Kayne Anderson Rudnick
Investment Management

Mid Cap Core Portfolio
Managed Accounts
Fourth Quarter 2017 Review

kayne.com
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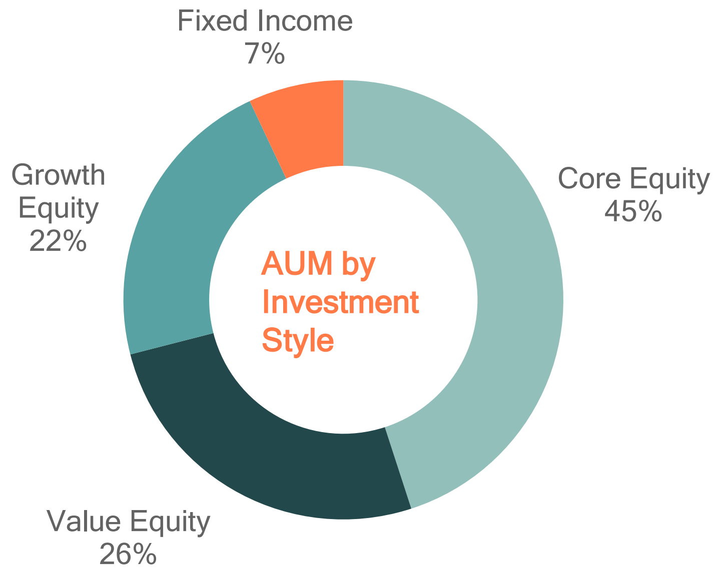
Firm Overview

As of December 31, 2017

Profile

- Originally established to manage founder capital
- Specialization in small and mid cap equity strategies with 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	$18.9 billion
Number of Investment Professionals	14
Average Investment Experience	16 Years



Numbers may not always add up due to rounding.

Disciplined Investment Approach

Investment Philosophy & Objectives

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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® Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics

Tenets of Quality

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Market Control

Ability to Develop, Nurture, Protect its Market/ Effective Competitive Differentiation

Management Excellence

Develop and Adhere to Core Competencies/ Disciplined Capital Allocation

High Quality

Balance Sheet Statement

Low Capital Intensity/ Low Debt Balance Sheet

Income Statement

Durable Earnings Growth/ High Return on Capital

Cash Flow Statement

High Free Cash Flow/ Self Financing

Mid Cap Core Team

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Portfolio Manager/Analysts	Responsibility	Research Experience	Years with KAR
Douglas S. Foreman, CFA	Chief Investment Officer	31 Years	6 Years
Jon Christensen, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Health Care	22 Years	16 Years
Craig Stone	Portfolio Manager & Senior Research Analyst Sector Coverage: Producer Durables	28 Years	17 Years
Todd Beiley, CFA	Senior Research Analyst Sector Coverage: Financials and Producer Durables	18 Years	15 Years
Julie Kutasov	Senior Research Analyst Sector Coverage: Energy and Financials	16 Years	16 Years
Chris Wright, CFA	Senior Research Analyst Sector Coverage: Consumer Discretionary, Consumer Staples, and Financials	7 Years	5 Years
Chris Benway, CFA	Research Analyst Sector Coverage: Materials and Processing and Producer Durables	8 Years	3 Years
Julie Biel, CFA	Research Analyst Sector Coverage: Technology and Consumer Discretionary	9 Years	4 Years
Jordan Greenhouse	Portfolio Specialist	20 Years*	1 Year

**Represents years of industry experience.*

Market Review

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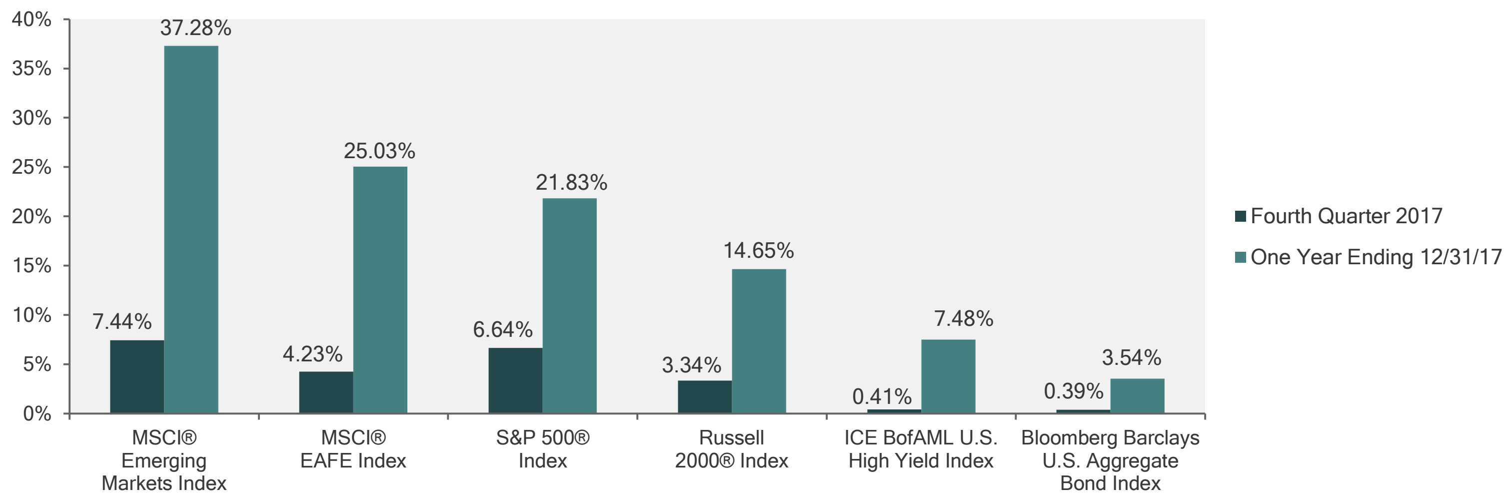
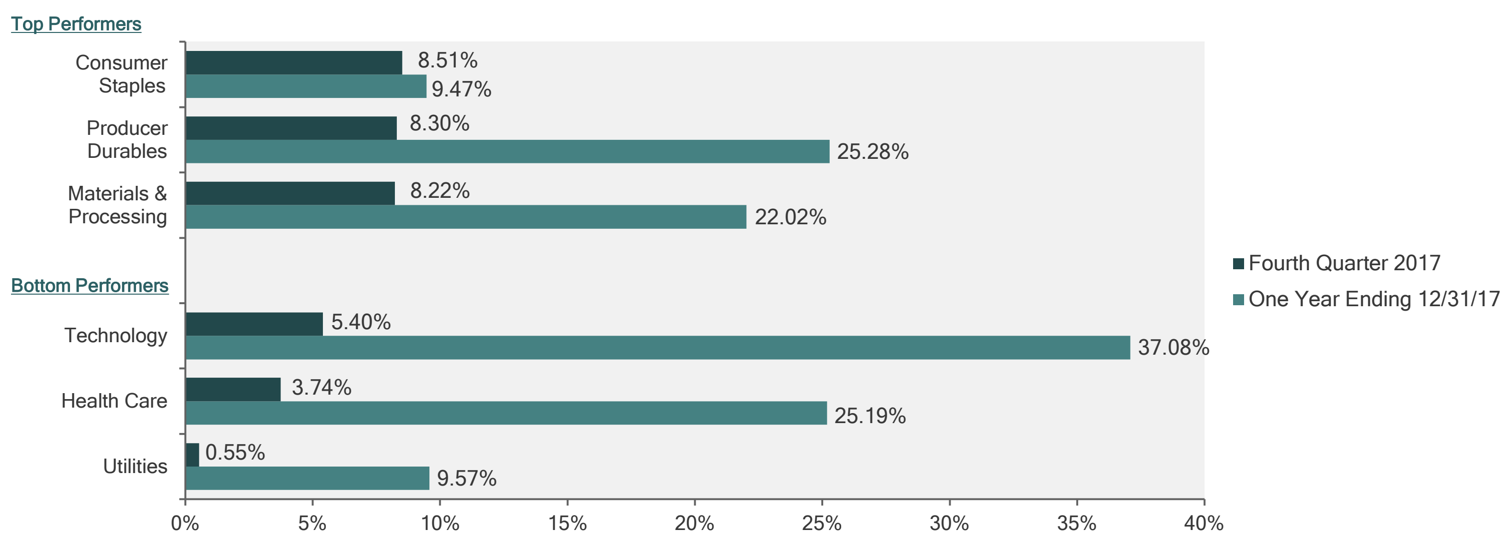
Index Performance



