



Kayne Anderson Rudnick
Investment Management

Small Cap Core Portfolio
Managed Accounts
Third Quarter 2017 Review

kayne.com

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Firm Overview

As of September 30, 2017



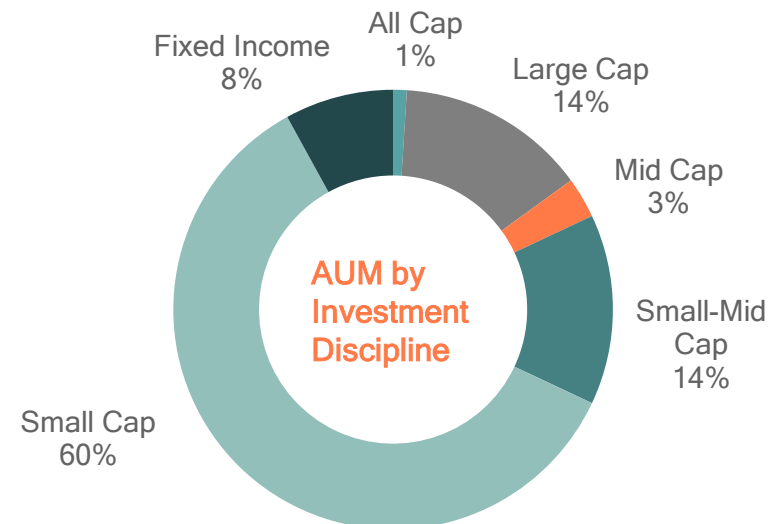
Kayne Anderson Rudnick
Investment Management

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	\$16.9 billion
Number of Investment Professionals	14
Average Investment Experience	16 Years

