



Kayne Anderson Rudnick  
Investment Management

Small Cap Core Portfolio  
Managed Accounts  
First Quarter 2018 Review

[kayne.com](http://kayne.com)

1800 Avenue of the Stars, 2nd Floor Los Angeles, CA 90067 T 800.231.7414

# Firm Overview

As of March 31, 2018



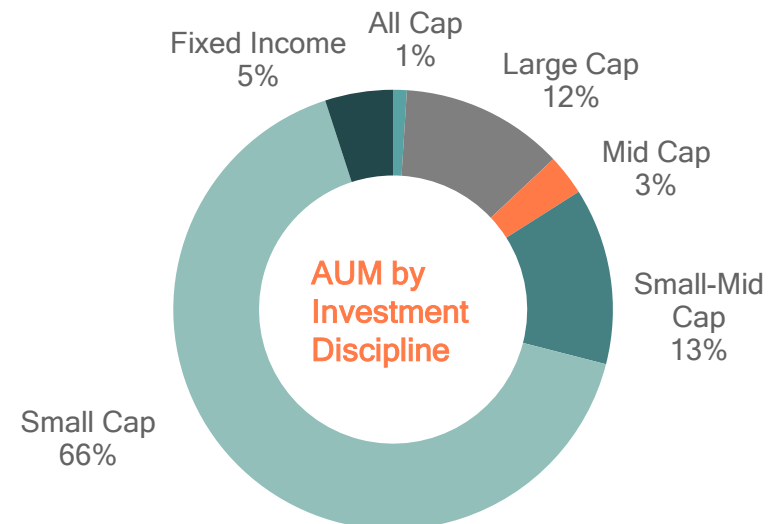
Kayne Anderson Rudnick  
Investment Management

## Profile

- Originally established to manage founder capital
- Specialization in small 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	\$20.4 billion
Number of Investment Professionals	13
Average Investment Experience	18 Years

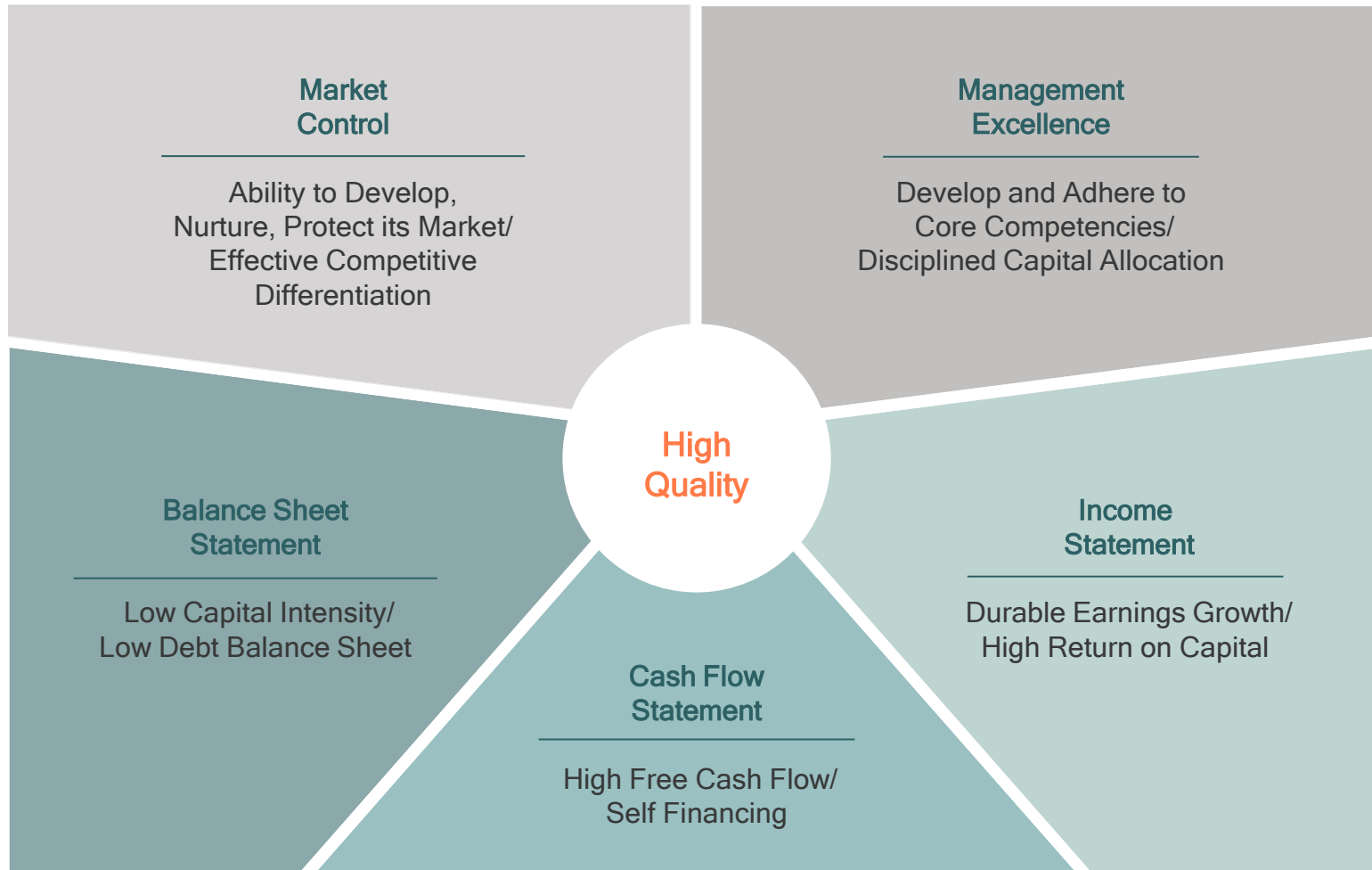


### Investment Philosophy

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 2000® Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics



# Small Cap Core Team

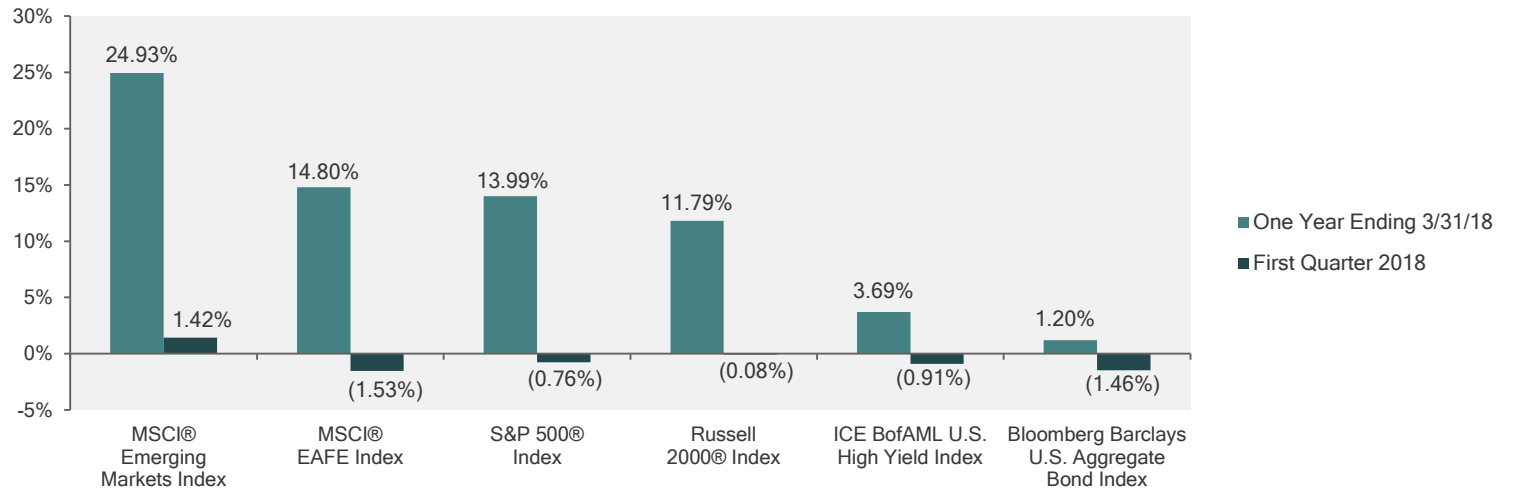


Kayne Anderson Rudnick  
Investment Management

Portfolio Manager/Analysts	Responsibility	Research Experience	Years with KAR
Douglas S. Foreman, CFA	Chief Investment Officer	32 Years	7 Years
Todd Beiley, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Financials and Producer Durables	19 Years	16 Years
Jon Christensen, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Health Care	23 Years	17 Years
Julie Kutasov	Senior Research Analyst Sector Coverage: Energy and Financials	17 Years	17 Years
Craig Stone	Senior Research Analyst Sector Coverage: Producer Durables	29 Years	18 Years
Chris Wright, CFA	Senior Research Analyst Sector Coverage: Consumer Discretionary, Consumer Staples, and Financials	8 Years	6 Years
Julie Biel, CFA	Research Analyst Sector Coverage: Technology and Consumer Discretionary	10 Years	5 Years
Jordan Greenhouse	Portfolio Specialist	21 Years*	2 Years

\*Represents years of industry experience.