Sector Performance

Russell Midcap® Index



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 is assumed to be reliable. Past performance is no guarantee of future results.

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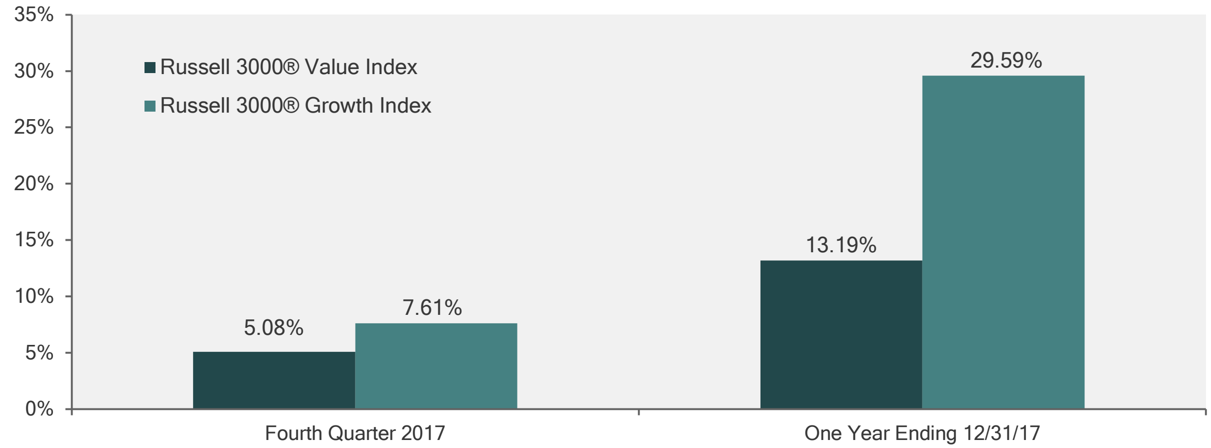
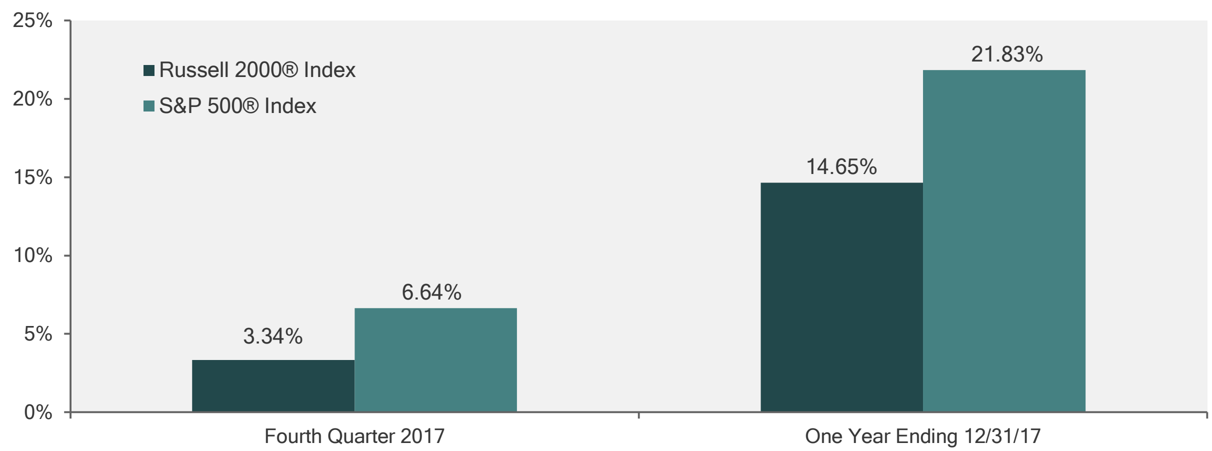
Performance by Style
Russell 3000® Value Index vs. Russell 3000® Growth Index



