| Average Investment Experience      | 15 Years        |

### Investment Philosophy

We believe that purchasing high-quality businesses with competitive protections at attractive valuations will achieve excess returns over a complete market cycle

### Investment Objectives

- To achieve a return meaningfully above that of the Russell Midcap<sup>®</sup> Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics



# How Are We Different?

We Manage Risk and Generate Returns Differently



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|         | CLASSIC APPROACH   | KAR APPROACH  |
|---------|--|---|
| RISK    | <p>stock portfolio<br/><b>75</b></p> <p>No stock can help or hurt more than 2%</p> <p>1% to 2% positions</p>   | <p>stock portfolio<br/><b>25-35</b></p> <p>3% to 10% positions in high-quality companies</p> <ul style="list-style-type: none"> <li>Minimal business risk</li> <li>Minimal balance sheet risk</li> <li>Minimal profit risk</li> </ul>   |
| RETURNS | <p>Average companies producing average returns on capital</p> <p>Buying cheap and selling dear required for above-average portfolio returns</p> <p>6 months average holding period</p> <p>High frictional costs due to RAPID trading</p> <p>Poor tax efficiency due to short holding periods</p> | <p>Exceptional companies producing exceptional returns on capital</p> <p>Buy at attractive price and let exceptional returns on capital drive exceptional growth and income over extended period of time</p> <p>36 to 60 months average holding period, but often longer</p> <p>Low frictional costs due to LESS trading</p> <p>Inherent tax efficiency</p> |

# Mid Cap Core Team

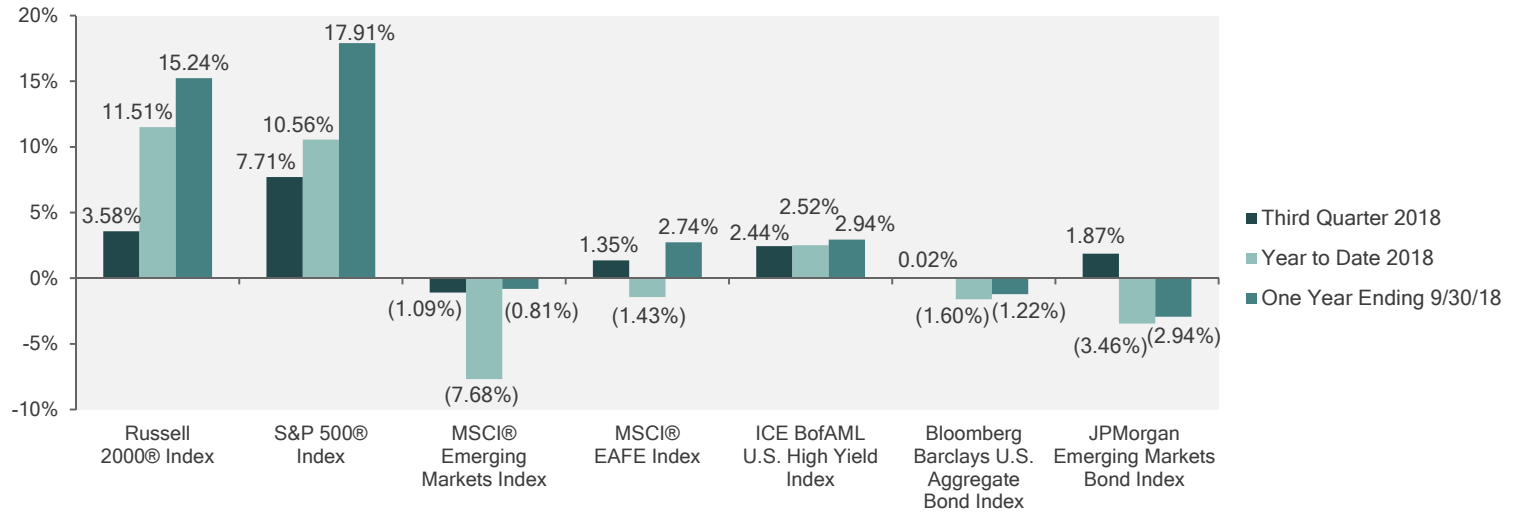


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| Portfolio Manager/Analysts | Responsibility   | Research Experience   | Years with KAR |
|----------------------------|--|-----------------------|----------------|
| Douglas S. Foreman, CFA    | Chief Investment Officer   | 32 Years              | 7 Years        |
| Jon Christensen, CFA       | Portfolio Manager & Senior Research Analyst<br>Sector Coverage: Health Care                | 23 Years              | 17 Years       |
| Craig Stone                | Portfolio Manager & Senior Research Analyst<br>Sector Coverage: Producer Durables          | 29 Years              | 18 Years       |
| Todd Beiley, CFA           | Senior Research Analyst<br>Sector Coverage: Energy and Consumer Discretionary              | 19 Years              | 16 Years       |
| Julie Biel, CFA            | Senior Research Analyst<br>Sector Coverage: Technology                                     | 10 Years              | 5 Years        |
| Julie Kutasov              | Senior Research Analyst<br>Sector Coverage: Materials and Processing                       | 17 Years              | 17 Years       |
| Chris Wright, CFA          | Senior Research Analyst<br>Sector Coverage: Financials                                     | 8 Years               | 6 Years        |
| Sean Dixon                 | Research Analyst<br>Sector Coverage: Consumer Discretionary and Producer Durables          | 9 Years               | <1 Year        |
| Adam Xiao, CFA             | Research Analyst<br>Sector Coverage: Consumer Staples, Financials and<br>Producer Durables | 3 Years               | <1 Year        |
| Jordan Greenhouse          | Portfolio Specialist   | 21 Years <sup>†</sup> | 2 Years        |

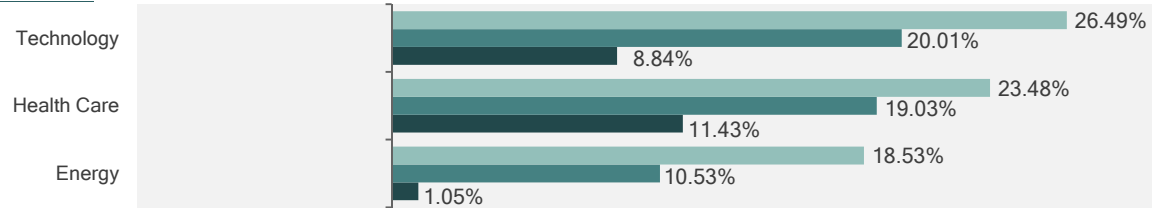
<sup>†</sup>Represents years of industry experience.