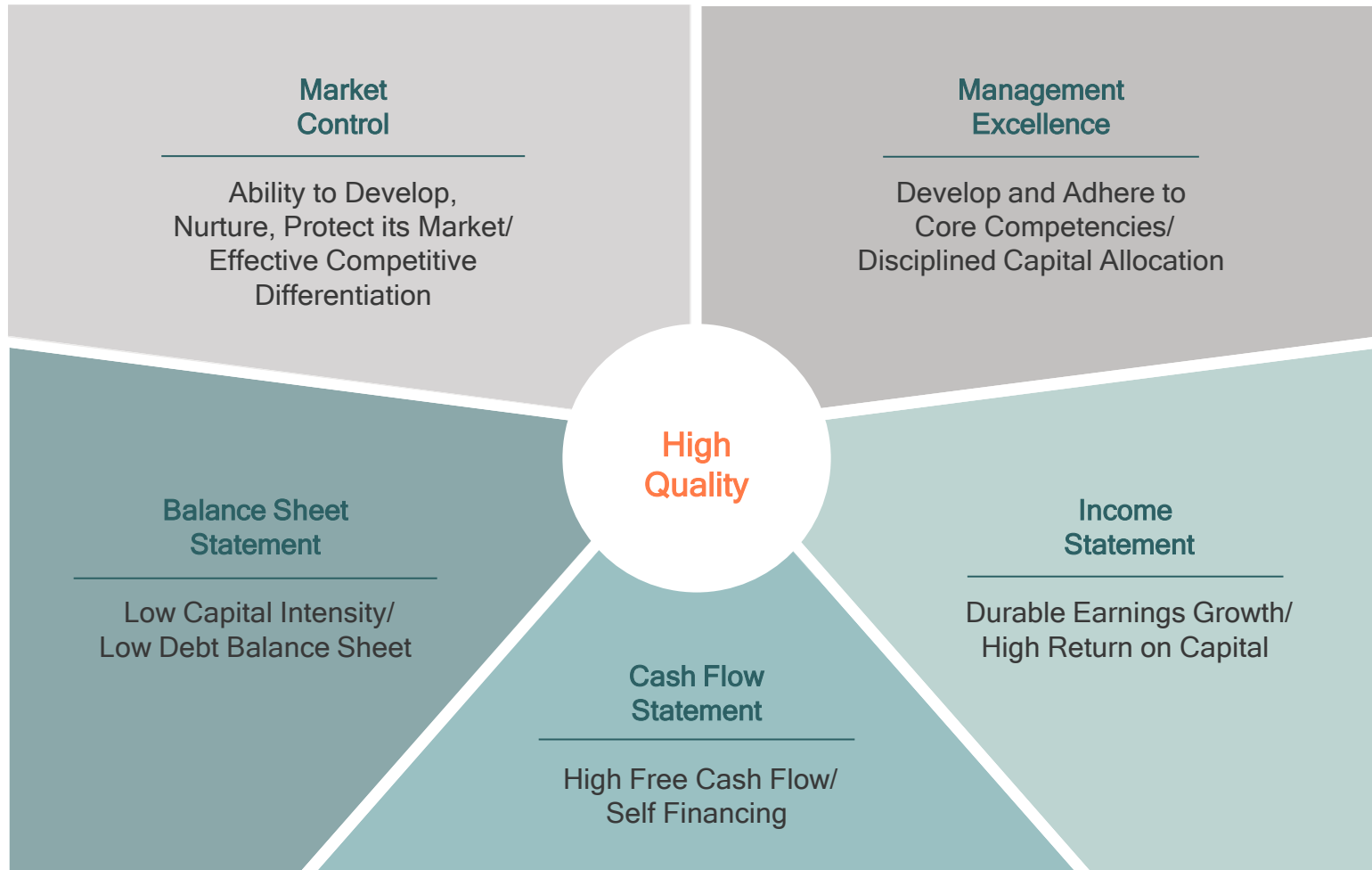


Investment Philosophy

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

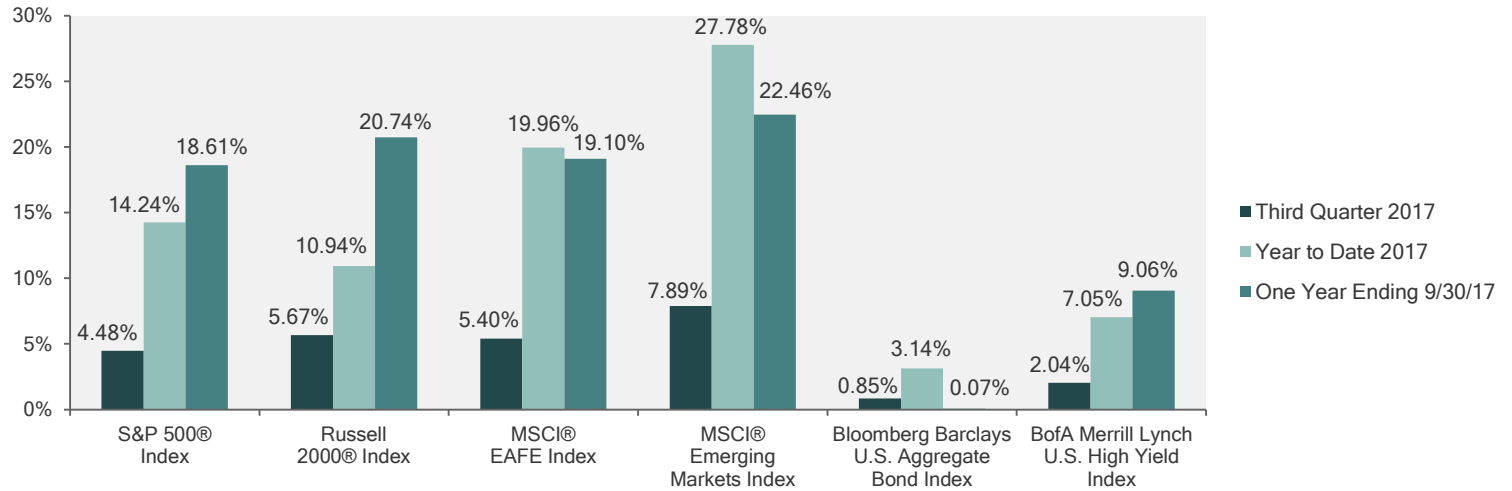


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Portfolio Manager/Analysts	Responsibility	Research Experience	Years with KAR
Douglas S. Foreman, CFA	Chief Investment Officer	31 Years	6 Years
Todd Bailey, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Financials and Producer Durables	18 Years	15 Years
Jon Christensen, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Health Care	22 Years	16 Years
Julie Kutasov	Senior Research Analyst Sector Coverage: Energy and Financials	16 Years	16 Years
Craig Stone	Senior Research Analyst Sector Coverage: Producer Durables	28 Years	17 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.

