Kayne Anderson Rudnick
Investment Management

Small Cap Sustainable Growth Portfolio
Managed Accounts
Fourth Quarter 2018 Review

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Firm Overview
As of December 31, 2018

Kayne Anderson Rudnick
Investment Management

Profile

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

At a Glance	
Year Founded	1984
Headquarters	Los Angeles, CA
AUM	$22.8 billion
Number of Equity Investment Professionals	16
Average Investment Experience	14 Years

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

Tenets of Quality

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High Quality

Market Control

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

Management Excellence

Develop and Adhere to Core Competencies/ Disciplined Capital Allocation

Balance Sheet Statement

Low Capital Intensity/ Low Debt Balance Sheet

Cash Flow Statement

High Free Cash Flow/ Self Financing

Income Statement

Durable Earnings Growth/ High Return on Capital

Summary of Key Differentiators

We Manage Risk and Generate Returns Differently

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	CLASSIC APPROACH*	KAR APPROACH
RISK	stock portfolio 75	stock portfolio 20-35
	1% to 2% positions	3% to 10% positions in high-quality companies
	7 years of negative returns since 1998	Minimal business risk
	No stock can help or hurt more than 2%	Minimal balance sheet risk
		Minimal profit risk
		3 years of negative returns since 1998
RETURNS	Average companies producing average returns on capital	Exceptional companies producing exceptional returns on capital
	Buying cheap and selling dear required for above-average portfolio returns	Buy at attractive price and let exceptional returns on capital drive exceptional growth and income over extended period of time
	6 months average holding period	36 to 60 months average holding period, but often longer
	High frictional costs due to RAPID trading	Low frictional costs due to LESS trading
	Poor tax efficiency due to short holding periods	Inherent tax efficiency

** The Classic Approach is based upon competitors with 75 holdings or more. The observations are generalized and do not represent any specific competitor's investment approach.*

Past performance is no guarantee of future results.

Small Sustainable Growth Team

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: Energy and Consumer Discretionary	19 Years	16 Years
Jon Christensen, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Health Care	23 Years	17 Years
Julie Biel, CFA	Senior Research Analyst Sector Coverage: Technology	10 Years	5 Years
Julie Kutasov	Senior Research Analyst Sector Coverage: Materials and Processing	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: Financials	6 Years	6 Years
Sean Dixon	Research Analyst Sector Coverage: Consumer Discretionary and Producer Durables	9 Years	<1 Years
Adam Xiao , CFA	Research Analyst Sector Coverage: Consumer Staples, Financials and Producer Durables	3 Years	<1 Years
Jordan Greenhouse	Portfolio Specialist	21 Years†	2 Years

†Represents years of industry experience.