Performance by Market Cap
Russell 2000® Index vs. S&P 500® Index



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Quarterly Performance Overview

Mid Cap Core Portfolio
Periods Ending December 31, 2017

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Monthly and Quarterly Performance

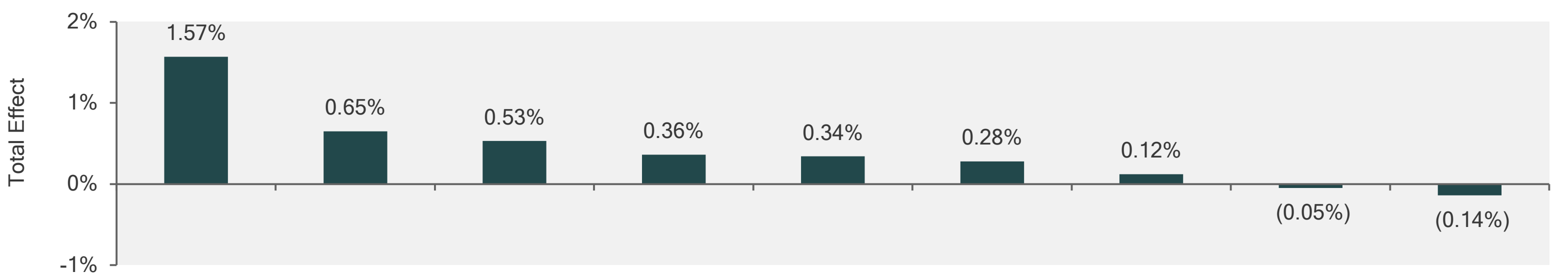
	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
October	2.77	2.52	1.67	110
November	5.19	4.94	3.36	183
December	1.19	0.94	0.93	26
Fourth Quarter	9.39	8.60	6.07	332

Contributors

Highest	Contribution
Globus Medical	+1.92%
Monster Beverage	+0.87%
Nordson	+0.85%
Lowest	**Contribution**
Cooper Companies	(0.27%)
Skyworks Solutions	(0.22%)
WABCO Holdings	(0.15%)

Attribution by Sector

Quarter Ending December 31, 2017



	Health Care	Consumer Discretionary	Producer Durables	Materials & Processing	Utilities	Consumer Staples	Energy	Financial Services	Technology	Total Effect
Russell Midcap® Returns	3.74%	6.91%	8.30%	8.22%	0.55%	8.51%	7.24%	5.79%	5.40%	6.07%
KAR Returns	14.90%	11.64%	11.36%	12.49%	0.00%	12.65%	11.68%	5.37%	4.89%	9.39%
KAR Selection Effect	1.70%	0.64%	0.48%	0.35%	0.00%	0.26%	0.14%	(0.07%)	(0.13%)	3.38%
KAR Allocation Effect	(0.13%)	0.01%	0.05%	0.01%	0.34%	0.02%	(0.02%)	0.02%	(0.01%)	0.29%

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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 December 31, 2017

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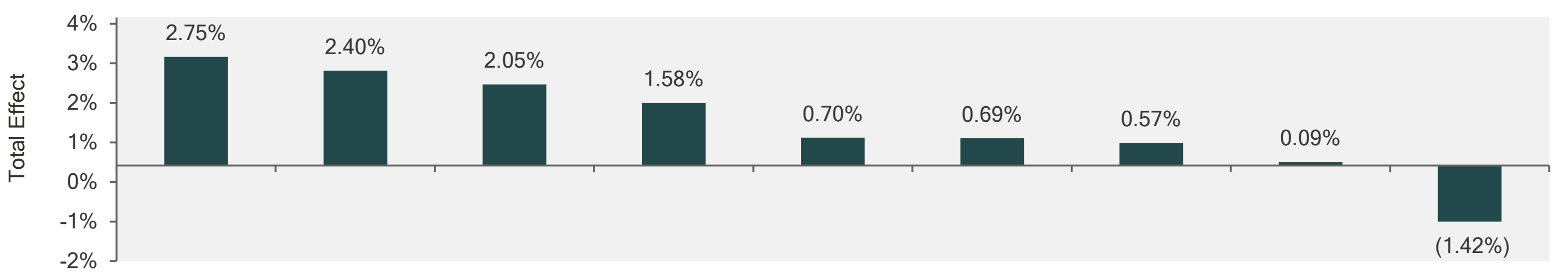
Quarterly and Annual Performance

	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
First Quarter 2017	5.85	5.08	5.15	71
Second Quarter 2017	4.18	3.41	2.70	148
Third Quarter 2017	5.07	4.29	3.47	159
Fourth Quarter 2017	9.39	8.60	6.07	332
1 Year Ending 12/31/17	26.74	23.07	18.52	823

Attribution by Sector
One Year Ending December 31, 2017



	Producer Durables	Consumer Discretionary	Health Care	Consumer Staples	Materials & Processing	Energy	Utilities	Technology	Financial Services	Total Effect
Russell Midcap® Returns	25.28%	15.01%	25.19%	9.47%	22.02%	(5.56%)	9.57%	37.08%	16.70%	18.52%
KAR Returns	43.57%	32.24%	35.84%	36.91%	31.11%	(10.51%)	0.00%	31.77%	9.78%	26.74%
KAR Selection Effect	2.51%	2.23%	1.07%	1.91%	0.64%	(0.03%)	0.00%	(0.74%)	(1.56%)	6.04%
KAR Allocation Effect	0.24%	0.17%	0.97%	(0.33%)	0.05%	0.72%	0.57%	0.83%	0.14%	3.41%

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Highest Contributors

Mid Cap Core Portfolio
One Year Ending December 31, 2017

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Security	Contribution	Comments
Globus Medical	+3.06%	Globus saw its shares rise in the past year as the company's sales force strengthened in terms of numbers and effectiveness. The company continues to develop its robotic and trauma products that we believe are longer-term revenue drivers. With a solid balance sheet that has no debt, we continue to be shareholders.
AMETEK	+2.49%	AMETEK outperformed over the past 12 months due to improving energy and industrial end markets. Because of a differentiated technical product portfolio and superior capital allocation, we remain confident AMETEK will generate superior returns over time.
Monster Beverage	+2.23%	Headwinds form the switch to the Coke distribution network and production issues in the U.S. have started to dissipate, and growth is accelerating in both the U.S. and International markets. The improvement in results pushed shares higher for the year. We think the upswing in domestic markets is sustainable, and as the company gains additional scale from increased international distribution via Coke, profits are expected to increase meaningfully.