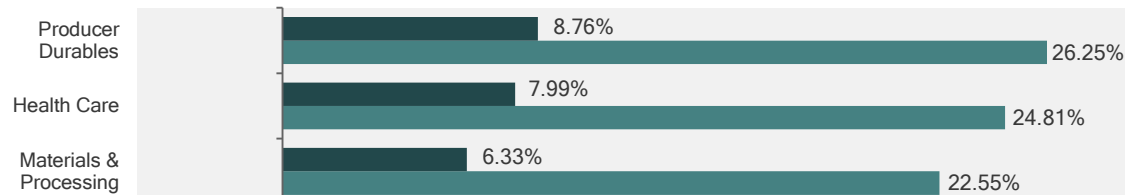
Index Performance



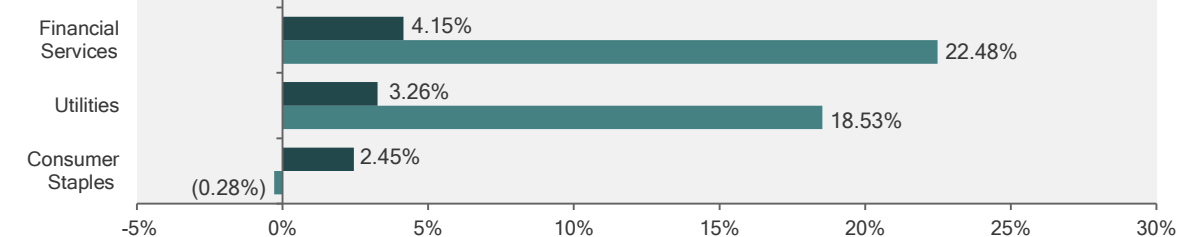
Sector Performance

Russell 2000® Index

Top Performers



Bottom Performers



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Market Review

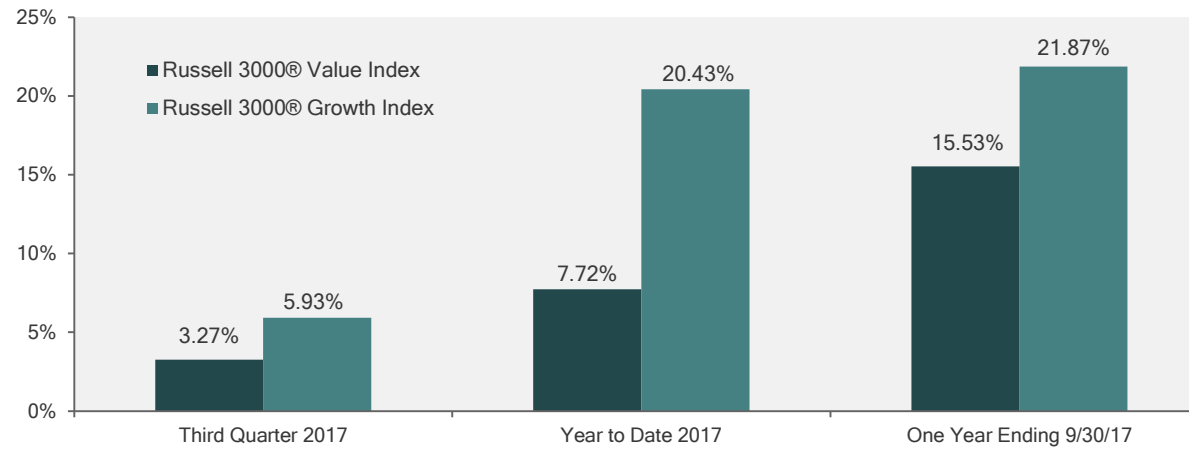
Performance by Style and Market Cap



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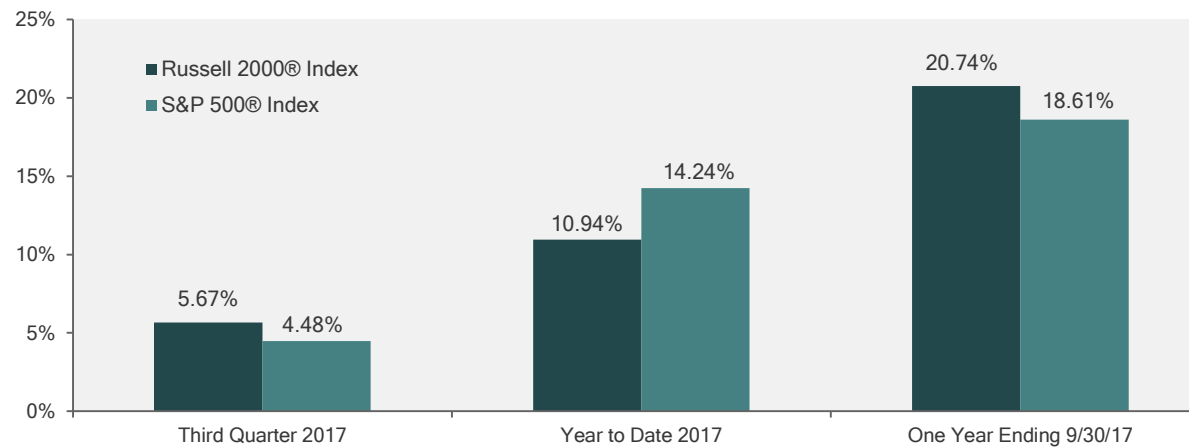
Performance by Style

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

Small Cap Core Portfolio

Periods Ending September 30, 2017



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Monthly, Quarterly and Year to Date Performance

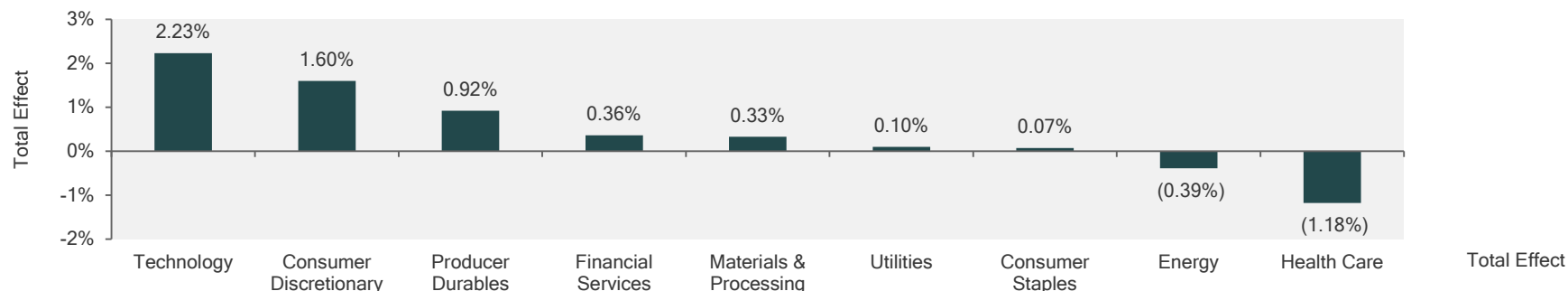
	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
July	2.17	1.92	0.74	143
August	2.26	2.01	(1.27)	353
September	4.03	3.78	6.24	(221)
Third Quarter	8.69	7.90	5.67	302
Year to Date	23.06	20.38	10.94	1212