## Index Performance

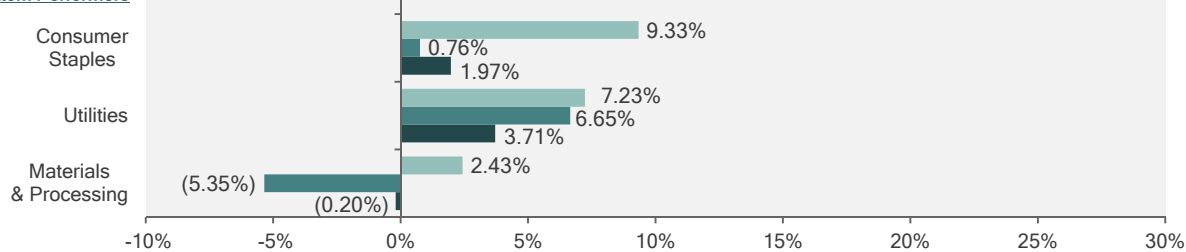


## Sector Performance Russell Midcap® Index

### Top Performers



### Bottom Performers



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# Market Review

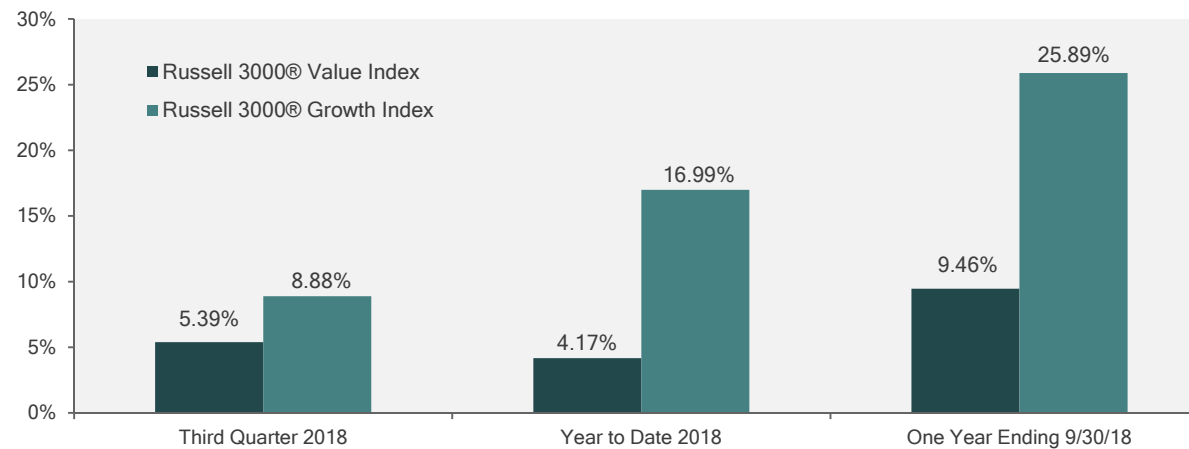
## Performance by Style and Quality



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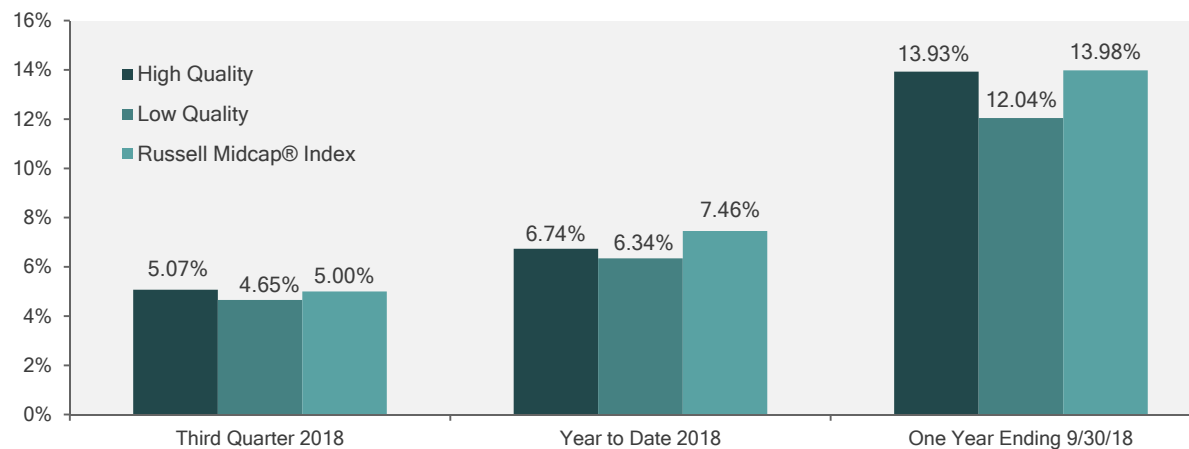
### Performance by Style

Russell 3000® Value Index vs. Russell 3000® Growth Index



### Performance by Quality

Russell Midcap® Index



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*High Quality is defined as all stocks with an S&P Quality Ranking of B+ and above. Low Quality is defined as all stocks with an S&P Quality Ranking of B and below.*

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# Quarterly Performance Overview

## Mid Cap Core Portfolio

Periods Ending September 30, 2018



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### Monthly, Quarterly and Year to Date Performance

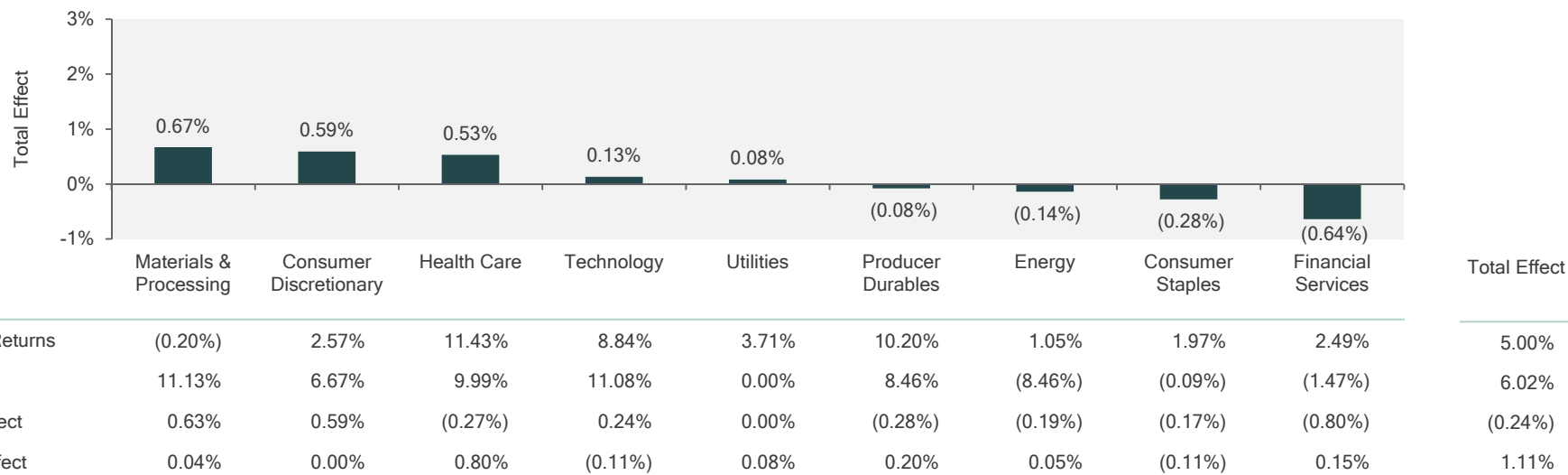
|               | Gross (%) | Net (%) | Index (%) | Excess Returns (bps) |
|---------------|-----------|---------|-----------|----------------------|
| July          | 2.34      | 2.09    | 2.49      | (15)                 |
| August        | 3.61      | 3.36    | 3.11      | 51                   |
| September     | (0.01)    | (0.26)  | (0.64)    | 63                   |
| Third Quarter | 6.02      | 5.27    | 5.00      | 103                  |
| Year to Date  | 11.84     | 9.43    | 7.46      | 438                  |