Market Review

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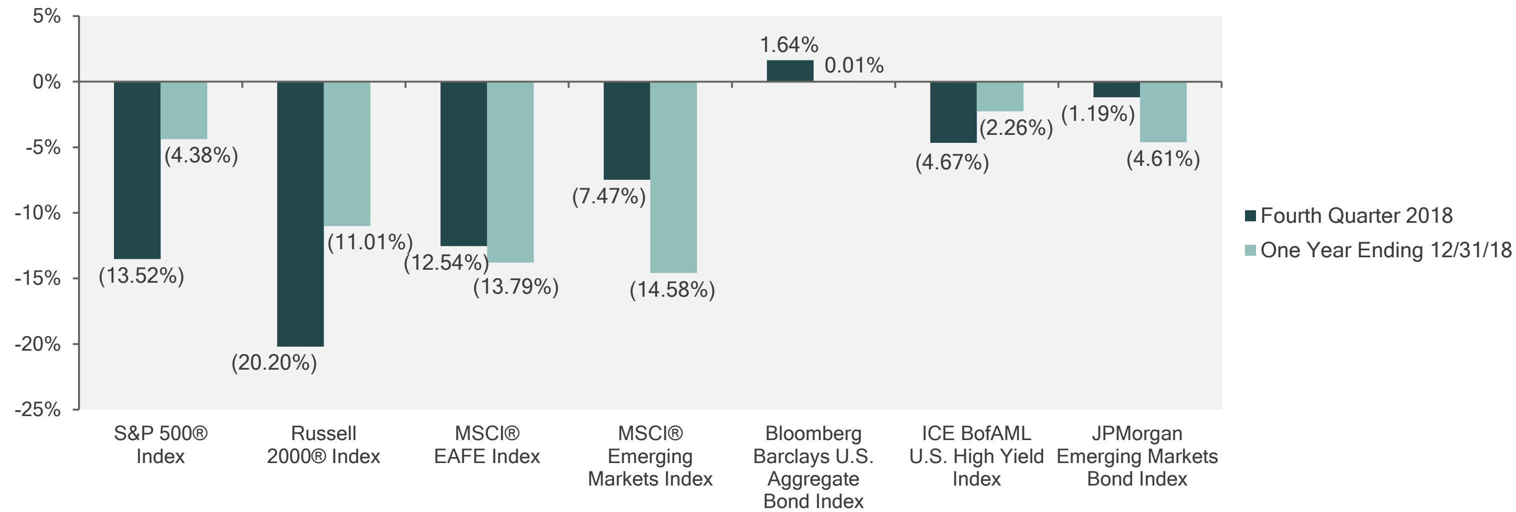
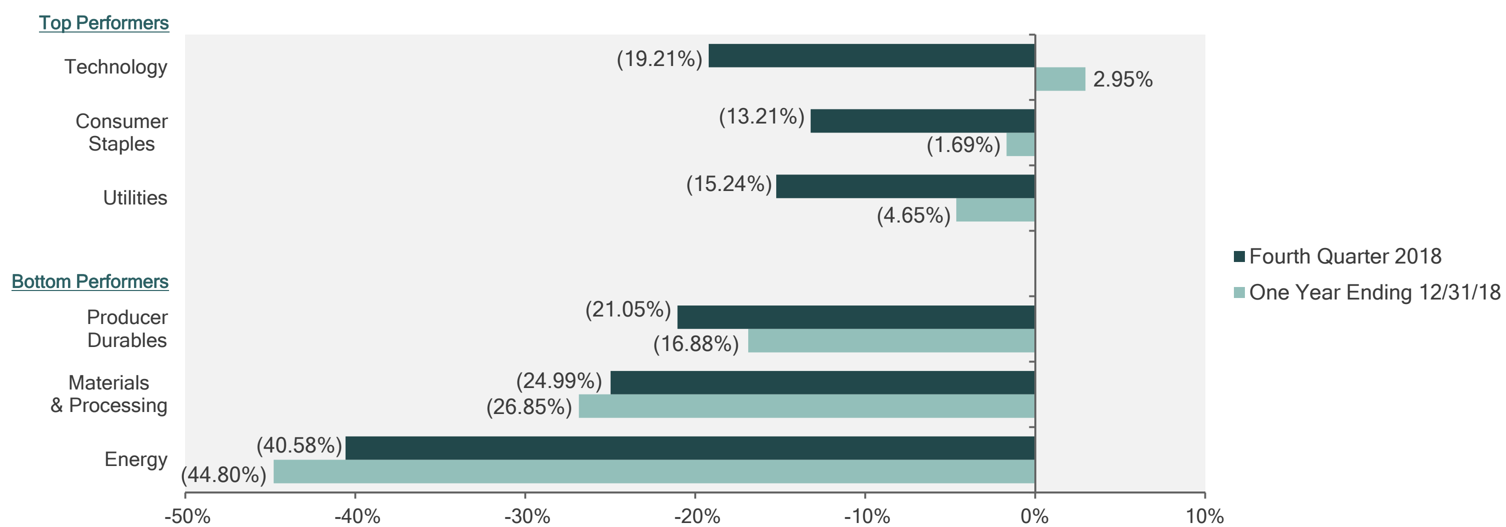
Index Performance



Sector Performance

Russell 2000® Growth Index



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Market Review
Performance by Style and Quality