Contributors

Highest	Contribution
Autohome	+2.71%
Teledyne Technologies	+1.21%
Fox Factory Holding	+0.86%
Lowest	Contribution
Abaxis	(0.65%)
MarketAxess Holdings	(0.35%)
Toro	(0.25%)

Attribution by Sector

Quarter Ending September 30, 2017



	Technology	Consumer Discretionary	Producer Durables	Financial Services	Materials & Processing	Utilities	Consumer Staples	Energy	Health Care	Total Effect
Russell 2000® Index Returns	4.77%	5.01%	8.76%	4.15%	6.33%	3.26%	2.45%	5.35%	7.99%	5.67%
KAR Returns	16.29%	13.10%	11.39%	5.26%	14.25%	0.00%	0.00%	(6.07%)	(15.53%)	8.69%
KAR Selection Effect	2.29%	1.61%	0.65%	0.29%	0.35%	0.00%	0.00%	(0.49%)	(0.90%)	3.80%
KAR Allocation Effect	(0.06%)	(0.01%)	0.27%	0.07%	(0.02%)	0.10%	0.07%	0.09%	(0.27%)	0.24%

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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

Small Cap Core Portfolio

Periods Ending September 30, 2017



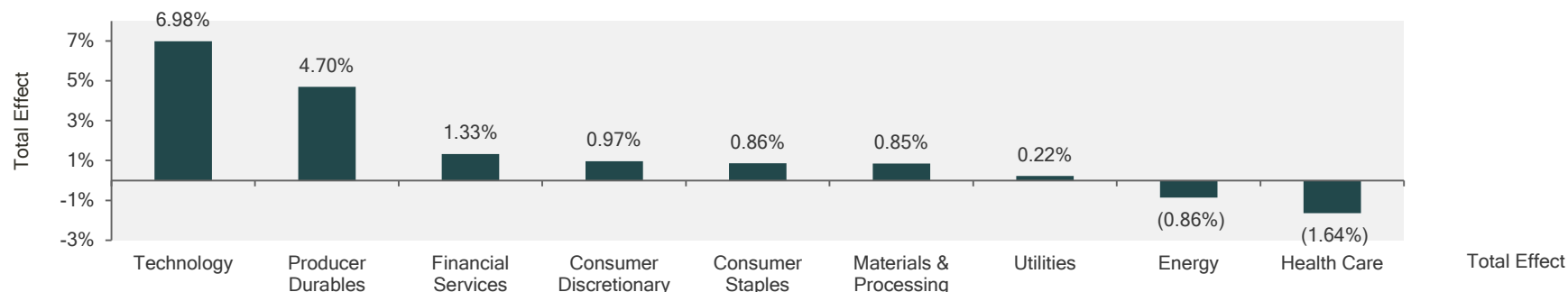
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Quarterly and Annual Performance

	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
Fourth Quarter 2016	6.22	5.44	8.83	(261)
First Quarter 2017	5.96	5.18	2.47	349
Second Quarter 2017	6.86	6.08	2.46	440
Third Quarter 2017	8.69	7.90	5.67	302
1 Year Ending 9/30/17	30.72	26.93	20.74	998

Attribution by Sector

One Year Ending September 30, 2017



Russell 2000® Index Returns	22.95%	26.25%	22.48%	16.73%	(0.28%)	22.55%	18.53%	(10.32%)	24.81%	20.74%
KAR Returns	73.28%	44.70%	28.23%	25.57%	25.22%	42.78%	0.00%	(16.76%)	(13.64%)	30.72%
KAR Selection Effect	6.84%	3.93%	1.44%	1.26%	0.30%	0.84%	0.00%	(0.44%)	(1.39%)	12.79%
KAR Allocation Effect	0.14%	0.76%	(0.11%)	(0.30%)	0.56%	0.01%	0.22%	(0.42%)	(0.26%)	0.69%