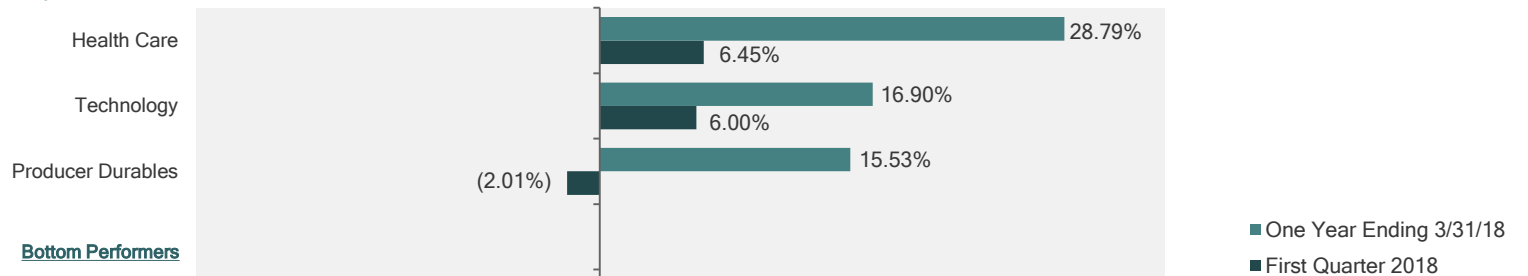
## Index Performance



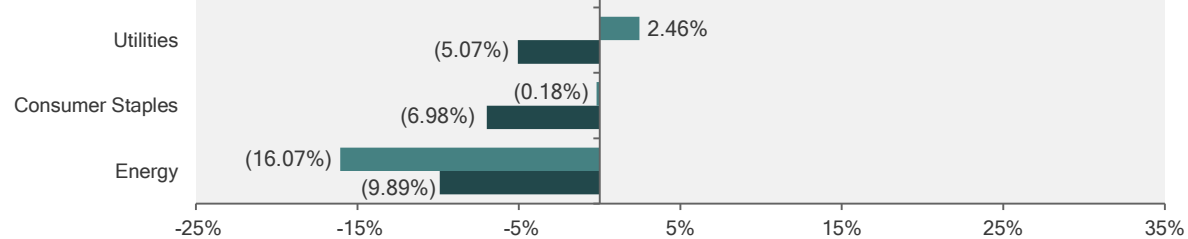
## Sector Performance

### Russell 2000® Index

#### Top Performers



#### Bottom Performers



*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.*

# Market Review

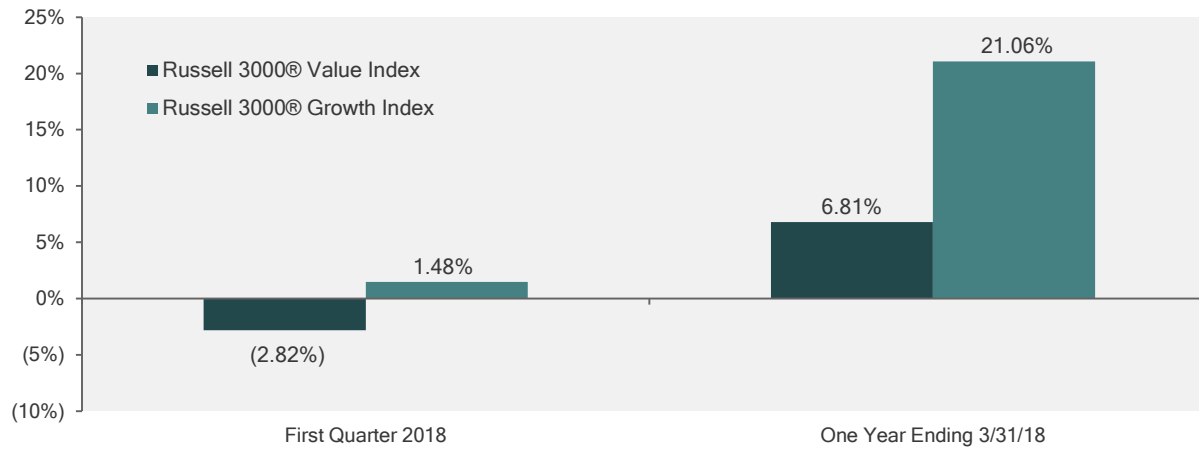
## Performance by Style and Yield



Kayne Anderson Rudnick  
Investment Management

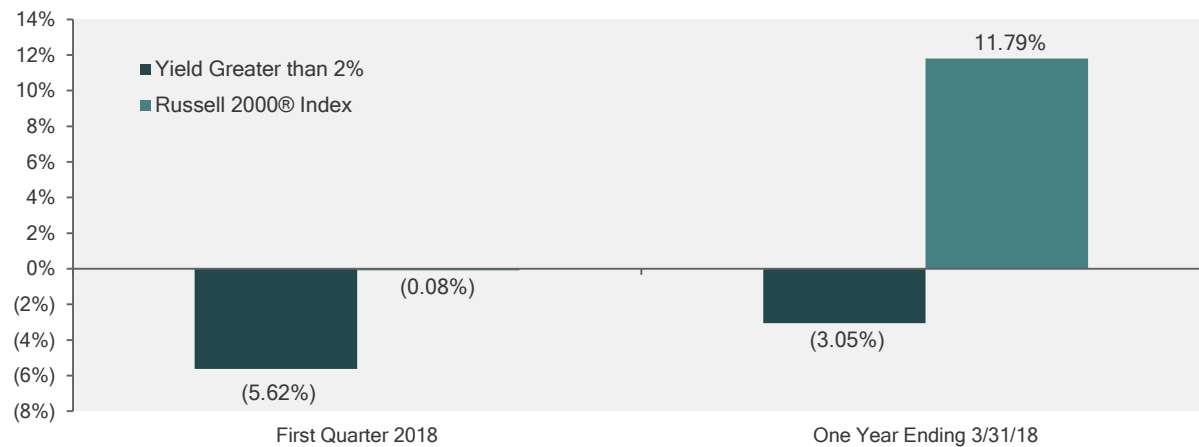
### Performance by Style

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



### Performance by Yield

Underperformance of Bond Proxies



*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.*

# Quarterly Performance Overview

Small Cap Core Portfolio  
Periods Ending March 31, 2018



Kayne Anderson Rudnick  
Investment Management

## Monthly and Quarterly Performance

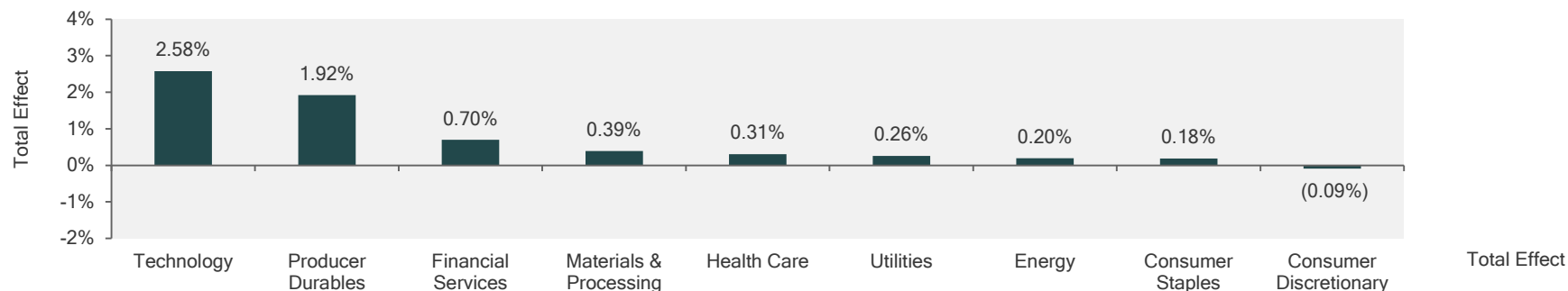
	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
January	7.15	6.90	2.61	454
February	(3.84)	(4.09)	(3.87)	3
March	2.34	2.09	1.29	104
First Quarter	5.45	4.67	(0.08)	553

## Contributors

Highest	Contribution
Autohome	+2.93%
Abaxis	+1.24%
Copart	+0.99%
Lowest	Contribution
Artisan Partners Asset Management	(0.36%)
WABCO Holdings	(0.29%)
Primerica	(0.26%)

## Attribution by Sector

Quarter Ending March 31, 2018



Russell 2000® Index Returns	6.00%	(2.01%)	(1.38%)	(4.88%)	6.45%	(5.07%)	(9.89%)	(6.98%)	(0.75%)	(0.08%)
KAR Returns	14.84%	6.64%	1.34%	0.41%	42.95%	0.00%	(4.61%)	0.00%	(1.40%)	5.45%
KAR Selection Effect	1.91%	2.11%	0.68%	0.23%	1.07%	0.00%	0.32%	0.00%	(0.10%)	6.22%
KAR Allocation Effect	0.67%	(0.19%)	0.02%	0.16%	(0.76%)	0.26%	(0.12%)	0.18%	0.01%	0.23%

*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.