### Contributors

| Highest                      | Contribution |
|------------------------------|--------------|
| Aspen Technology             | +1.01%       |
| Tractor Supply Company       | +0.89%       |
| West Pharmaceutical Services | +0.78%       |
| Lowest                       | Contribution |
| Wynn Resorts                 | (0.61%)      |
| Bank OZK                     | (0.54%)      |
| Houlihan Lokey               | (0.36%)      |

### Attribution by Sector

Quarter Ending September 30, 2018



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*Returns for the Kayne Anderson Rudnick composite are preliminary. All periods less than one year are total returns and are not annualized. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from 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.*

# Annual Performance Overview

## Mid Cap Core Portfolio

### Periods Ending September 30, 2018



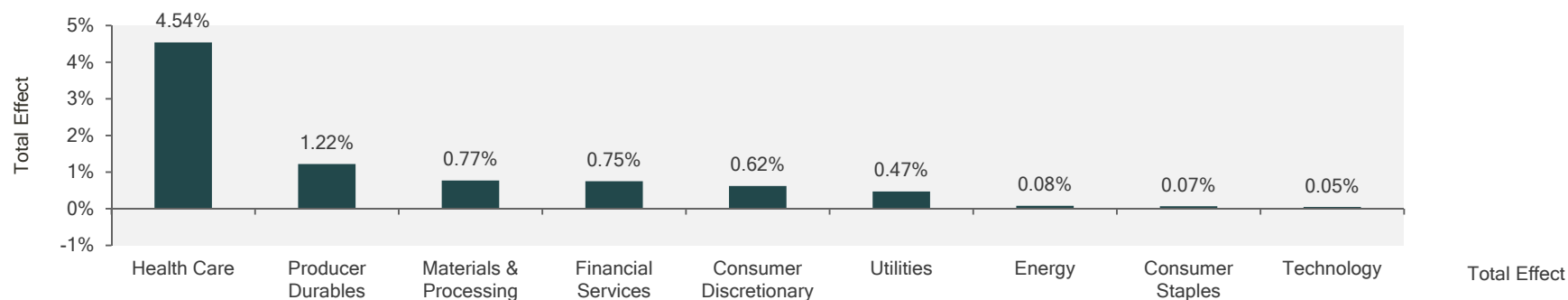
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#### Quarterly and Annual Performance

|                       | Gross (%) | Net (%) | Index (%) | Excess Returns (bps) |
|-----------------------|-----------|---------|-----------|----------------------|
| Fourth Quarter 2017   | 9.22      | 8.43    | 6.07      | 316                  |
| First Quarter 2018    | 2.21      | 1.46    | (0.46)    | 267                  |
| Second Quarter 2018   | 3.21      | 2.46    | 2.82      | 39                   |
| Third Quarter 2018    | 6.02      | 5.27    | 5.00      | 103                  |
| 1 Year Ending 9/30/18 | 22.15     | 18.65   | 13.98     | 817                  |

#### Attribution by Sector

One Year Ending September 30, 2018



|                         |        |        |        |        |        |       |         |         |         |        |
|-------------------------|--------|--------|--------|--------|--------|-------|---------|---------|---------|--------|
| Russell Midcap® Returns | 23.48% | 16.02% | 2.43%  | 10.20% | 10.63% | 7.23% | 18.53%  | 9.33%   | 26.49%  | 13.98% |
| KAR Returns             | 48.01% | 23.27% | 11.68% | 12.07% | 13.68% | 0.00% | 18.84%  | 15.37%  | 27.51%  | 22.15% |
| KAR Selection Effect    | 3.52%  | 1.11%  | 0.60%  | 0.49%  | 0.50%  | 0.00% | 0.24%   | 0.32%   | (0.23%) | 6.54%  |
| KAR Allocation Effect   | 1.02%  | 0.11%  | 0.17%  | 0.26%  | 0.12%  | 0.47% | (0.16%) | (0.24%) | 0.27%   | 2.05%  |

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# Highest Contributors

Mid Cap Core Portfolio

One Year Ending September 30, 2018



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| Security                       | Contribution | Comments  |
|--------------------------------|--------------|---|
| Globus Medical                 | +4.36%       | Globus Medical saw its shares rise in the last year as the company's sales force has strengthened in terms of numbers and effectiveness. The company continues to develop its robotic and trauma products that we believe can serve as longer-term revenue drivers. Given the growth prospects, as well as the company's solid balance sheet that has no debt, we continue to be shareholders.  |
| Aspen Technology               | +2.97%       | It has been over a year since Aspen released its latest solution, the Asset Performance Monitoring suite. Demand for this software has been robust, helping to accelerate annual contract value growth. Additionally, with greater stability now in the oil markets, the company believes it has finally seen a bottom in revenue associated with engineering and construction clients. Longer term, Aspen should continue to benefit from solid demand in its client base and derive very high levels of profitability as a result.                    |
| Broadridge Financial Solutions | +2.28%       | There had been growing concern amongst investors that changes underway, or being considered, by the SEC could lower the fees that Broadridge receives for distributing communications to mutual fund investors. However, positive management commentary and 2019 guidance, coupled with strong operating results over the past 12 months, have been a tailwind for the stock price. Broadridge continues to benefit from its standing as the low-cost provider and the high switching costs for its clients. As such, we remain owners of the business. |

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# Lowest Contributors

Mid Cap Core Portfolio

One Year Ending September 30, 2018



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| Security       | Contribution | Comments   |
|----------------|--------------|--|
| WABCO Holdings | (0.93%)      | WABCO shares declined due to inflation in raw-material costs and the impact on margins, as well as the uncertainty surrounding the implications of tariffs and their influence on heavy-duty truck demand. We have no special insight regarding inflation and tariffs, so we remain focused on assessing the strength of the company's competitive position, which remains intact. Also, tailwinds remain for WABCO to continue to outgrow global commercial truck production by increasing its content per vehicle.                               |
| Bank OZK       | (0.77%)      | Shares of Bank OZK (formerly known as Bank of the Ozarks) have been underperforming due to investor concern regarding the continued slowdown in the growth of the bank's loan portfolio. However, our investment thesis is anchored to the fact that over long periods of time Bank OZK has been one of the most efficient banks in the country with credit and profitability metrics that are well-above those of its peers. Since we expect Bank OZK's financial performance to remain strong, we remain owners of the business.                 |
| Wynn Resorts   | (0.35%)      | The Macau casino market has recently experienced heightened levels of competition for VIP players as competitors have increased commissions paid to junket operators and have extended additional credit to players. The result of this heightened competition has been near-term business pressure for Wynn. Management, however, has illustrated that long-term fundamentals of the Macau market remain strong and that the company will not compete on price but will continue to compete by having the best product and service in the market. |