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Highest Contributors

Small Cap Core Portfolio

One Year Ending September 30, 2017



Kayne Anderson Rudnick
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Security	Contribution	Comments
Autohome	+7.05%	Autohome's share price has increased meaningfully the past few quarters as the company's refined strategy has resulted in robust revenue growth and improving profit margins. Autohome's financial results are also benefiting from the ongoing secular shift of ad budgets from offline to online media. It is worth noting that just before the end of the third quarter, two senior executives at Autohome resigned for personal reasons. Based on follow-up conversations we have had with the company, these departures were not related to the fundamentals of the business and management will maintain the current corporate strategy. Therefore, 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.
Primerica	+3.14%	Primerica's shares have increased meaningfully following the election due to investor expectations that the Department of Labor's Fiduciary Standard Rule (the "Rule") would be meaningfully scaled back under the new administration. While changes to the Rule have not been made yet, full implementation of the Rule has been pushed back until 2019 so that officials have more time to review the Rule as currently written. More importantly, the fundamentals of Primerica's business continue to improve as the company sells more life insurance and investment products to middle-income families. We expect Primerica's unique distribution model to drive further sales for the company coupled with management's good stewardship of capital to result in sustainable long-term earnings growth for shareholders.
Old Dominion Freight Line <i>(Purchased Q4 2016)</i>	+2.68%	After a period of industry-wide softness, Old Dominion Freight Line's freight volume and pricing is improving. The company's scale and high service levels continue to result in market share gains in the less-than-truckload shipping industry.

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Lowest Contributors

Small Cap Core Portfolio

One Year Ending September 30, 2017



Kayne Anderson Rudnick
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Security	Contribution	Comments
Shutterstock <i>(Sold Q1 2017)</i>	(3.39%)	Shutterstock's share price had rebounded in the first half of 2016 as concerns regarding the competitive threat from Adobe's new stock photo offering abated. However, a meaningful slowdown in revenue growth over the next two quarters sent the share price lower. Our original investment thesis was based on the network effects of Shutterstock's core stock photo marketplace business. Even at lower growth rates, that marketplace business is very profitable and valuable. Unfortunately, the profits from that great business will remain depressed as management seeks growth by investing capital to grow other parts of the company where Shutterstock's competitive advantage is less clear. For these reasons, we exited our position in the first quarter.
Dril-Quip	(0.55%)	Dril-Quip's shares lagged driven by continuous weakness in deepwater drilling activity due to depressed crude oil prices. However, our view of the company's long-term market positioning remains intact. 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.
Abaxis	(0.53%)	Abaxis saw its shares fall in the last year after seeing weak sales quarters as its vet business grew slightly while medical is down due to distributor destocking. The company is ramping up its research and development efforts that should drive the top line, but this disconnect with the financials could continue for a few more quarters. The solid balance sheet and high consumables mix combined with a re-rating of the shares with future growth ahead keeps us as shareholders.

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Purchases

Small Cap Core Portfolio

Quarter Ending September 30, 2017



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Purchases	Descriptions/Reasons
HFF—Increased Position	HFF's favorable competitive attributes (ownership culture, employee incentive scheme, reputation for independence) are creating market share gains. Although the business is cyclical, costs are predominately variable and management's ownership mindset has translated into good capital allocation practices. Investors have been worried about a downturn in the commercial real estate cycle, but we believe HFF would survive any downturn and weather well through cycles and that HFF will likely continue to gain market share.

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Sales

Small Cap Core Portfolio

Quarter Ending September 30, 2017



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Sales	Reasons
Polaris Industries—Trimmed Position	Polaris has largely completed a significant recall effort while new product introductions and improving industry demand have led to a rebound in business. Consequently, the shares have risen and the stock is priced at a full multiple so we reduced our position.

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Portfolio Characteristics

Small Cap Core Portfolio – As of September 30, 2017



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	KAR Small Cap Core	Russell 2000® Index
Quality		
Return on Equity—Past 5 Years	28.1%	10.1%
Total Debt/EBITDA	1.4 x	5.7 x
Earnings Variance—Past 10 Years	31.8%	81.4%
Growth		
Earnings Per Share Growth—Past 10 Years	13.6%	6.8%
Dividend Per Share Growth—Past 10 Years	14.6%	4.3%
Capital Generation—{ROE x (1-Payout)}	21.7%	7.8%
Value		
P/E Ratio—Trailing 12 Months	27.8 x	38.7 x
Dividend Yield	0.7%	1.2%
Free Cash Flow Yield†	3.7%	1.1%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Average	\$5.1 B	\$2.2 B
Largest Market Cap—4 Qtr. Average	\$9.7 B	\$9.9 B
Annualized Standard Deviation—Since Inception*	15.6%	19.4%

*April 1, 1992

†Free cash flow data is as of June 30, 2017. Prices are as of September 30, 2017. Excludes financials.

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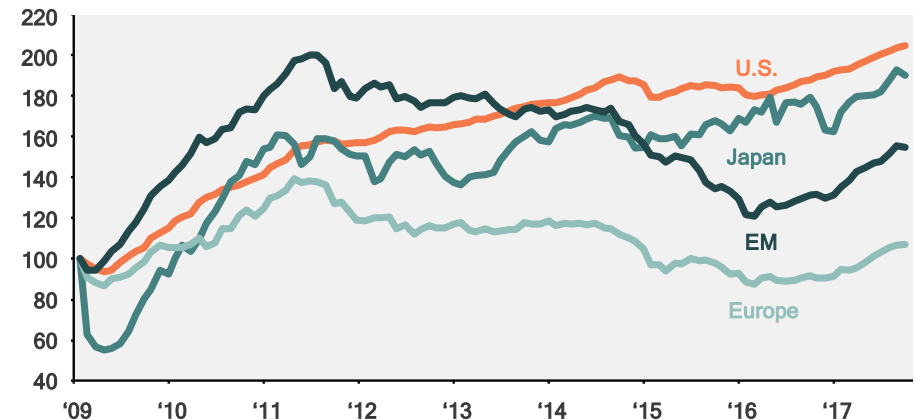
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future results.