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Lowest Contributors

Mid Cap Core Portfolio
One Year Ending December 31, 2017

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Security	Contribution	Comments
Sally Beauty Holdings *(Sold Q2 2017)*	(0.84%)	Sally's financial results have struggled as the company works to improve the in-store experience at Sally Beauty. The Beauty Systems Group, or the company's professional segment, has also had some challenges when it comes to maintaining the right level of promotions to drive traffic and sales. That said, the company did report positive same-store sales in the fourth quarter and double-digit earnings-per-share growth. Sally has also struggled to identify the right loyalty program. Initial pilot tests on its new program have been positive; however, it will take a few quarters to roll out chain-wide. Given the challenges in executing the turnaround at Sally, we exited our position for another more compelling opportunity.
Signature Bank	(0.48%)	Signature Bank shares underperformed over the past year due to a flattening of the yield curve, which pressures the margin the bank makes on its loans. It also was impacted by write-downs in its taxi medallion portfolio due to competition from ride-sharing companies. Despite these near-term headwinds, Signature remains one of the most efficient banks in the U.S. with loan growth and profitability metrics that are still well above those of its peers. We believe that current headwinds are temporary and that Signature should remain an outlier amongst U.S. banks. Financial results are expected to show meaningful improvement in 2018.
Bank of the Ozarks	(0.42%)	Bank of the Ozarks reported strong organic loan growth in absolute terms for the past 12 months, but it was still a slowdown from previous results, which put pressure on the shares in 2017. While slower loan growth may have disappointed investors, we remain focused on credit metrics (very few nonperforming assets) and profitability (12% return on equity), both of which remained better than those of its peers. We think this level of peer outperformance is sustainable.

Purchases

Mid Cap Core Portfolio
Quarter Ending December 31, 2017

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Purchases	Descriptions/Reasons
Houlihan Lokey–Initiated Position	Houlihan Lokey is a global investment bank that provides financial advisory, restructuring and capital raising services to clients around the world. Its client base includes governments, middle-market private and public companies, and financial sponsors.
Manhattan Associates–Initiated and Increased Position	Manhattan Associates is a vertical software provider, focused on complex supply chain and omni-channel solutions. The company helps customers reduce inventory, optimize warehouse operations and drive other supply-chain efficiencies. Manhattan's customers are in the retail, wholesale, manufacturing, medical and other segments where inventory represents a major use of capital.
Bank of the Ozarks–Increased Position	Shares of Bank of the Ozarks have underperformed the Russell Midcap Index due to concerns over the company's commercial real estate exposure and slowing loan growth. Downward pressures were exacerbated by the announcement of an unexpected resignation of Dan Thomas, co-founder and president of the bank's Real Estate Specialties Group (RESG), a key growth engine for the company. Despite the departure, the RESG's fundamental market positioning remains intact. George Gleason, the company's CEO since 1979 and co-founder of the RESG, has temporarily taken charge of the segment. We continue to view Bank of the Ozarks as a solid financial institution that fits our high-quality investment criteria through conservative underwriting, exceptional efficiency and prudent risk management. With these considerations in mind, we took advantage of the shares' weakness to increase our position in the company.
Signature Bank–Increased Position	Shares of Signature Bank lagged, driven primarily by investor concerns over slowing commercial real estate (CRE) activity in New York and the Bank's limited exposure to variable interest loans. A flattening of the yield curve and price competition have, in fact, put some downward pressure on new CRE loan rates while recent short-term interest rate increases are starting to exert some upward pressure on deposit costs. Despite this environment, Signature Bank has an attractive efficiency ratio, strong loan growth and solid profitability metrics. With the shares trading at an attractive level, we increased our position.

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New Position

Mid Cap Core Portfolio
Quarter Ending December 31, 2017

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Houlihan Lokey (HLI)

- Over the past 30-plus years, Houlihan Lokey has established itself as a preeminent middle-market investment bank and one of the top restructuring advisors in the world. Unlike bulge bracket banks, Houlihan Lokey does not have other lines of business, such as private equity, that could create conflicts of interest with its clients. And unlike the other publicly traded independent advisory shops, Houlihan Lokey is focused on deals under $1 billion in size. The concentrated deal focus, coupled with the firm's expertise and global presence, makes Houlihan Lokey attractive to potential clients as an advisor and is a powerful recruiting tool.

- Houlihan Lokey also has steadily built a firm culture and brand that differentiates it in the marketplace. This has translated into high employee retention and consistent market share gains over the years. We think the stock will continue to outperform peers, and with only a 2% market share today in its target middle-market, there is ample opportunity for the business to grow.

- The company exhibits solid financial character. For instance, it has grown revenues 25 out of 30 years, with only one of the down years, during the financial crisis, marked by a decline greater than 10%. The business needs little capital and is able to convert earnings into free cash flow. It also has no debt and returns excess capital in the form of regular dividends.

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Manhattan Associates (MANH)

- Manhattan sells software, consulting and implementation services, as well as hardware that help automate a supply chain. Manhattan's clients rely on the software to run their complex supply-chain operations. These implementations can take multiple quarters and require clients to train employees to optimize the system. Once the mission-critical software is in place, it becomes the backbone of a client's inventory passage through its supply chain. Changing software providers post-implementation would be both extremely costly as well as highly disruptive to the business.

- While its retail customer base is certainly under pressure, Manhattan has continued to deliver solid license growth. This leading indicator is what drives Manhattan's financial results and demonstrates the strength and relevance of Manhattan's product offering. Despite the volatility in its retail customer base, the company continues to grow both top-line and bottom-line results, expanding operating margins by an average of 3% the last five years. While this level of margin growth is set to moderate, the company does believe it still has margin expansion ahead.