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# Purchases

Mid Cap Core Portfolio

Quarter Ending September 30, 2018



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| Purchases                               | Descriptions/Reasons  |
|---|---|
| Elanco Animal Health—Initiated Position | Elanco Animal Health develops, manufactures and markets products for companion and food animals in the U.S. and internationally. Its offerings include companion-animal disease-prevention products, as well as food-animal products used in ruminant and swine production. |
| SEI Investments—Initiated Position      | SEI Investments provides investment management-related outsourcing services to customers around the world ranging from private banks to investment advisers and institutional investors.  |

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# New Positions

Mid Cap Core Portfolio

Quarter Ending September 30, 2018



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## Elanco Animal Health (ELAN)

- While competition and challenges exist in the animal-health segment, Elanco's market share is expected to rise, as its separation from Eli Lilly via an IPO produces greater efficiencies and product development. The animal-health space remains very compelling, as increased pet ownership and the global demand for protein should be significant tailwinds for years to come.
- Elanco has built up a strong R&D team during its time associated with Lilly. This should create a consistent stream of new-product introductions that could help improve margins over time.
- Compared with a competitor that has similarly spun off from its parent (i.e. Zoetis from Pfizer), Elanco seems to be farther along in its separation process.

## SEI Investments (SEIC)

- SEI's sources of competitive protection includes its core product and service that have high switching costs once implemented. The company also has a long history of servicing the investment management industry and maintains a strong reputation.
- The company has had consistent growth in sales and earnings for the past five years and has no debt.
- SEI is currently onboarding a high-profile banking account onto its SWP platform, with potential for further meaningful client wins. We have positive expectations that the financial results at the company and the valuation multiple ascribed by the market will increase in line with the business growth.

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# Sales

## Mid Cap Core Portfolio

Quarter Ending September 30, 2018



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| Sales                                  | Reasons   |
|--|---|
| Core Laboratories—Sold Entire Position | We sold our position in Core Labs to help fund the purchase of a new business that we believe enhances the overall quality of the portfolio. Also supporting this decision to sell was our long-term strategy to lower our exposure to the energy sector. |
| Tractor Supply Co—Trimmed Position     | We took down our weight in Tractor to help fund a new business in the portfolio.  |
| Zoetis—Trimmed Position                | We took down our weight in Zoetis to help fund a new business in the portfolio.   |

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# Portfolio Characteristics

Higher Quality, Stronger, More Consistent Growth, & Better Value  
Mid Cap Core Portfolio – As of September 30, 2018



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|  | KAR Mid Cap Core | Russell Midcap® Index |  |
|--|------------------|-----------------------|--|
| <b>Quality</b>                                 |                  |                       |  |
| Return on Equity—Past 5 Years                  | 25.3%            | 14.5%                 | In a market of average businesses, we own protected proprietary businesses that generate exceptional returns on shareholders' capital without employing significant debt.      |
| Total Debt/EBITDA                              | 1.7 x            | 4.9 x                 |  |
| Earnings Variability—Past 10 Years             | 25.9%            | 60.0%                 |  |
| <b>Growth</b>                                  |                  |                       |  |
| Earnings Per Share Growth—Past 5 Years         | 12.7%            | 10.7%                 | In a market of cyclical businesses requiring growth capital from fickle markets, we own companies producing self-funded strong, consistent growth sustainable into the future. |
| Earnings Per Share Growth—Past 10 Years        | 16.2%            | 9.1%                  |  |
| Dividend Per Share Growth—Past 5 Years         | 13.9%            | 9.2%                  |  |
| Dividend Per Share Growth—Past 10 Years        | 16.4%            | 9.8%                  |  |
| Capital Generation—{ROE x (1-Payout)}          | 20.4%            | 9.9%                  |  |
| <b>Value</b>                                   |                  |                       |  |
| P/E Ratio—Trailing 12 Months                   | 28.2 x           | 24.7 x                | And we are able to achieve this high quality and strong growth at a discount valuation to the market.  |
| Dividend Yield                                 | 0.9%             | 1.6%                  |  |
| Free Cash Flow Yield†                          | 3.4%             | 3.4%                  |  |
| <b>Market Characteristics</b>                  |                  |                       |  |
| \$ Weighted Average Market Cap—3-Year Average  | \$12.4 B         | \$13.6 B              |  |
| Largest Market Cap—3-Year Average              | \$34.5 B         | \$39.1 B              |  |
| Annualized Standard Deviation—Since Inception* | 13.9%            | 17.9%                 |  |

\*January 1, 2000

†Free cash flow data is as of June 30, 2018. Prices are as of September 30, 2018. Excludes financials.

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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.