# Annual Performance Overview

## Small Cap Core Portfolio

### Periods Ending March 31, 2018



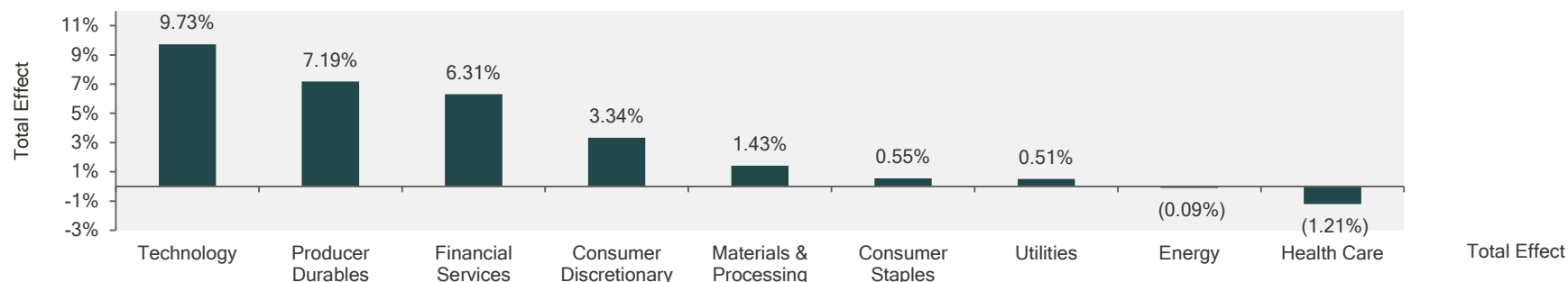
Kayne Anderson Rudnick  
Investment Management

#### Quarterly and Annual Performance

	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
Second Quarter 2017	6.90	6.12	2.46	444
Third Quarter 2017	8.84	8.05	5.67	317
Fourth Quarter 2017	9.76	8.96	3.34	642
First Quarter 2018	5.45	4.67	(0.08)	553
1 Year Ending 3/31/18	34.67	30.78	11.79	2288

#### Attribution by Sector

One Year Ending March 31, 2018



Russell 2000® Index Returns	16.90%	15.53%	5.29%	14.38%	5.15%	(0.18%)	2.46%	(16.07%)	28.79%	11.79%
KAR Returns	69.97%	46.40%	30.87%	26.18%	24.63%	0.36%	0.00%	(13.10%)	47.30%	34.67%
KAR Selection Effect	9.32%	6.63%	6.02%	3.27%	1.10%	0.11%	0.00%	0.46%	0.41%	27.33%
KAR Allocation Effect	0.41%	0.55%	0.29%	0.06%	0.33%	0.44%	0.51%	(0.55%)	(1.62%)	0.52%

*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.*

# Highest Contributors

## Small Cap Core Portfolio

### One Year Ending March 31, 2018



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
Autohome	+10.08%	Shares of Autohome increased meaningfully over the past year as the company refined its strategy and exited a money-losing new car transaction business. This allowed the strong profitability of its core business to re-emerge and translated into double-digit revenue and earnings-per-share growth for 2017. Autohome's financial results also have benefited from the ongoing secular shift of ad budgets from offline to online media. Given Autohome's strong competitive positioning, improved capital allocation and the expected long-term growth of the Chinese car market, we remain owners of the business.
Old Dominion Freight Line	+3.19%	The company's scale advantages are leading to persistent market share gains. Tightening supply-and-demand conditions in the trucking industry also have allowed for firm pricing.
Copart	+3.00%	Copart enjoys strong network effects as both buyers and sellers benefit from a deep and fair auto auction market. Shares performed strongly following the company's reports of solid operating results supported by a number of sustainable market tailwinds, including increased vehicle complexity and auto body shop consolidation.

*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 securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable. Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.*

# Lowest Contributors

## Small Cap Core Portfolio

### One Year Ending March 31, 2018



Kayne Anderson Rudnick  
Investment Management

Security	Contribution	Comments
Dril-Quip	(0.45%)	Dril-Quip shares lagged driven by continuous weakness in deep-water drilling activity. Our view of the company's long-term market positioning remains intact, however. We continue to believe that Dril-Quip is better protected both as a "best of breed" mission-critical equipment supplier and a low-cost manufacturer. Importantly, Dril-Quip has a long-term track record of disciplined capital allocation, and the company's balance sheet remains pristine with plenty of cash and no debt.
PriceSmart	(0.36%)	PriceSmart has seen improved sales trends in both its hurricane-impacted markets and its major Colombian segment. Additionally, some of the softer Caribbean markets appear to be finding their footing. At the same time, margins have been hit with distribution headwinds and more aggressive pricing. The tax-reform act will have a modest impact on PriceSmart's tax rate, given its business is overseas. Overall, the company remains well positioned in markets with a growing middle class who appreciate the value PriceSmart delivers.
Core Laboratories	(0.21%)	Core Laboratories shares lagged due to challenging operating conditions driven by depressed crude oil prices. However, we continue to believe that Core Labs, with its comprehensive portfolio of value-added products, is well positioned to assist major oil companies in enhancing project economics through improved recovery. Core Labs is recognized as the industry's innovation leader with a number of revolutionary products introduced over the past several months. Importantly, the company remains a strong generator of free cash flow, returning excess cash to shareholders in the form of cash dividends and share repurchases.