The U.S. economy continues to grow 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. First half 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 could improve to the 2.5% to 3.5% range over the next two years if tax reform becomes a reality. The stock market is starting to discount a very low probability of tax reform passing.
- Corporate cash is at all-time highs, leading to share buybacks, dividend increases and acquisitions. Companies have become more disciplined about their capital allocation. M&A activity has slowed somewhat due to uncertainties about tax reform, but IPO activity is finally picking up.
- 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.
- Energy costs have declined significantly providing input cost relief for consumers and companies. However, 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.

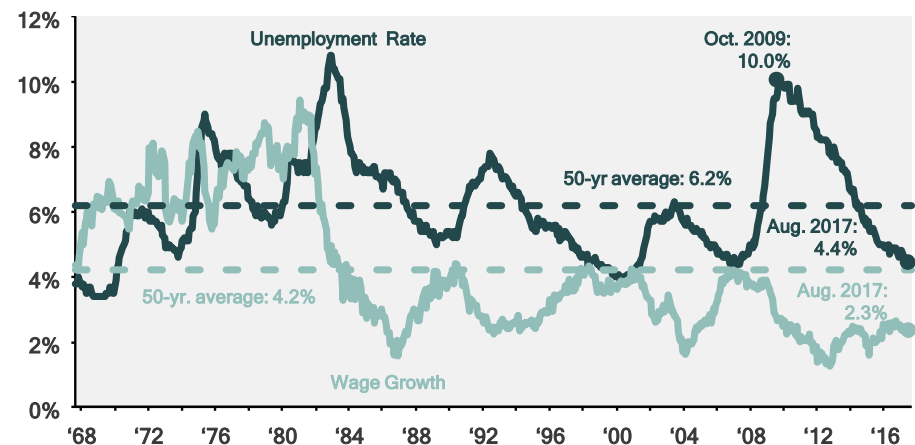
Global Earnings

EPS, U.S. Dollar, NTMA, January 2009 = 100



Unemployment and Wages

Civilian Unemployment Rate and Year-Over-Year Wage Growth for Private Production and Non-Supervisory Workers



Data as of September 30, 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 46% of the overall index). Unemployment and wage growth data is seasonally adjusted. Data is obtained from FactSet Research Systems, MSCI, Thomson Reuters, Standard and Poor's, BLS and J.P. Morgan Asset Management and is assumed to be reliable. Past performance is no guarantee of future results.

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

- At a 2.33% 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 2016, albeit at lower rates than historically. The transition to a consumption-led economy will take time, but is clearly occurring.
- Weak commodity prices have pressured emerging market growth rates and currencies, but 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.

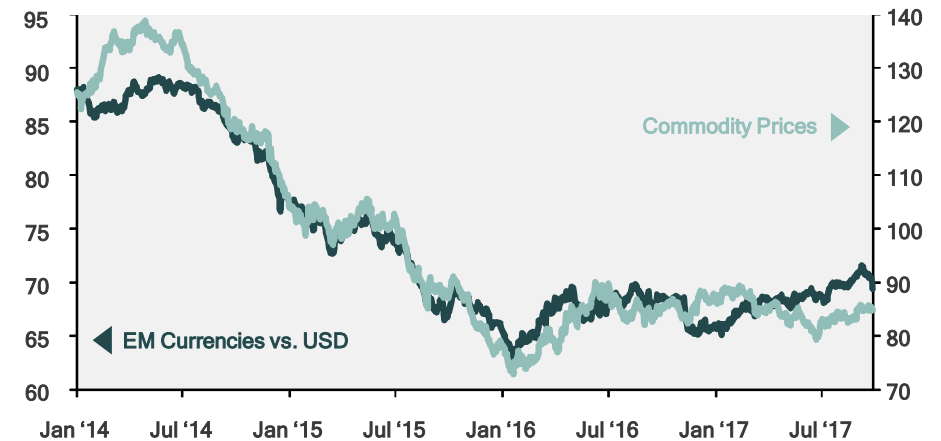
Global GDP Growth and Corporate Profits

Year-Over-Year Growth, Nominal GDP, MSCI AC World Trailing EPS



Emerging Markets

Commodity Prices and FX



Data as of September 30, 2017.

*2017 global GDP data is an IMF forecast.

EM currencies is the J.P. Morgan Emerging Market Currencies Index. Commodity prices is the Bloomberg Commodity Price Index. Data is obtained from FactSet Research Systems, IMF, MSCI, Bloomberg, J.P. Morgan Global Economic Research and J.P. Morgan Asset Management 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 once more and unwind the balance sheet in 2017 and into 2018?
- 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.