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# Market Outlook

## U.S. Economy

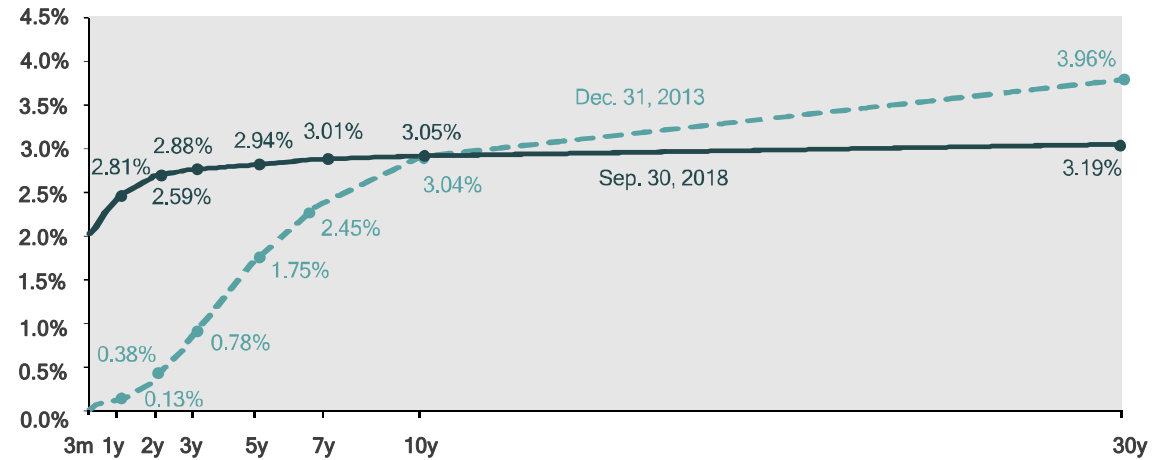


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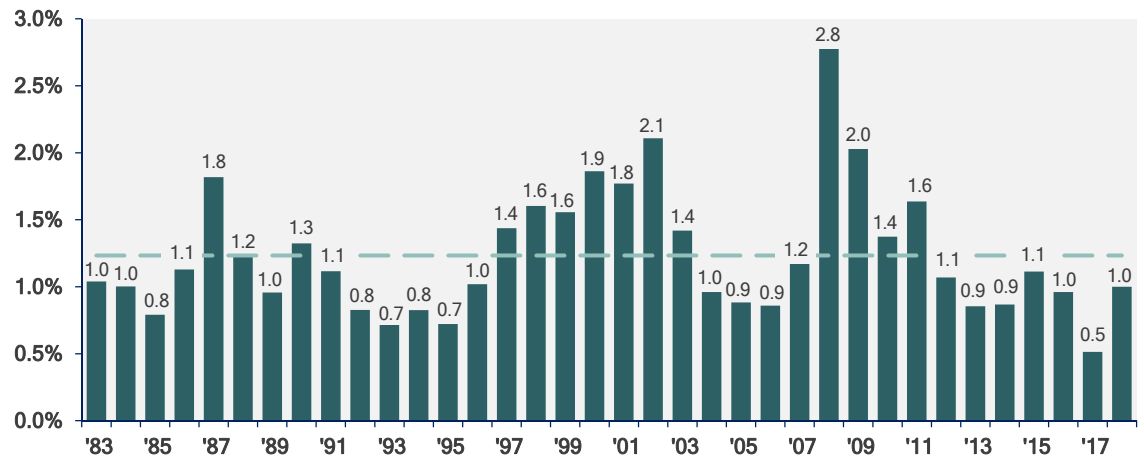
### The U.S. economy should accelerate modestly. International economies have decelerated, possibly due to trade concerns.

- The economy has accelerated over the last couple of quarters to above 3% GDP growth. 2018 growth should stabilize in the 2.5% to 3.5% GDP range.
- The Fed has raised short-term interest rates. However, the yield curve flattening will make future increases harder to attain for the Federal Reserve.
- Mid-term elections may create some short-term volatility in markets, but usually there is no meaningful long-term impact.
- Energy, materials and industrials are out of a recession and should continue to improve in 2018. Trade war threats are threatening to slow this recovery.
- Tax reform is undoubtedly a positive for corporate America, but the impact may be more uneven by industry/company than many analysts are assuming. Merger and acquisition activity has been picking up since the announced changes.
- Volatility is rising from extremely low levels and was the catalyst for a correction in equities back in February.
- Innovation and disruption is continuing at a breathtaking pace in the U.S. in a variety of industries, creating clear winners and losers in many industries. Stock picking is key.

**Yield Curve**  
U.S. Treasury Yield Curve



**Volatility Reverting Back to the Long-term Mean**  
S&P 500® Average Daily Trading Range



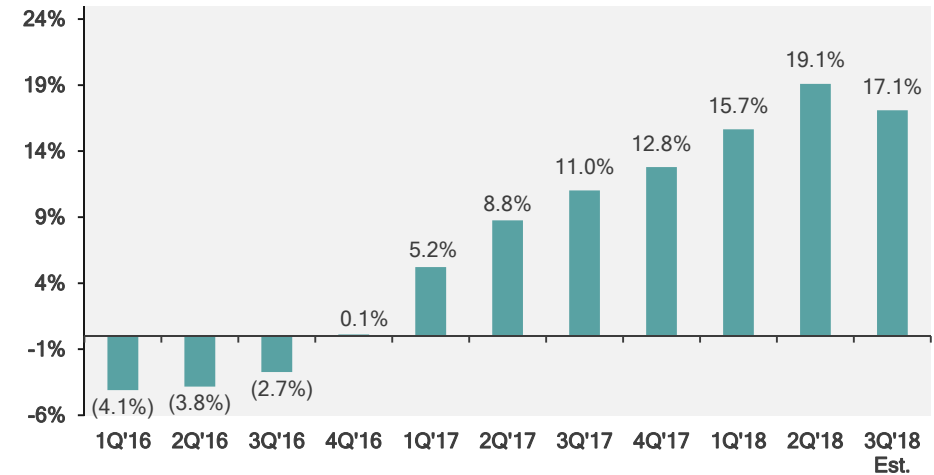
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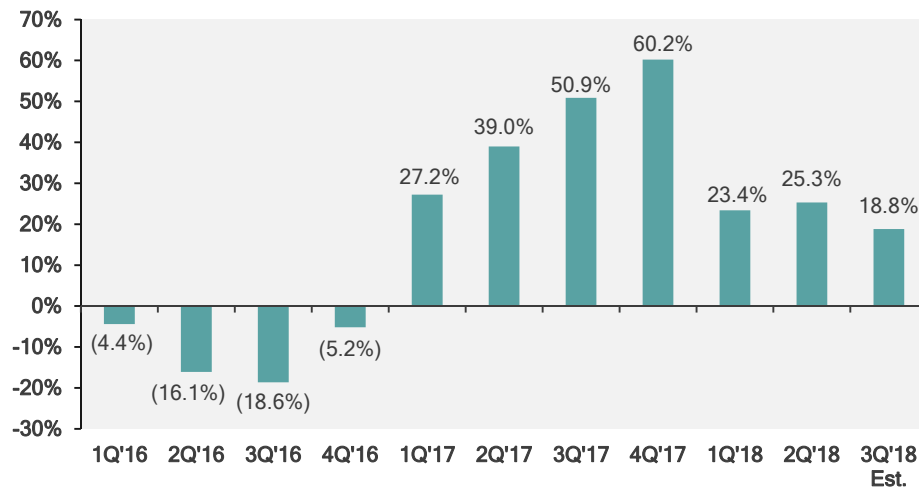
Global growth prospects have not improved as much as expected this year primarily due to trade conflicts.

- Global earnings growth has been steadily improving since last fall for the first time since the great recession. However, Europe and Emerging Markets economies have not picked up materially this year.
- Trade concerns have grown globally but we believe they will ultimately be favorably resolved. Emerging markets and international stocks have been hit hard by trade concerns.
- Global inflation expectations are still very benign, but is picking up somewhat. Global competition, oil prices and modest wage growth are the key drivers behind this longer-term.