***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 securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable. Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.*

# Purchases

Small Cap Core Portfolio  
Quarter Ending March 31, 2018



Kayne Anderson Rudnick  
Investment Management

Purchases	Descriptions/Reasons
Moelis & Co.—Initiated Position	Moelis & Co. (MC) is a global investment bank that provides financial advisory, restructuring and capital raising services to clients around the world. Its client base includes large public multinational corporations, governments, middle-market private companies and financial sponsors. The company was founded by Kenneth Moelis, Navid Mahmoodzadegan, Jeffrey Raich, and Elizabeth Crain in July 2007 and is headquartered in New York, N.Y.
Rightmove—Initiated Position	Rightmove is the No. 1 residential property website for properties for sale and to rent in the U.K.
Toro—Increased Position	Since our last trim in late 2016, the shares of Toro have slightly underperformed the Russell 2000 Index. The shares have stalled after two years of outperformance as Professional sales have been solid while Residential has lagged. Also, a slow start to the winter season and commodity-costs headwinds have put the shares on hold for many investors. However, we believe the company's solid history of execution and its Vision 2020 strategy of increasing organic sales and improving margins are on target and should bear fruit in the future. We are confident in the long-term fundamentals, and took advantage of the share underperformance to increase our position.

*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 securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable.*

# New Position

Small Cap Core Portfolio  
Quarter Ending March 31, 2018



Kayne Anderson Rudnick  
Investment Management

## Moelis & Co. (MC)

- The founders of MC from the outset have focused on hiring high-performing managing directors and cultivating a distinct firm culture and reputation. This has allowed the firm to quickly take market share and climb the M&A league tables. While other firms could try to copy this model, successful execution is far from certain.
- Unlike bulge bracket banks, such as Citigroup and Goldman Sachs, MC does not have other lines of business that could create potential conflicts of interest with its clients. And unlike some other independent advisory shops, MC does not have a “commission-based” compensation model. Management of MC feels strongly that a commission model does not foster a long-lasting firm culture or promote cooperation amongst industry groups/managing directors.
- Also, the dislocation caused by the financial crisis gave MC a rare opportunity to aggressively recruit top talent quickly. Barring another disruptive event to the industry, it is unlikely a new firm could quickly amass the roster of talent MC achieved in a short amount of time.

*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 securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable.*

# New Position

Small Cap Core Portfolio  
Quarter Ending March 31, 2018



Kayne Anderson Rudnick  
Investment Management

## Rightmove (RTMVY)

- Rightmove has established itself as the winner in what is an industry clearly driven by the network effect. Rightmove has 81% market share in terms of page views and has virtually full penetration in terms of real estate agents and new home developers. Rightmove's strong market presence has allowed the company considerable pricing power and margin-expansion opportunities.
- U.K. residential property market transactions are about 35% below the average number of transactions between 1998 and 2012. Recently, however, transactions have been growing at a strong double digit clip.
- Rightmove has had double-digit revenue growth over the past five years and has a clean balance sheet. Management returns essentially all free cash flow to shareholders through buybacks and dividends.

*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 securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable.*

# Sales

## Small Cap Core Portfolio Quarter Ending March 31, 2018



Kayne Anderson Rudnick  
Investment Management

Sales	Reasons
Autohome—Trimmed Position	We trimmed our holding in Autohome as the position exceed our maximum limit.
Fox Factory Holding—Trimmed Position	We reduced our holding in Fox Factory as we reached our maximum ownership limit of the company.

*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 securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. Kayne Anderson Rudnick has chosen to review the securities in this document based upon objective criteria. It should not be assumed that securities recommended in the future will be profitable.*

# Portfolio Characteristics

Small Cap Core Portfolio – As of March 31, 2018



Kayne Anderson Rudnick  
Investment Management

	KAR Small Cap Core	Russell 2000® Index
<b>Quality</b>		
Return on Equity—Past 5 Years	<b>27.2%</b>	10.3%
Total Debt/EBITDA	<b>1.3 x</b>	5.9 x
Earnings Variability—Past 10 Years	<b>29.9%</b>	77.7%
<b>Growth</b>		
Earnings Per Share Growth—Past 10 Years	<b>15.7%</b>	7.6%
Dividend Per Share Growth—Past 10 Years	<b>14.9%</b>	4.9%
Capital Generation—{ROE x (1-Payout)}	<b>21.6%</b>	8.0%
<b>Value</b>		
P/E Ratio—Trailing 12 Months	<b>30.4 x</b>	38.2 x
Dividend Yield	<b>0.8%</b>	1.3%
Free Cash Flow Yield†	<b>3.4%</b>	1.7%
<b>Market Characteristics</b>		
\$ Weighted Average Market Cap—3-Year Average	<b>\$4.5 B</b>	\$2.1 B
Largest Market Cap—3-Year Average	<b>\$8.7 B</b>	\$8.1 B
Annualized Standard Deviation—Since Inception*	<b>15.5%</b>	19.2%

\*April 1, 1992

†Free cash flow data is as of December 31, 2017. Prices are as of March 31, 2018. Excludes financials.

***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.*

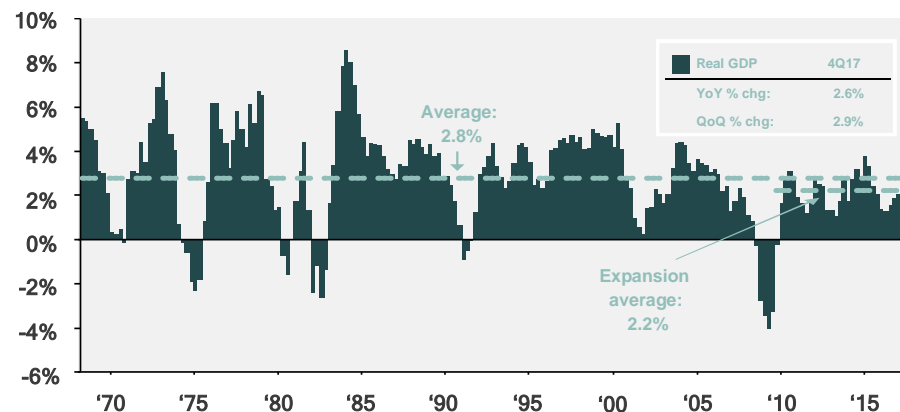


The U.S. economy should accelerate modestly. International economies have finally started to accelerate, improving the outlook for global economic growth rates.