- With a growing presence internationally, we are likely still in the early stages of a broad supply chain technology roll-out. Further, while the footprint of retail real estate may shrink, the opportunity for Manhattan is likely still quite large, particularly as it expands to adjacent markets.

Sales

Mid Cap Core Portfolio
Quarter Ending December 31, 2017

Sales	Reasons
Church & Dwight–Sold Entire Position	Church & Dwight recently announced it was acquiring Water Pik, a leading manufacturer of oral water flossers and replacement showerheads, marking the largest acquisition in the company's history. With no manufacturing and limited marketing and distribution synergies expected, the deal diverges from Church & Dwight's traditional deal integration approach. We expect the Water Pik acquisition to pressure profitability and meaningfully increase the ever-present execution risk. Also, there has been a strategic shift in management's approach to capital allocation, likely related to the company's new leadership under CEO Matthew Farrell. Given these considerations and a lofty valuation of the stock, we exited our small position in the company.
RLI–Sold Entire Position	The shares of RLI have been relatively stagnant in the last year along with muted premium growth due to the exit of certain businesses as well as a re-underwriting of the transportation book. While the company continues to remain a solid underwriter and has a stellar combined ratio, we sold our position due to the valuation ceiling combined with the slow top-line performance.
Skyworks Solutions–Trimmed Position	The shares of Skyworks have essentially kept in-step with the Russell Midcap Index since our last increase two years ago. With the company's large concentration in Apple, combined with the recent launch of new iPhone 8 and X models, shares moved up substantially in 2017. This part of the story is behind us for now, and with the customer concentration still at elevated levels, we trimmed our position to fund other ideas in the portfolio.

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Portfolio Characteristics

Higher Quality, Stronger, More Consistent Growth, & Better Value
Mid Cap Core Portfolio – As of December 31, 2017

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	KAR Mid Cap Core	Russell Midcap® Index
Quality		
Return on Equity–Past 5 Years	28.1%	14.2%
Total Debt/EBITDA	1.8 x	4.0 x
Earnings Variance–Past 10 Years	28.7%	59.3%
Growth		
Earnings Per Share Growth–Past 5 Years	10.3%	8.8%
Earnings Per Share Growth–Past 10 Years	16.4%	8.0%
Dividend Per Share Growth–Past 5 Years	15.3%	11.4%
Dividend Per Share Growth–Past 10 Years	17.8%	8.3%
Capital Generation–{ROE x (1-Payout)}	22.0%	9.2%
Value		
P/E Ratio–Trailing 12 Months	30.2 x	28.9 x
Dividend Yield	0.8%	1.6%
Free Cash Flow Yield†	3.6%	3.6%
Market Characteristics		
$ Weighted Average Market Cap–3 Qtr. Average	$13.5 B	$14.2 B
Largest Market Cap–3 Qtr. Average	$36.9 B	$33.8 B
Annualized Standard Deviation–Since Inception*	14.2%	18.3%

In a market of average businesses, we own protected proprietary businesses that generate exceptional returns on shareholders' capital without employing significant debt.

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.

And we are able to achieve this high quality and strong growth at a discount valuation to the market.

**January 1, 2000*

†Free cash flow data is as of September 30, 2017. Prices are as of December 31, 2017. 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. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

Market Outlook
U.S. Economy

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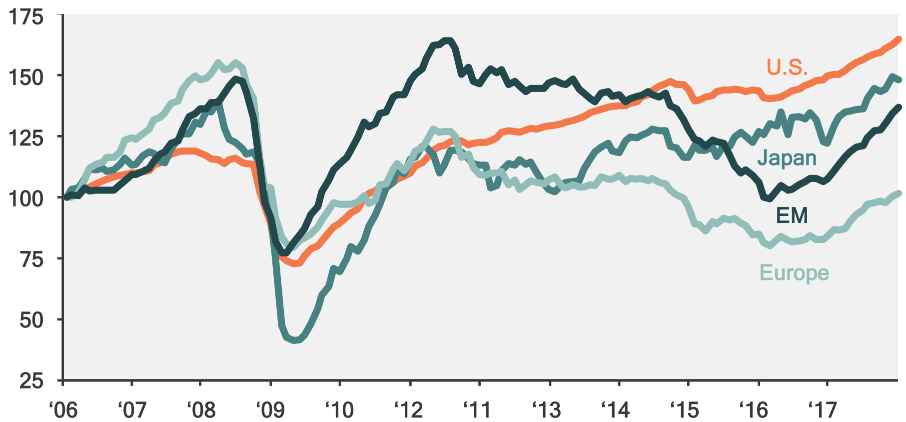
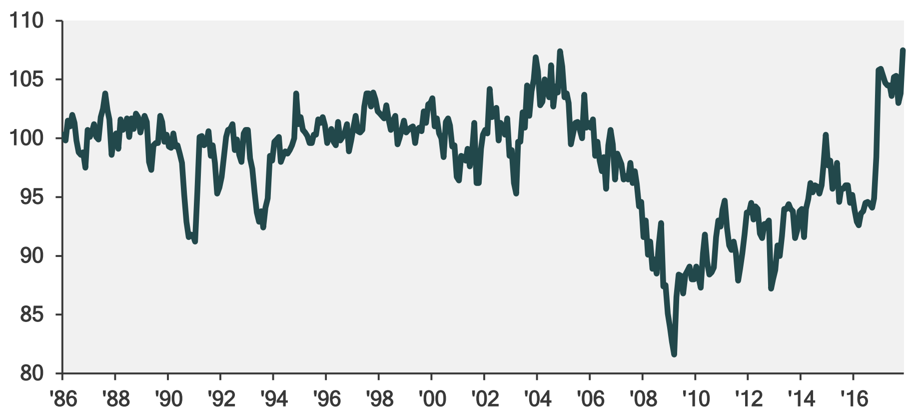
The U.S. economy should accelerate modestly. International economies have finally started to accelerate, improving the outlook for global economic growth rates.