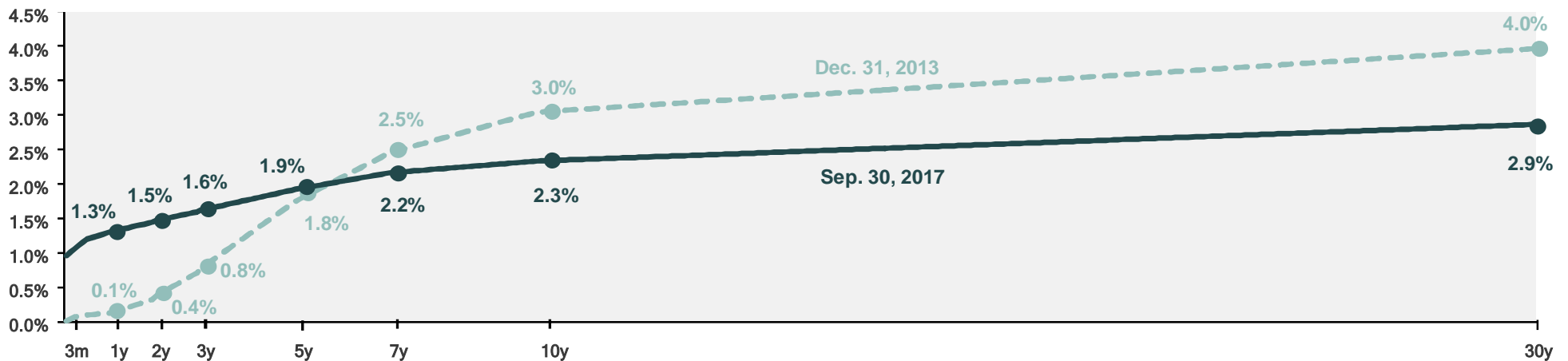
Price of Oil

Brent Crude, Nominal Prices, USD/Barrel



Yield Curve

U.S. Treasury Yield Curve



Data as of September 30, 2017.

Brent crude prices are monthly averages in USD using global spot ICE prices. Data is obtained from FactSet Research Systems 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.
- 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.
- 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 levels even in an overall slower growth environment.
- In the modest growth economy and maturing economic cycle we foresee, we believe high-quality businesses with protected markets are a better place to invest than lower quality companies operating in more competitive markets.
- 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	17.7x	16.0x	0.5
CAPE	Shiller's P/E	30.7	26.3	0.7
Div. Yield	Dividend Yield	2.1%	2.0%	-0.1
P/B	Price to book	2.9	2.9	0.1
P/CF	Price to cash flow	12.4	10.7	0.9
EY Spread	EY minus Baa yield	1.3%	-0.3%	-0.8

Data as of September 30, 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 September 30, 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.