- 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.
- Stock market volatility will likely increase from very low levels in 2017.
- 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 should pick up given the 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.
- Despite the back up in Q1 yields, mortgage rates have continued to stay fairly low by historical standards, which has helped real estate markets continue to recover.

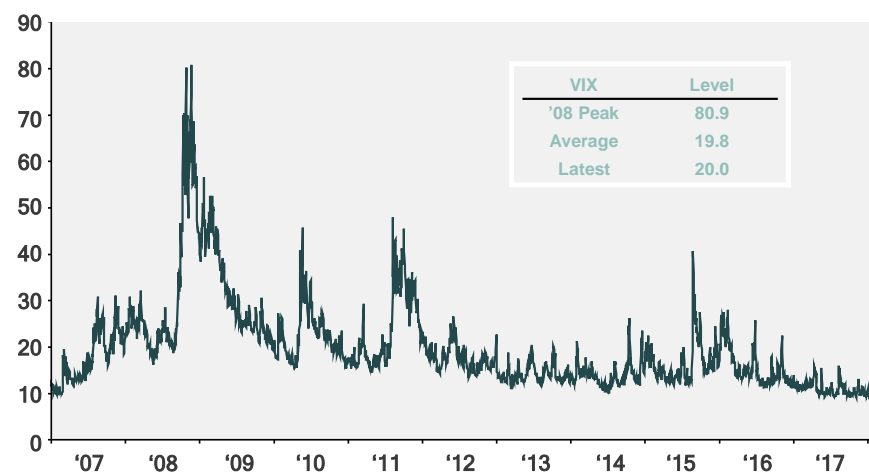
### Real GDP

Year-over-year % change



### CBOE Market Volatility Index (VIX)

Index Level



Data as of March 31, 2018.

Quarter-over-quarter percent changes are at an annualized rate. Average represents the annualized growth rate for the full period. Expansion average refers to the period starting in the third quarter of 2009. Stock market returns are based on calendar year peak to trough declines experienced during VIX spike. Average is based on the period shown from 12/31/2006-3/31/2018. Data is obtained from FactSet Research Systems, J.P. Morgan Asset Management, BEA and CBOE and is assumed to be reliable. Past performance is no guarantee of future results.

# Market Outlook

## International Economy

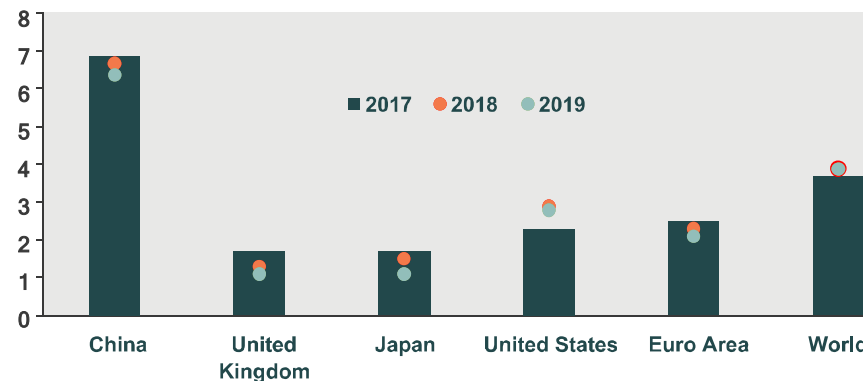


Kayne Anderson Rudnick  
Investment Management

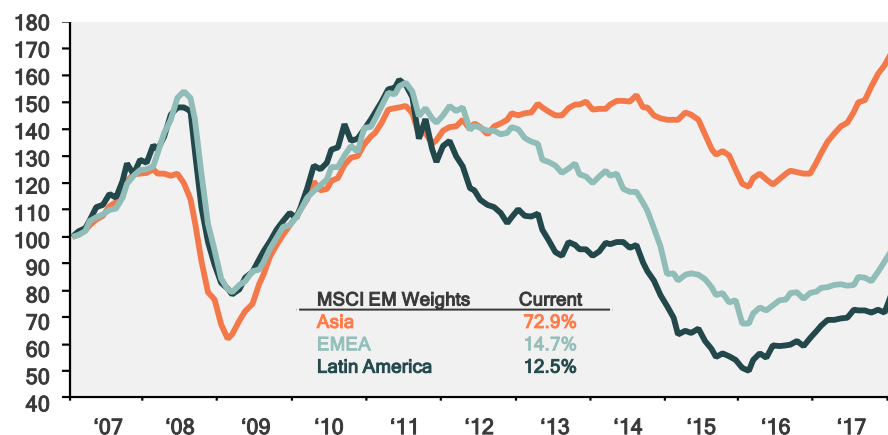
### Global growth prospects are solid through year end, providing support for risk-based assets globally.

- We don't believe a global trade war will occur. Negotiations will take time with China, but a trade war is in no country's interest.
- At a 2.7% 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.

OECD Economic Projections  
Annual GDP Growth



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



Data as of March 31, 2018.

Data is obtained from FactSet Research Systems, J.P. Morgan Asset Management, Consensus Economics, MSCI and Strategas and is assumed to be reliable. Past performance is no guarantee of future results.