- Corporate earnings and revenue continue to grow in constant currency and companies are maintaining historically high operating margins. 2017 earnings per share (EPS) for the S&P 500 was up double-digits. S&P 500 EPS should continue to grow in the mid-to-high single-digit growth range over the next 12-to-18 months. Additionally, international and emerging markets reported earnings are improving.
- U.S. GDP should improve to the 2.5% to 3.5% range over the next two years due to tax reform. The stock market has already discounted some of these benefits.
- Corporate cash is at all-time highs and improving, leading to share buybacks, dividend increases and acquisitions. Companies have become more disciplined about their capital allocation. M&A should pick up in 2018 due to repatriation, and IPO activity should increase as well.
- Household net wealth continues to hit a new high. Consumer confidence is back to 2007 levels. The labor market continues to improve meaningfully. Wage growth remains under control despite very low levels of unemployment. Small business optimism has substantially improved since the election.
- Many energy-related businesses are quickly recovering from recession conditions. Sustainability of the price of energy is an important issue over the next couple of years.
- Innovation is alive and well with the U.S. creating many investment opportunities in industries such as technology, health care and industrials.
- Bond yields and mortgage rates have continued to stay fairly low by historical standards, which has helped real estate markets continue to recover.

Global Earnings
EPS, U.S. Dollar, NTMA, January 2006 = 100



NFIB Small Business Optimism Index



Data as of December 31, 2017.

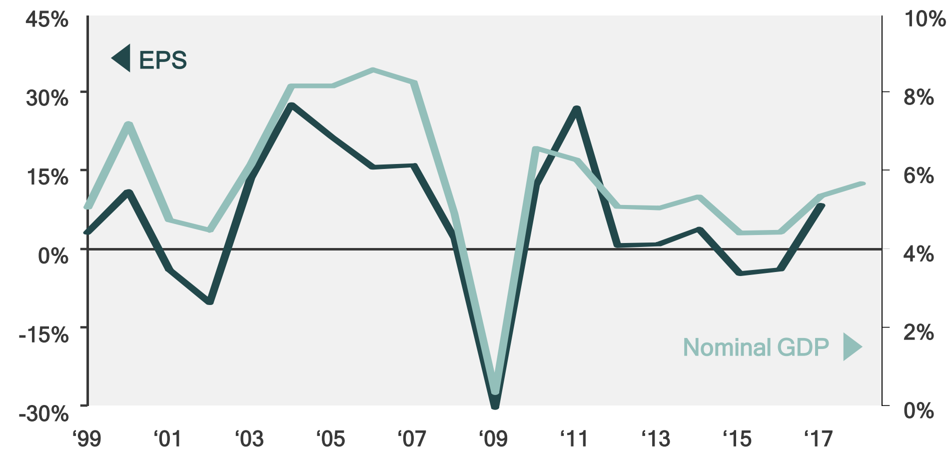
Global Earnings chart uses MSCI indices for all regions/countries, except for the U.S., which is the S&P 500. All indices use IBES aggregate earnings estimates, which may differ from earnings estimates elsewhere in the materials. MSCI Europe includes the Eurozone as well as countries not in the currency bloc, such as the U.K., Switzerland, Sweden and Norway (which collectively make up 49% of the overall index). Data is obtained from FactSet Research Systems, MSCI, Thomson Reuters, Standard and Poor's, J.P. Morgan Asset Management and Strategas and is assumed to be reliable. Past performance is no guarantee of future results.

Market Outlook
International Economy

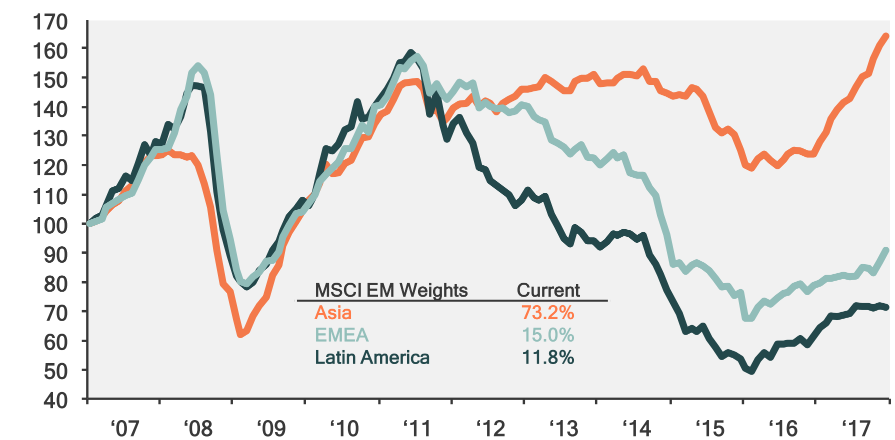
Global growth prospects are solid through year end, providing support for risk-based assets globally.

- At a 2.4% yield on the U.S. 10-year bond, a higher initial yield combined with a fairly stable U.S. dollar makes the U.S. bond market very attractive to foreign investors.
- European sovereign debt rates continue to be fairly stable, business activity has improved, and European banks have started to recover due to a steepening yield curve. Italy is finally addressing some of their banking problems.
- European inflation is very benign but is getting closer to its targets. Yields have risen this quarter, lifting many European countries out of a negative interest rate environment.
- Chinese economic growth rates have stabilized in 2017, albeit at lower rates than historically. The transition to a consumption-led economy will take time, but is clearly occurring.
- Emerging market growth rates and currencies are showing signs of improvement over the last year. Uncertainty about U.S. trade policies may slow down the recovery in progress, but initial negotiations appear much better than expected with NAFTA still a risk.

Global GDP Growth and Corporate Profits
Year-Over-Year Growth, Nominal GDP, MSCI AC World Trailing EPS



EM Earnings by Region
EPS for Next 12-Month Consensus, U.S. Dollar, Rebased to 100



Data as of December 31, 2017.

Nominal GDP used is based on purchasing power parity (PPP) valuation of coutnry GDP. 2017 and 2018 nominal GDP figures are IMF estimates. Earnings used are U.S. dollar trailing 12-month sum earnings per share figures. Data is obtained from FactSet Research Systems, IMF, MSCI, Consensus Economics and J.P. Morgan Asset Management and is assumed to be reliable. Past performance is no guarantee of future results.