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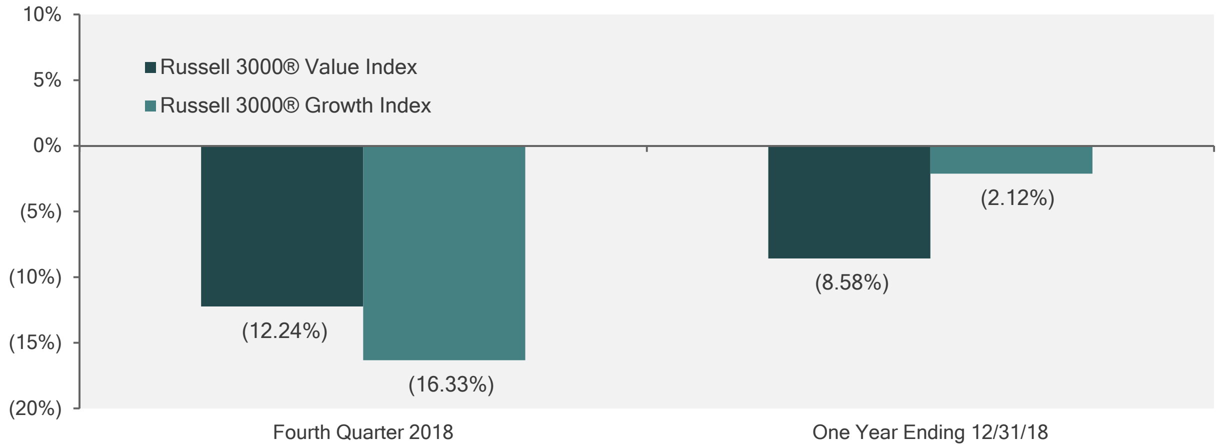
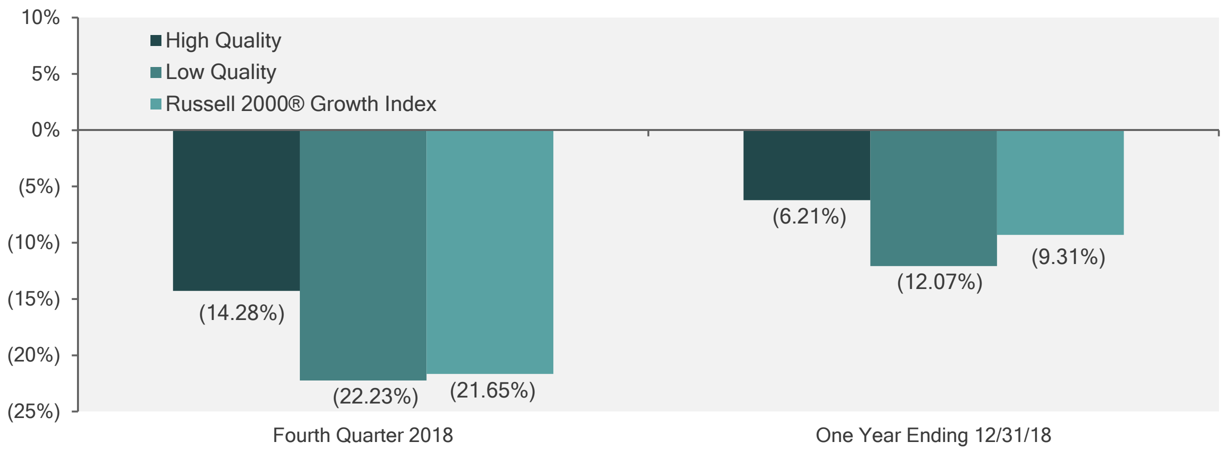
Performance by Style
Russell 3000® Value Index vs. Russell 3000® Growth Index



Performance by Quality
Russell 2000® Growth Index



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

Small Cap Sustainable Growth Portfolio
Periods Ending December 31, 2018

Kayne Anderson Rudnick Investment Management

Monthly and Quarterly Performance

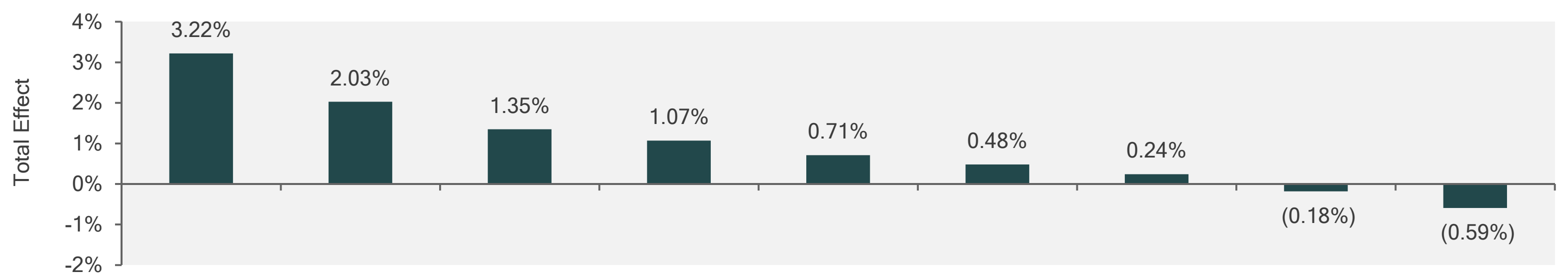
	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
October	(11.70)	(11.95)	(12.65)	95
November	6.04	5.79	1.56	448
December	(7.49)	(7.74)	(11.68)	419
Fourth Quarter	(13.38)	(14.13)	(21.65)	827

Contributors

Highest	Contribution
MarketAxess Holdings	+0.34%
Autohome	+0.28%
Mesa Laboratories	+0.19%
Lowest	**Contribution**
Moelis & Co.	(1.35%)
Fox Factory	(1.35%)
Old Dominion Freight Line	(1.17%)