## 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.
- Does government over-regulate the technology industry?

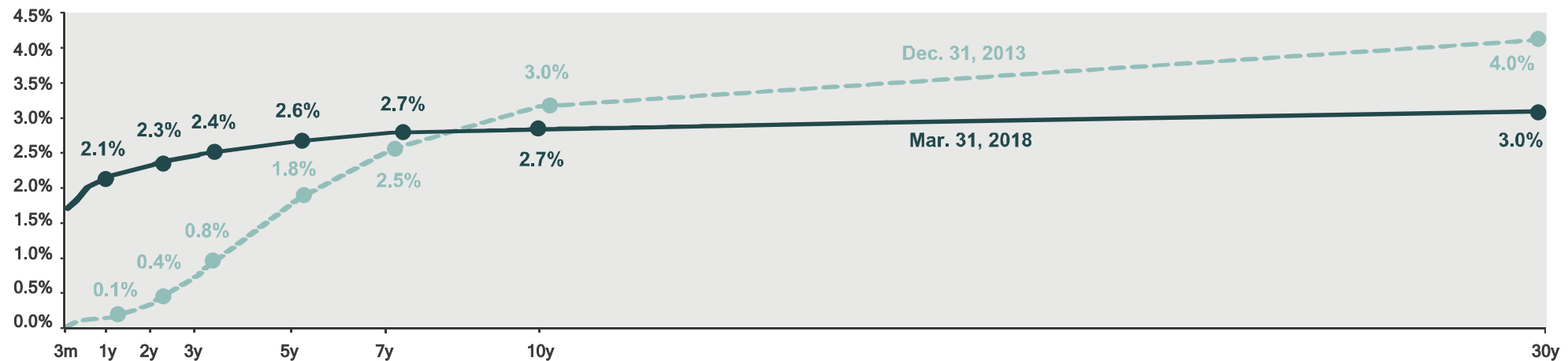
## Price of Oil

Brent Crude, Nominal Prices, USD/Barrel



## Yield Curve

U.S. Treasury Yield Curve



Data as of March 31, 2018.

Brent 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.

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 will likely pick up, but we believe the longer term outlook is still favorable.

S&P 500® Index: Forward P/E Ratio



Data as of March 31, 2018.

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 March 31, 2018. Average P/E and standard deviations are calculated using 25 years of FactSet history. 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.

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

# Sector Weights

## Small Cap Core Portfolio

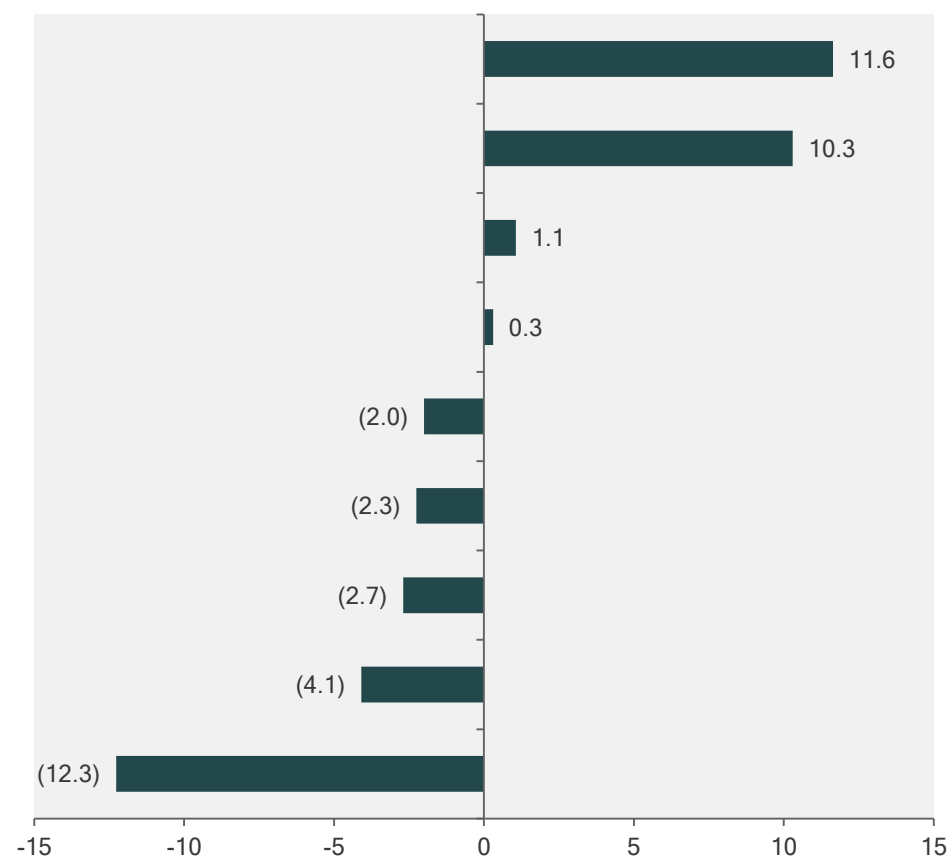
### As of March 31, 2018



Kayne Anderson Rudnick  
Investment Management

Sectors	KAR Small Cap Core (%)	Russell 2000® Index (%)
Producer Durables	25.6	13.9
Technology	24.8	14.5
Energy	4.6	3.5
Financial Services	25.2	24.9
Consumer Staples	—	2.0
Consumer Discretionary	11.4	13.6
Materials & Processing	4.4	7.1
Utilities	—	4.1
Health Care	4.1	16.4

### 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

Small Cap Core Portfolio  
As of March 31, 2018



Kayne Anderson Rudnick  
Investment Management

Top 10 Holdings	Russell Sector	% of Portfolio
Autohome	Technology	9.3
Copart	Producer Durables	6.3
Teledyne Technologies	Producer Durables	5.5
Old Dominion Freight Line	Producer Durables	5.5
Rightmove	Technology	5.4
Primerica	Financial Services	5.4
CDW	Technology	4.9
HFF	Financial Services	4.4
Aspen Technology	Technology	4.1
Abaxis	Health Care	4.1
<b>Total</b>		<b>54.9</b>

Research confidence leads to large active weights

	KAR Small Cap Core	Russell 2000® Index
# of Holdings	28	1,983
Average Position Size (%)	3.6	0.1
Weight of Top Ten Holdings (%)	54.9	3.6
Active Share (%)	98.7	—