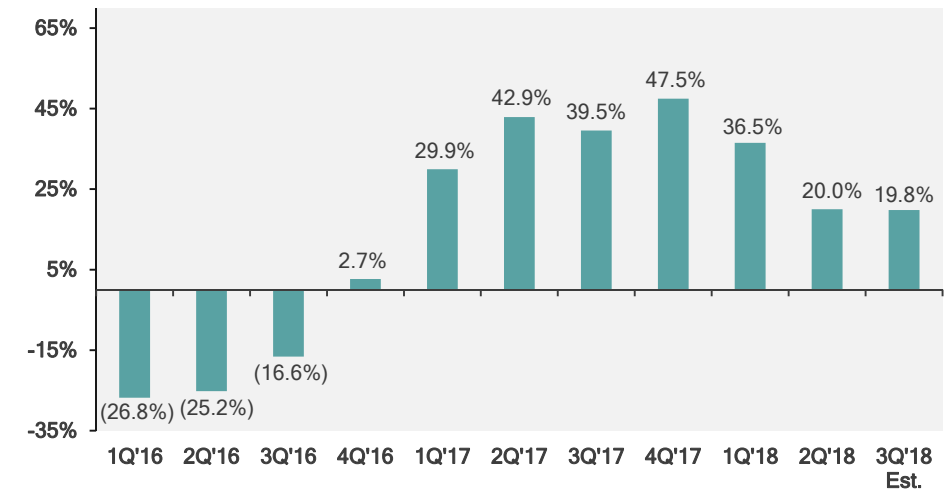
S&P 500® Trailing 12-Month Earnings Growth (Year Over Year)



Nikkei 225 Trailing 12-Month Earnings Growth (Year Over Year)



STOXX 600 Trailing 12-Month Earnings Growth (Year Over Year)



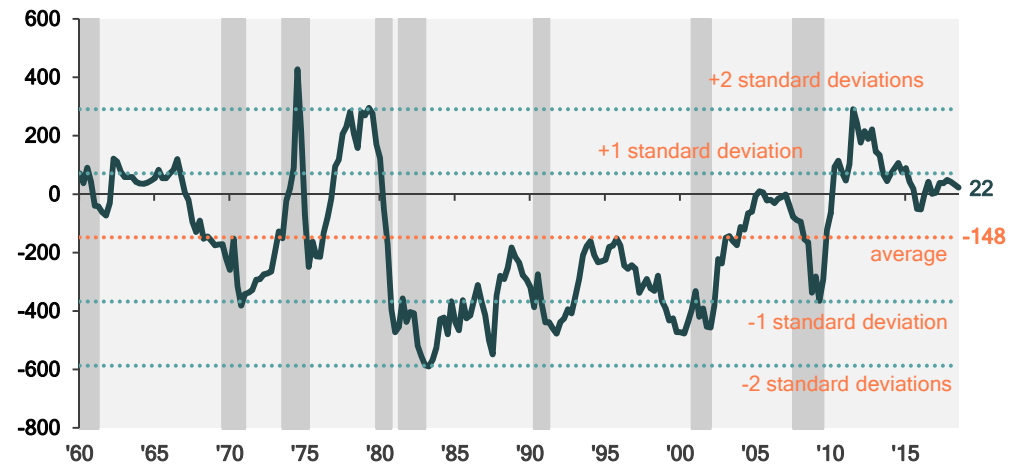
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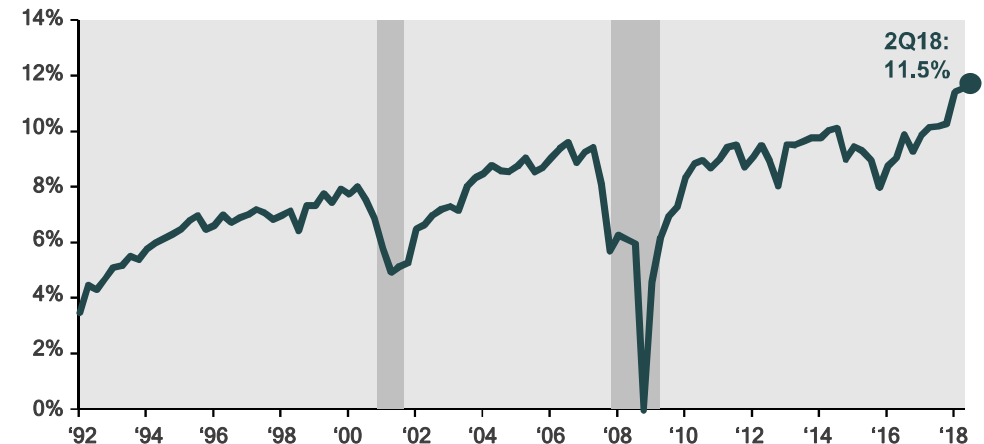
We continue to believe that the risk/reward ratio for equities over the long term is favorable on an absolute basis and particularly relative to fixed income.

- There is potential for P/E ratios to improve slightly from current levels. Retail investors still are not fully engaged in the equity market.
- Equity valuations remain reasonable by historic measures, both on absolute levels but particularly relative to interest rates.
- Foreign markets are finally supporting U.S. EPS growth rates, particularly for large multinationals, but trade concerns are starting to threaten this.
- With favorable corporate cash flow, investors are being rewarded with increased share buybacks, dividends and acquisitions.
- Corporate profit margins are still being maintained at very high historical levels, despite a much tighter labor market.
- Due to tax reform, we believe high-quality businesses with protected markets are a better place to invest than lower quality companies operating in more competitive markets which will pass on these savings to their customers eventually.
- Investors should expect more modest equity returns going forward (6% to 8% range over time) based on the maturity of this economy and business cycle. Volatility will likely pick up, but we believe the longer term outlook is still favorable.

**S&P 500® Equity Risk Premium**  
Earnings Yield Less Baa Corporate Bond Yield (bps)



**S&P 500® Profit Margins**  
Quarterly Operating Earnings Per Share/Sales Per Share



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- **Portfolio Data**
- **Disclosure**