Market Outlook

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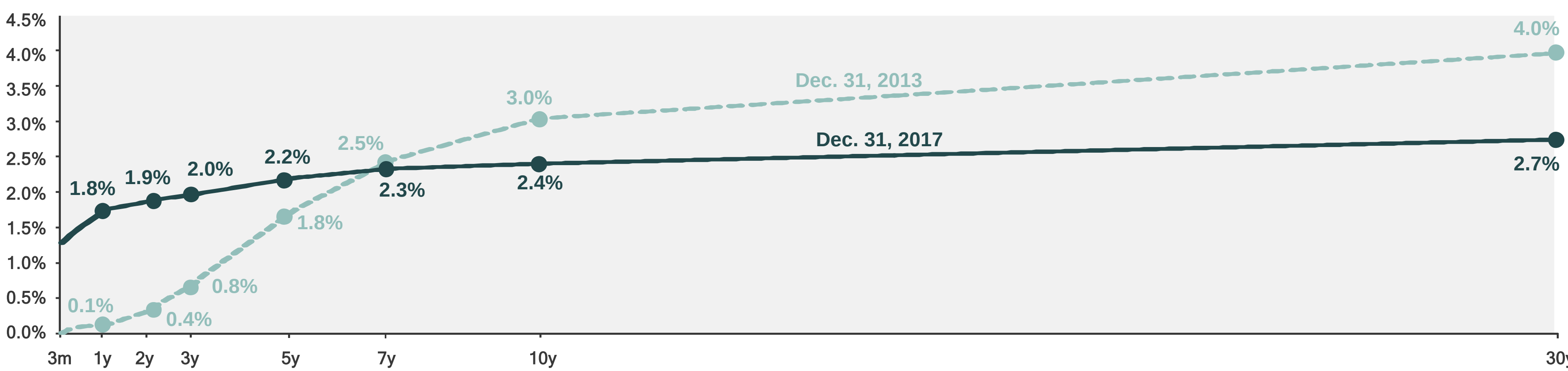
Potential Economic Risks:

- How will the long end of the bond market continue to react to the Fed's desire to raise short-term rates three times in 2018 and unwind the balance sheet?
- Significant increases in energy prices and wage gains could lead to a surge in the inflation outlook.
- A hard landing in China could slow global GDP materially. Although receding, it is still a risk due to debt levels.
- Does the European Central Bank pull back prematurely on QE as Europe is recovering?
- Global deflation, not inflation, continues to be principal risk, but inflation expectations are finally rising somewhat, although still short of targets.
- Continued uncertainty surrounding global trade, travel and immigration policy in the U.S.

Price of Oil
Brent Crude, Nominal Prices, USD/Barrel

Yield Curve
U.S. Treasury Yield Curve



Data as of December 31, 2017.

Bent crude prices are monthly averages in USD using global spot ICE prices. Data is obtained from FactSet Research Systems, Federal Reserve and J.P. Morgan Asset Management and is assumed to be reliable. Past performance is no guarantee of future results.

Market Outlook

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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.

- As consumer confidence stays strong, there is potential for P/E ratios to improve slightly. Retail investors still are not fully engaged in the equity market.
- Equity valuations remain reasonable by historic measures, both at absolute levels but particularly relative to interest rates.
- Foreign markets are finally supporting U.S. EPS growth rates, particularly for large multinationals.
- With favorable corporate cash flow, investors are being rewarded with increased share buybacks, dividends and occasional acquisitions.
- Corporate profit margins are still being maintained at very high historical levels.
- 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 has been very low since the election and we are overdue for some type of correction, but the longer term outlook is still favorable.

S&P 500® Index: Forward P/E Ratio

Valuation Measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-valued
P/E	Forward P/E	18.2x	16.0x	0.7
CAPE	Shiller's P/E	32.4	26.4	1.0
Div. Yield	Dividend Yield	2.0%	2.0%	0.1
P/B	Price to book	3.1	2.9	0.2
P/CF	Price to cash flow	12.8	10.7	1.1
EY Spread	EY minus Baa yield	1.3%	-0.2%	-0.8

Data as of December 31, 2017.

**P/CF is a 20-year average due to cash flow data availability.*

Price to earnings is price divided by consensus analyst estimates of earnings per share for the next 12 months as provided by IBES since December 1989, and FactSet for December 31, 2017. Average P/E and standard deviations are calculated using 25 years of FactSet history. Shiller's P/E uses trailing 10-years of inflation-adjusted earnings as reported by companies. Dividend yield is calculated as the next 12-month consensus dividend divided by most recent price. Price to book ratio is the price divided by book value per share. Price to cash flow is price divided by NTM cash flow. EY minus Baa yield is the forward earnings yield (consensus analyst estimates of EPS over the next 12 months divided by price) minus the Moody's Baa seasoned corporate bond yield. Std. dev. over-/under-valued is calculated using the average and standard deviation over 25 years for each measure. Data is obtained from FactSet Research Systems, FRB, Thomas Reuters, Robert Shiller, Standard and Poor's and J.P. Morgan Asset Management and is assumed to be reliable. Past performance is no guarantee of future results.