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

Sector Weights

Small Cap Core Portfolio

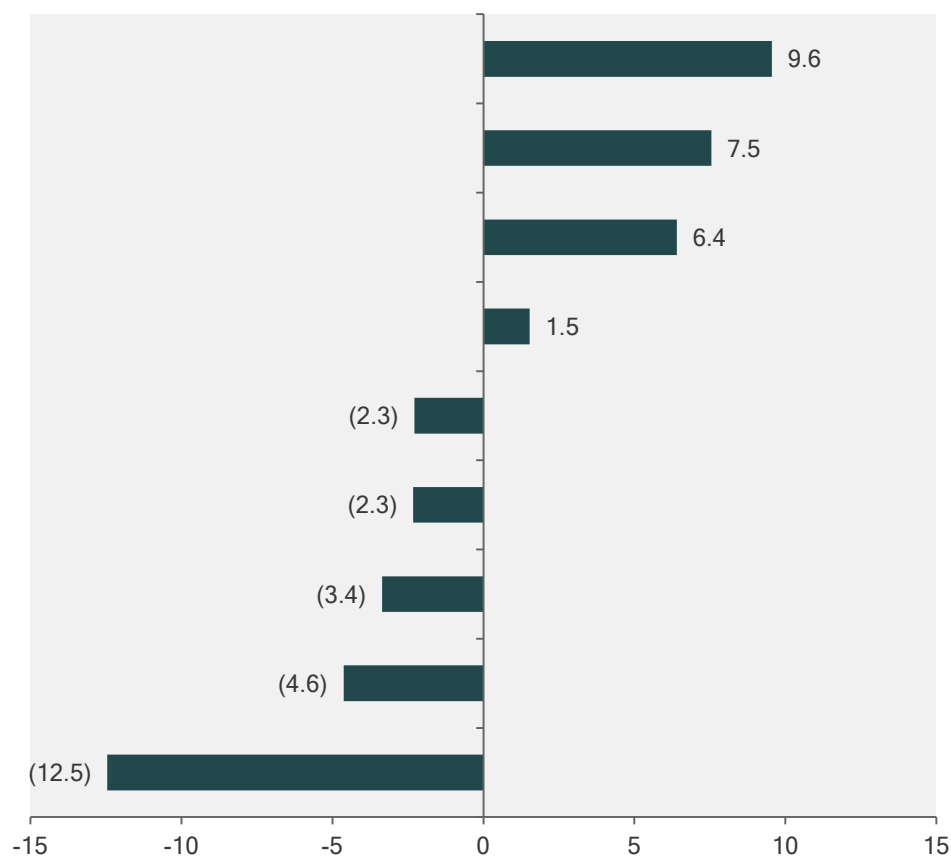
As of September 30, 2017



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Sectors	KAR Small Cap Core (%)	Russell 2000® Index (%)
Producer Durables	23.4	13.9
Consumer Discretionary	20.8	13.2
Technology	20.3	13.9
Energy	5.1	3.5
Consumer Staples	—	2.3
Materials & Processing	4.9	7.2
Financial Services	22.6	25.9
Utilities	—	4.6
Health Care	3.0	15.5

Underweight/Overweight (%)



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Conviction-Driven Investing Provides Opportunities for Excess Return

Small Cap Core Portfolio
As of September 30, 2017



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Top 10 Holdings	Russell Sector	% of Portfolio
Autohome	Technology	9.2
CDW	Technology	5.8
Primerica	Financial Services	5.4
WABCO Holdings	Consumer Discretionary	5.4
Teledyne Technologies	Producer Durables	5.4
Old Dominion Freight Line	Producer Durables	5.1
Copart	Producer Durables	5.0
Fox Factory Holding	Consumer Discretionary	4.5
HFF	Financial Services	4.2
Aspen Technology	Technology	4.0
Total		53.9

Research confidence leads to large active weights

	KAR Small Cap Core	Russell 2000® Index
# of Holdings	28	2,000
Average Position Size (%)	3.6	0.1
Weight of Top Ten Holdings (%)	53.9	2.7
Active Share (%)	98.9	—

The strategy benefits from diversification while still taking significant active positions

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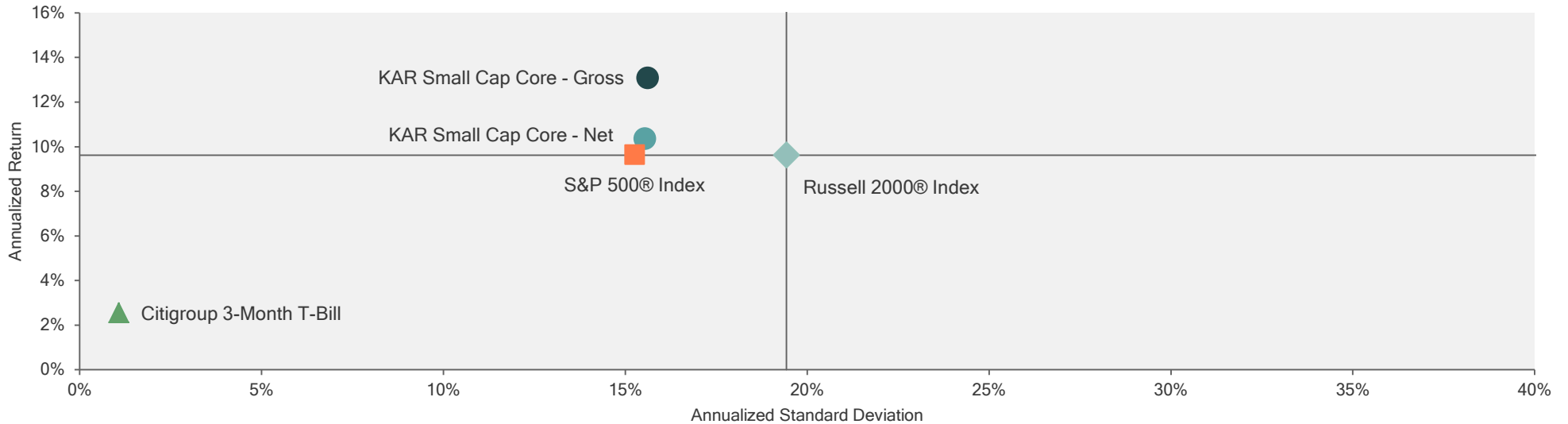
Strong Risk-Adjusted Returns

Small Cap Core Portfolio
Inception* to September 30, 2017



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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 Small Cap Core	4.98	0.68	15.61	11.66	0.72	8.63
Russell 2000® Index	0.00	0.37	19.43	14.49	1.00	0.00

*April 1, 1992

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Peer Comparison

Small Cap Core Portfolio

Ten Years Ending September 30, 2017



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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 9/30/17	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
Third Quarter	8.69	7.90	5.67	302
Year to Date	23.06	20.38	10.94	1212
1 Year	30.72	26.93	20.74	998
3 Years	17.57	14.81	12.18	539
5 Years	16.32	13.92	13.79	253
7 Years	16.97	14.68	13.51	346
10 Years	11.63	9.53	7.85	378
Since Inception*	13.09	10.35	9.62	347

Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
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†	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, 2015.

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, 2015. 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 (%)			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® Index Annual Return (%)	Internal Dispersion
December 31	Composite	Benchmark									
			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	0.91

*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.