# Sector Weights

## Mid Cap Core Portfolio

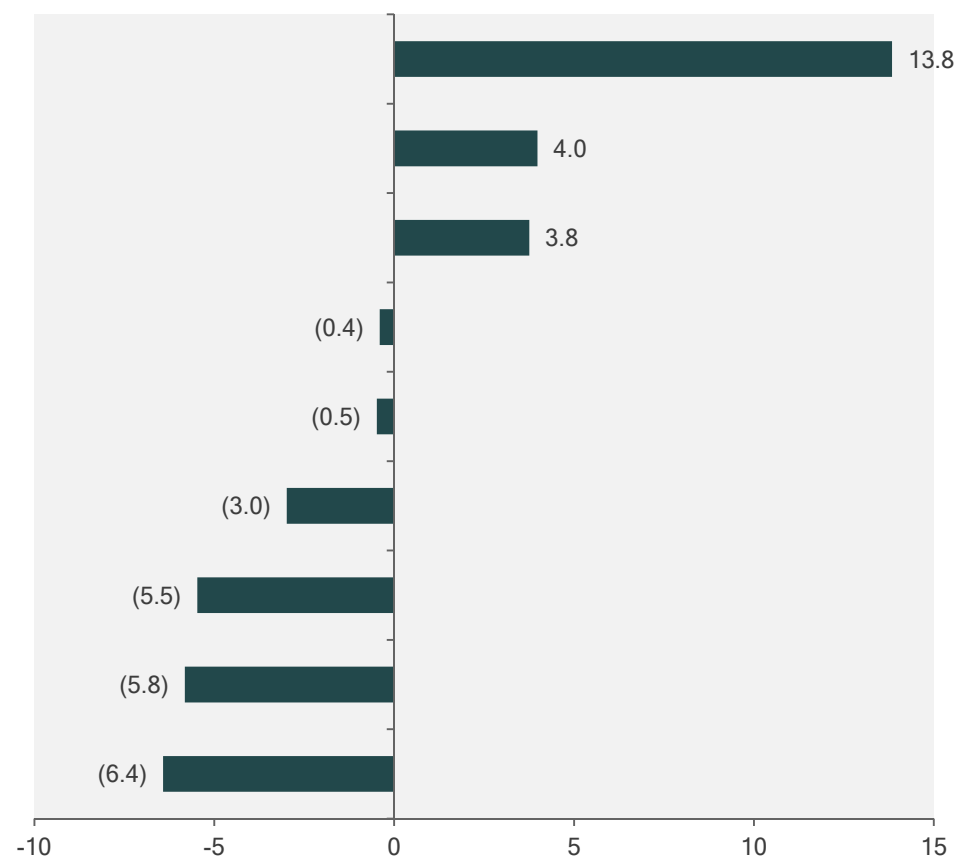
### As of September 30, 2018



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| Sectors                | KAR Mid Cap Core (%) | Russell Midcap® Index (%) |
|------------------------|----------------------|---------------------------|
| Health Care            | 23.7                 | 9.9                       |
| Consumer Staples       | 8.0                  | 4.0                       |
| Producer Durables      | 16.9                 | 13.2                      |
| Consumer Discretionary | 14.1                 | 14.5                      |
| Materials & Processing | 5.8                  | 6.3                       |
| Technology             | 11.6                 | 14.6                      |
| Energy                 | --                   | 5.5                       |
| Financial Services     | 19.8                 | 25.6                      |
| Utilities              | --                   | 6.4                       |

Underweight/Overweight (%)



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# Conviction-Driven Investing Provides Opportunities for Excess Return

Mid Cap Core Portfolio  
As of September 30, 2018



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| Top 10 Holdings      | Russell Sector         | % of Portfolio |
|----------------------|------------------------|----------------|
| Globus Medical       | Health Care            | 5.8            |
| AMETEK               | Producer Durables      | 5.2            |
| Aspen Technology     | Technology             | 5.2            |
| Monster Beverage     | Consumer Staples       | 4.7            |
| Tractor Supply       | Consumer Discretionary | 4.6            |
| Broadridge Financial | Financial Services     | 4.6            |
| Cooper Companies     | Health Care            | 4.5            |
| Ross Stores          | Consumer Discretionary | 4.3            |
| Amphenol             | Technology             | 4.3            |
| West Pharmaceutical  | Health Care            | 3.8            |
| <b>Total</b>         |                        | <b>47.1</b>    |

Research confidence leads to large active weights

|                                | KAR Mid Cap Core | Russell Midcap® Index |
|--------------------------------|------------------|-----------------------|
| # of Holdings                  | 29               | 790                   |
| Average Position Size (%)      | 3.4              | 0.1                   |
| Weight of Top Ten Holdings (%) | 47.1             | 4.5                   |
| Active Share (%)               | 96.2             | —                     |

The strategy benefits from diversification while still taking significant active positions

*This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.*

*A complete list 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 from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding.*

# Strong Risk-Adjusted Returns

## Mid Cap Core Portfolio

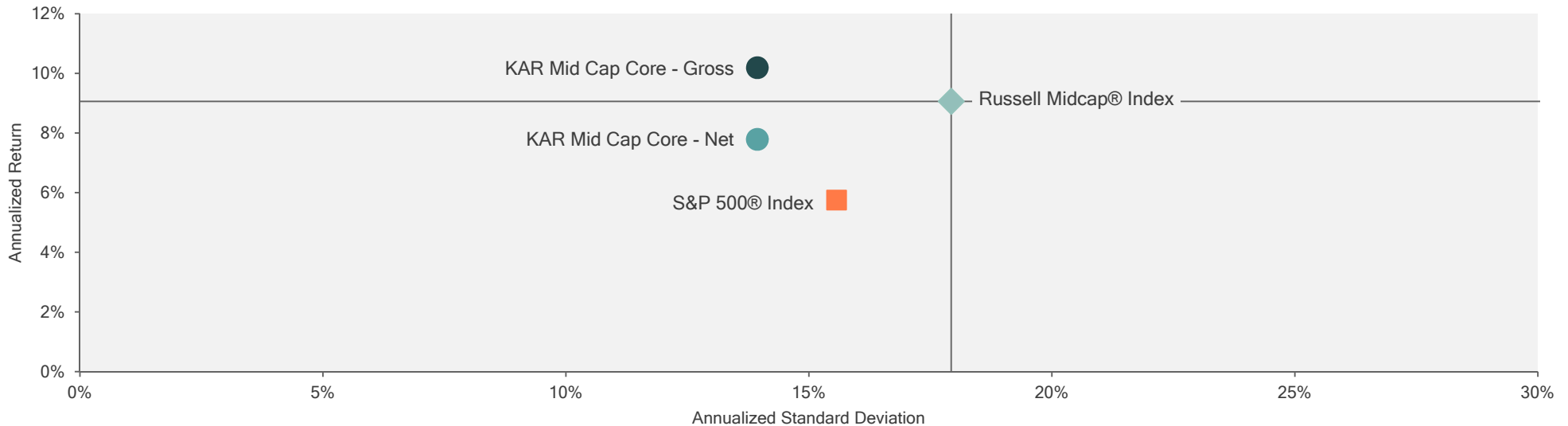
Inception\* to September 30, 2018



Kayne Anderson Rudnick  
Investment Management

### Meaningful Excess Return with Lower Volatility

Annualized Since Inception\*



### Strong Risk-Adjusted Performance Metrics

Annualized Since Inception\*

|                      | Alpha | Sharpe Ratio | Standard Deviation | Semi-Standard Deviation | Beta | Tracking Error |
|----------------------|-------|--------------|--------------------|-------------------------|------|----------------|
| KAR Mid Cap Core     | 2.93  | 0.62         | 13.94              | 11.12                   | 0.71 | 7.51           |
| Russell Midcap Index | 0.00  | 0.42         | 17.93              | 13.88                   | 1.00 | 0.00           |

\*January 1, 2000

*This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.*

Returns for the Kayne Anderson Rudnick composite are preliminary and are gross of fees unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.