Appendix

Kayne Anderson Rudnick
Investment Management

- Portfolio Data
- Disclosure

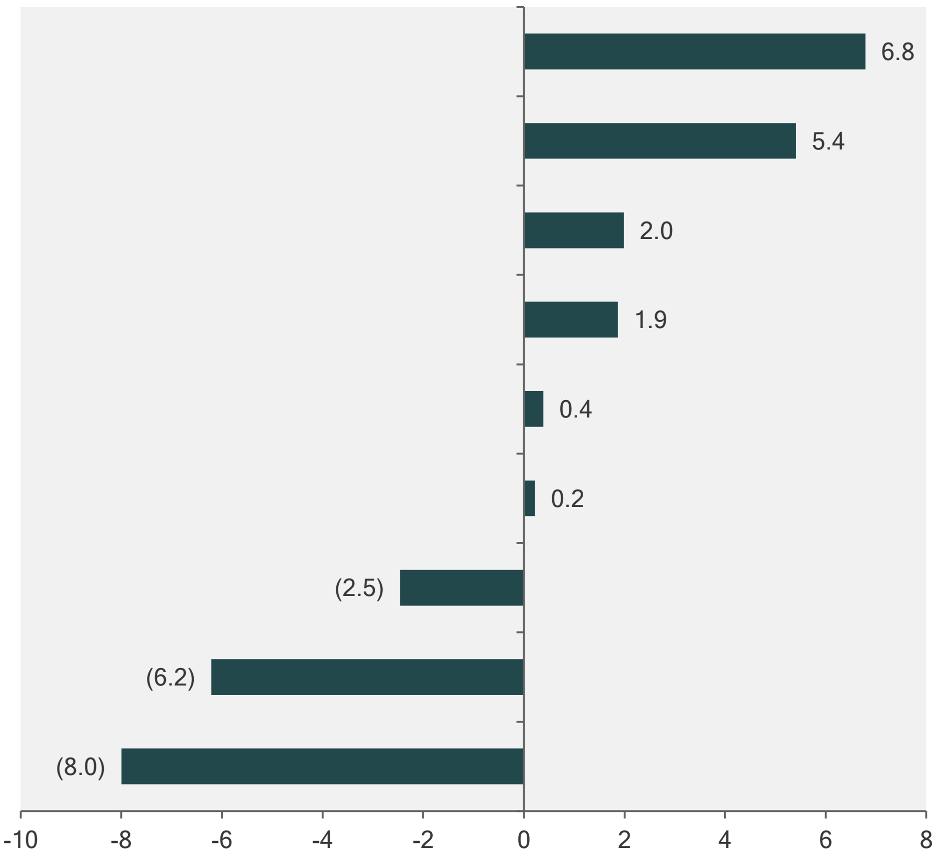
Sector Weights

Mid Cap Core Portfolio
As of December 31, 2017

Kayne Anderson Rudnick
Investment Management

Sectors	KAR Mid Cap Core (%)	Russell Midcap® Index (%)
Health Care	15.8	9.0
Technology	17.4	12.0
Consumer Staples	6.0	4.0
Producer Durables	15.2	13.4
Materials & Processing	7.7	7.3
Consumer Discretionary	15.3	15.1
Energy	3.5	5.9
Utilities	–	6.2
Financial Services	19.2	27.2

Underweight/Overweight (%)



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.

Conviction-Driven Investing Provides Opportunities for Excess Return

Mid Cap Core Portfolio
As of December 31, 2017

Kayne Anderson Rudnick Investment Management

Top 10 Holdings	Russell Sector	% of Portfolio
Globus Medical	Health Care	6.2
Monster Beverage	Consumer Staples	6.0
AMETEK	Producer Durables	5.5
Tractor Supply Company	Consumer Discretionary	5.1
Zoetis	Health Care	4.5
Bank of the Ozarks	Financial Services	4.3
WABCO Holdings	Consumer Discretionary	4.3
Amphenol	Technology	4.3
Signature Bank	Financial Services	4.1
Nordson	Producer Durables	4.0
Total		**48.3**

Research confidence leads to large active weights

	KAR Mid Cap Core	Russell Midcap® Index
# of Holdings	28	780
Average Position Size (%)	3.6	0.1
Weight of Top Ten Holdings (%)	48.3	4.5
Active Share (%)	96.2	–

The strategy benefits from diversification while still taking significant active positions

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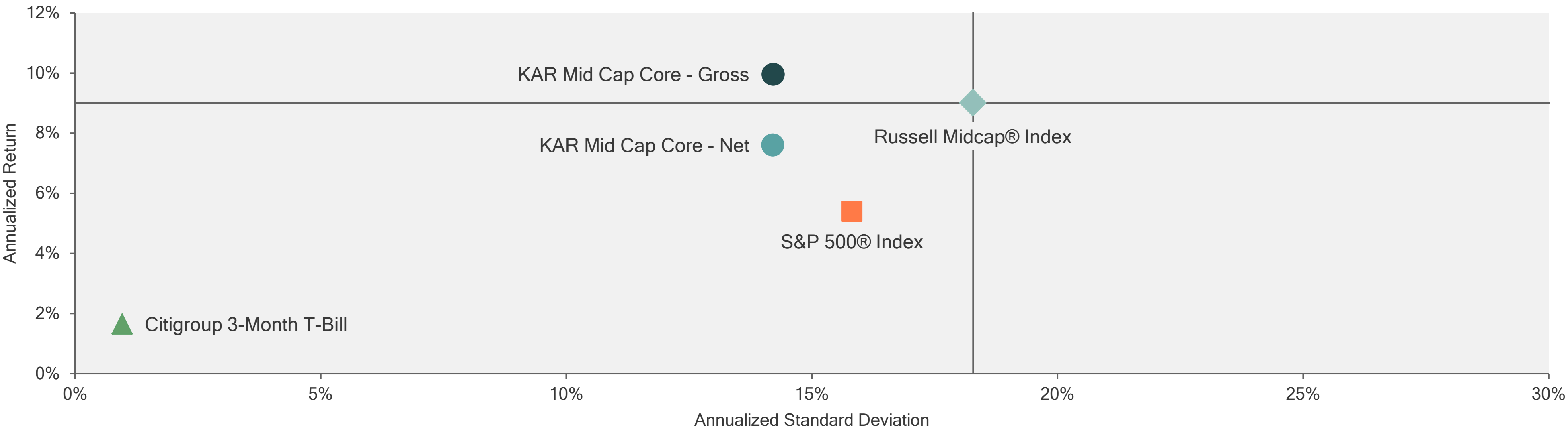
Strong Risk-Adjusted Returns

Mid Cap Core Portfolio
Inception* to December 31, 2017

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	**2.73**	**0.59**	**14.21**	**11.30**	**0.71**	**7.64**
Russell Midcap® Index	0.00	0.41	18.28	14.15	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 12/31/17	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
Fourth Quarter	9.39	8.60	6.07	332
1 Year	26.74	23.07	18.52	823
3 Years	13.90	11.26	9.58	432
5 Years	17.48	15.37	14.96	252
7 Years	15.33	13.38	12.76	256
10 Years	10.86	8.96	9.11	175
Since Inception*	9.96	7.60	9.01	95

Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
2017	26.74	23.07	18.52	823
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, 2016.

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, 2016. 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

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
2007	5,392	25	100%	7	6.19	4.20	5.60	0.06
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

**Pure gross returns are supplemental to net returns.*