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

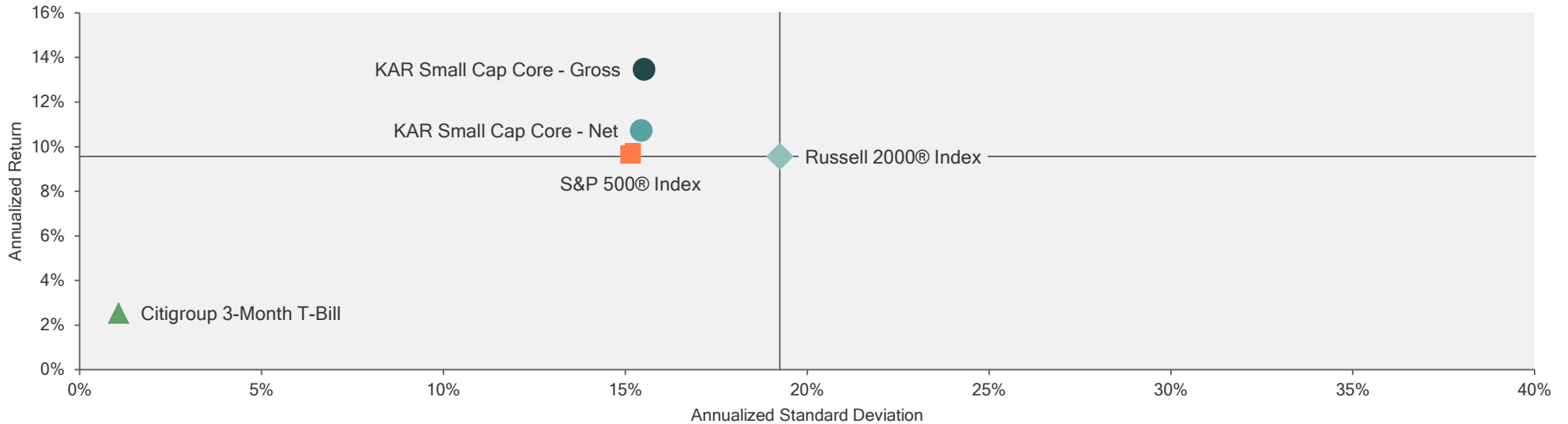
Small Cap Core Portfolio  
Inception\* to March 31, 2018



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
<b>KAR Small Cap Core</b>	<b>5.40</b>	<b>0.71</b>	<b>15.51</b>	<b>11.63</b>	<b>0.72</b>	<b>8.68</b>
Russell 2000® Index	0.00	0.37	19.25	14.33	1.00	0.00

\*April 1, 1992

*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.*



# Peer Comparison

## Small Cap Core Portfolio

### Ten Years Ending March 31, 2018



Kayne Anderson Rudnick  
Investment Management



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

*The Small Cap Core Universe includes all managers categorized in the small cap core asset class by eVestment.*

*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. Management fees are described in Part II of our form ADV, which is available upon request. Gross annual returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Net annual returns have been calculated after the deduction of an assumed maximum annual fee of 3%. The effect of fees on performance would grow at a compounded rate. Over a five-year period, if a \$100,000 portfolio had an annual return of 10%, it would grow to \$161,051. The net compounded effect of a 3% annual investment management fee would total \$20,796 and result in a portfolio value of \$140,255.*

# Returns

## Small Cap Core Portfolio



Kayne Anderson Rudnick  
Investment Management

### Annualized Performance

Periods Ending 3/31/18	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
First Quarter	5.45	4.67	(0.08)	553
1 Year	34.67	30.78	11.79	2288
3 Years	18.36	15.33	8.39	997
5 Years	17.07	14.51	11.47	560
7 Years	15.46	13.08	10.39	507
10 Years	14.72	12.49	9.84	488
Since Inception*	13.47	10.71	9.56	391

### Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
2017	35.43	31.52	14.65	2078
2016	18.55	15.09	21.31	(275)
2015	2.09	0.51	(4.41)	650
2014	7.31	5.57	4.89	241
2013	30.89	28.76	38.82	(793)
2012	13.75	11.80	16.35	(260)
2011	9.64	7.75	(4.18)	1382
2010	24.83	22.56	26.85	(203)
2009	31.80	29.72	27.17	463
2008	(28.15)	(29.36)	(33.79)	563
2007	3.25	1.71	(1.57)	481
2006	13.46	11.87	18.37	(491)
2005	7.87	4.63	4.55	331
2004	23.07	19.42	18.33	474
2003	35.02	31.19	47.25	(1223)
2002	(13.73)	(16.34)	(20.48)	675
2001	6.82	3.74	2.49	434
2000	20.98	17.42	(3.02)	2400
1999	7.02	3.93	21.26	(1423)
1998	20.98	17.42	(2.55)	2353
1997	21.00	17.45	22.36	(136)
1996	26.98	23.22	16.49	1049
1995	18.57	15.07	28.45	(988)
1994	2.75	(0.26)	(1.82)	457
1993	20.00	16.54	18.88	112
1992 <sup>†</sup>	9.65	7.25	10.16	(50)

\*April 1, 1992

†Performance calculations are for the nine months ended December 31, 1992.

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

Returns 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

## Small 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 Small Cap Core Wrap Composite has been examined for the period from January 1, 1999 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 fully discretionary Small Cap Core Wrap Portfolios. Small Cap Core Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2000® Index, that have market control, rising free cash flow, shareholder-oriented management, strong consistent profit growth and low-debt balance sheets. For comparison purposes, the composite is measured against the Russell 2000® Index. The Russell 2000® Index is a market capitalization-weighted index of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in October 1995. 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 exceed 25% of the account's beginning of period market value, were temporarily removed from the composite. Prior to January 1, 2011, 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 1/4th 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 of the composite 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	15.37	20.48
2013	11.96	16.68
2014	9.77	13.31
2015	11.15	14.16
2016	12.19	15.99

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 2000® Growth Index Annual Return (%)	Internal Dispersion
2007	5,392	847	100%	39	3.25	1.71	(1.57)	0.21
2008	3,445	469	100%	49	(28.15)	(29.36)	(33.79)	0.42
2009	4,010	565	100%	54	31.80	29.72	27.17	0.71
2010	4,729	659	100%	67	24.83	22.56	26.85	0.71
2011	5,232	846	100%	70	9.64	7.75	(4.18)	0.51
2012	6,545	1,073	100%	71	13.75	11.80	16.35	0.31
2013	7,841	1,336	100%	67	30.89	28.76	38.82	0.45
2014	7,989	1,294	100%	70	7.31	5.57	4.89	0.27
2015	8,095	1,023	100%	55	2.09	0.51	(4.41)	0.38
2016	9,989	1,222	100%	74	18.55	15.09	21.31	0.81

\*Pure gross returns are supplemental to net returns.

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