# Returns

## Mid Cap Core Portfolio



Kayne Anderson Rudnick  
Investment Management

### Annualized Performance

| Periods Ending 9/30/18 | Gross (%) | Net (%) | Index (%) | Excess Return (bps) |
|------------------------|-----------|---------|-----------|---------------------|
| Third Quarter          | 6.02      | 5.27    | 5.00      | 103                 |
| Year to Date           | 11.84     | 9.43    | 7.46      | 438                 |
| 1 Year                 | 22.15     | 18.65   | 13.98     | 817                 |
| 3 Years                | 19.33     | 16.04   | 14.52     | 482                 |
| 5 Years                | 16.16     | 13.75   | 11.65     | 451                 |
| 7 Years                | 18.35     | 16.16   | 16.09     | 226                 |
| 10 Years               | 13.27     | 11.25   | 12.31     | 96                  |
| Since Inception*       | 10.19     | 7.79    | 9.06      | 114                 |

### Calendar Year Performance

| Periods Ending 12/31 | Gross (%) | Net (%) | Index (%) | Excess Return (bps) |
|----------------------|-----------|---------|-----------|---------------------|
| 2017                 | 26.60     | 22.92   | 18.52     | 808                 |
| 2016                 | 12.24     | 8.95    | 13.80     | (156)               |
| 2015                 | 3.87      | 2.73    | (2.44)    | 631                 |
| 2014                 | 17.88     | 16.68   | 13.22     | 466                 |
| 2013                 | 28.48     | 27.15   | 34.76     | (629)               |
| 2012                 | 16.27     | 14.45   | 17.28     | (101)               |
| 2011                 | 4.29      | 2.95    | (1.55)    | 584                 |
| 2010                 | 19.46     | 17.99   | 25.48     | (602)               |
| 2009                 | 21.47     | 19.16   | 40.48     | (1901)              |
| 2008                 | (28.78)   | (30.29) | (41.46)   | 1268                |
| 2007                 | 6.19      | 4.20    | 5.60      | 59                  |
| 2006                 | 13.10     | 10.91   | 15.26     | (217)               |
| 2005                 | 8.79      | 5.56    | 12.65     | (386)               |
| 2004                 | 15.29     | 11.86   | 20.22     | (493)               |
| 2003                 | 26.67     | 23.03   | 40.06     | (1339)              |
| 2002                 | (12.62)   | (15.26) | (16.19)   | 357                 |
| 2001                 | (2.76)    | (5.59)  | (5.62)    | 286                 |
| 2000                 | 21.54     | 17.94   | 8.25      | 1329                |

\*January 1, 2000

**This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.**

Returns for the Kayne Anderson Rudnick composite are preliminary. All periods less than one year are total returns and are not annualized. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from 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.

**IMPORTANT RISK CONSIDERATIONS: Equity Securities:** The market price of equity securities may be adversely affected by financial market, industry, or issuer specific events. Focus on a particular style or on small or medium-sized companies may enhance that risk. **Limited Number of Investments:** Because the fund has a limited number of securities, it may be more susceptible to factors adversely affecting its securities than a less concentrated fund. **Industry/Sector Concentration:** A fund that focuses its investments in a particular industry or sector will be more sensitive to conditions that affect that industry or sector than a non-concentrated fund.



# Disclosure

## Mid Cap Core Portfolio



Kayne Anderson Rudnick  
Investment Management

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, 2017.

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 Wrap Composite has been examined for the period from January 1, 2000 through December 31, 2017. 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 Mid Cap Core Wrap Portfolios. Mid Cap Core Wrap 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 July 2003. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Beginning on January 1, 2006, sub-advisory wrap fee portfolios are also included in composite results. Each sub-advisory relationship is included in the composite as one account. 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. Prior to December 31, 2010, the composite minimum was \$100,000.

The standard wrap fee schedule in effect is 3.00% on total assets. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part IIA 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. Performance results include the reinvestment of all income. Pure gross returns do not reflect the deduction of any expenses, including trading costs. Prior to December 31, 2005, net annual returns are calculated by deducting 1/4 of an assumed maximum annual wrap fee of 3% on a quarterly basis. Beginning January 1, 2006, net annual returns are calculated using actual fees incurred. If no fee data is provided by wrap sponsors, the maximum annual wrap fee of 3% is used to calculate net of fee performance. Beginning January 1, 2016, net annual returns are calculated by deducting 1/12th of an assumed maximum annual wrap fee of 3% on a monthly basis. Wrap fees include all charges for trading costs, portfolio management, custody and other administrative expenses.

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 is presented starting December 31, 2012, because prior to January 1, 2010, the composite return was calculated quarterly and 36 monthly returns are not available.

| 3-Yr Annualized Standard Deviation (%) |           |           |
|--|-----------|-----------|
| December 31                            | Composite | Benchmark |
| 2012                                   | 15.34     | 17.44     |
| 2013                                   | 12.48     | 14.23     |
| 2014                                   | 10.27     | 10.29     |
| 2015                                   | 11.94     | 11.00     |
| 2016                                   | 12.33     | 11.72     |
| 2017                                   | 10.79     | 10.51     |

| Year | Total Firm Assets (\$ millions) | Total Composite Assets (\$ millions) | Wrap Accounts as % of Composite Assets | Accounts at Year End | Pure Gross Annual Return (%)* | Net Annual Return (%) | Russell Midcap® Index Annual Return (%) | Internal Dispersion |
|------|---------------------------------|--------------------------------------|--|----------------------|-------------------------------|-----------------------|---|---------------------|
| 2008 | 3,445                           | 18                                   | 100%                                   | 9                    | (28.78)                       | (30.29)               | (41.46)                                 | 0.15                |
| 2009 | 4,010                           | 23                                   | 100%                                   | 8                    | 21.47                         | 19.16                 | 40.48                                   | 0.35                |
| 2010 | 4,729                           | 28                                   | 100%                                   | 8                    | 19.46                         | 17.99                 | 25.48                                   | 0.87                |
| 2011 | 5,232                           | 25                                   | 100%                                   | 6                    | 4.29                          | 2.95                  | (1.55)                                  | 0.70                |
| 2012 | 6,545                           | 34                                   | 100%                                   | 7                    | 16.27                         | 14.45                 | 17.28                                   | 0.16                |
| 2013 | 7,841                           | 12                                   | 100%                                   | 6                    | 28.48                         | 27.15                 | 34.76                                   | 0.28                |
| 2014 | 7,989                           | 7                                    | 100%                                   | 5                    | 17.88                         | 16.68                 | 13.22                                   | 0.16                |
| 2015 | 8,095                           | 7                                    | 100%                                   | 5                    | 3.87                          | 2.73                  | (2.44)                                  | n/a                 |
| 2016 | 9,989                           | 9                                    | 100%                                   | 5                    | 12.24                         | 8.95                  | 13.80                                   | 0.14                |
| 2017 | 14,609                          | 9                                    | 100%                                   | <5                   | 26.60                         | 22.92                 | 18.52                                   | n/a                 |

\*Pure gross returns are supplemental to net returns.

The Russell Midcap® Index and Russell 1000® Index are trademarks/service marks of Frank Russell Company. Russell® is a trademark of Frank Russell Company..