Attribution by Sector

Quarter Ending December 31, 2018



	Technology	Health Care	Financial Services	Producer Durables	Materials & Processing	Energy	Consumer Staples	Utilities	Consumer Discretionary	Total Effect
Russell 2000® Growth Returns	(19.21%)	(25.32%)	(16.45%)	(21.05%)	(24.99%)	(40.58%)	(13.21%)	(15.24%)	(19.79%)	(21.65%)
KAR Returns	(12.79%)	(6.45%)	(10.23%)	(13.28%)	(15.25%)	0.00%	(12.02%)	0.00%	(22.32%)	(13.38%)
KAR Selection Effect	2.25%	1.23%	1.06%	1.10%	0.74%	0.00%	(0.01%)	0.00%	(0.44%)	5.94%
KAR Allocation Effect	0.97%	0.81%	0.29%	(0.04%)	(0.04%)	0.48%	0.25%	(0.18%)	(0.16%)	2.32%

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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 Sustainable Growth Portfolio
Periods Ending December 31, 2018

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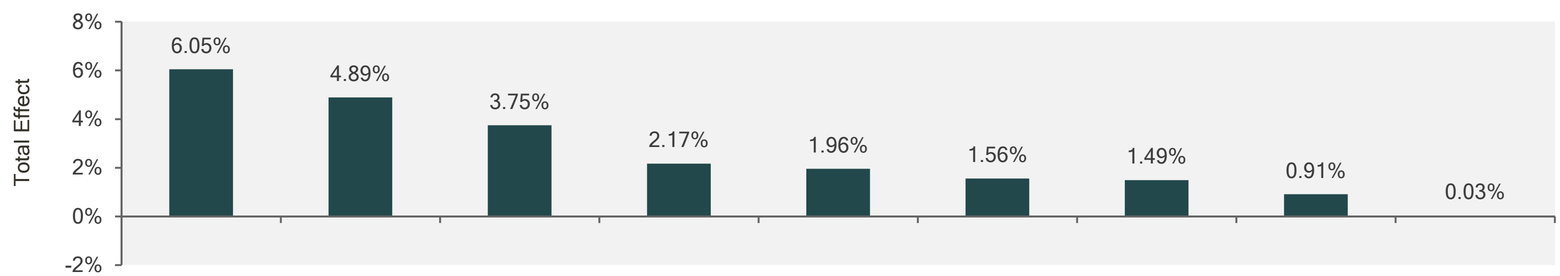
Quarterly and Annual Performance

	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
First Quarter 2018	7.00	6.25	2.30	470
Second Quarter 2018	14.20	13.45	7.23	697
Third Quarter 2018	4.01	3.26	5.52	(151)
Fourth Quarter 2018	(13.38)	(14.13)	(21.65)	827
1 Year Ending 12/31/18	10.10	6.89	(9.31)	1941

Attribution by Sector

One Year Ending December 31, 2018



	Technology	Producer Durables	Consumer Discretionary	Consumer Staples	Financial Services	Health Care	Materials & Processing	Energy	Utilities	Total Effect
Russell 2000® Growth Returns	2.95%	(16.88%)	(6.51%)	(1.69%)	(10.02%)	(5.70%)	(26.85%)	(44.80%)	(4.65%)	(9.31%)
KAR Returns	15.27%	14.09%	22.09%	56.00%	(2.07%)	36.72%	(12.35%)	0.00%	0.00%	10.10%
KAR Selection Effect	3.72%	4.80%	3.80%	1.84%	2.06%	2.13%	1.06%	0.00%	0.00%	19.40%
KAR Allocation Effect	2.33%	0.08%	(0.05%)	0.34%	(0.10%)	(0.57%)	0.43%	0.91%	0.03%	3.44%

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Highest Contributors

Small Cap Sustainable Growth Portfolio
One Year Ending December 31, 2018

Security	Contribution	Comments
Autohome	+3.17%	Autohome's shares rose after management exited the unprofitable direct-sales segment. The company's core subscription and advertising businesses continued to prosper.
Fox Factory	+2.00%	The Fox business continues to perform well as it posted revenue growth in each of its reportable segments and expanded its gross margins. As illustrated by the company's performance, we believe the business continues to be supported by a strong brand and seeks to drive ongoing growth through the market segment, seeking premium and higher performance products.
The Chefs' Warehouse	+1.47%	The Chefs' Warehouse continued to take share in 2018 within the fragmented food-distributor industry and outgrew larger peers on an organic basis. Profits grew faster than sales because of the operating leverage within the business. We believe the business can continue to outgrow its market with the premium positioning of its offering.

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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 Sustainable Growth Portfolio
One Year Ending December 31, 2018

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Security	Contribution	Comments
Omega Flex	(1.04%)	Shares lagged due to investor concerns over the company's exposure to the slowing residential-housing construction segment. In October, Omega Flex once again reported excellent operating results driven by solid top-line growth and margin expansion. Our investment thesis in Omega Flex remains intact. We are also enthusiastic about the company's addressable market expansion opportunity, including in the health-care segment as well as in commercial construction, petrochemical, and energy verticals, driven by wage inflation and labor shortages. Importantly, Omega Flex remains a solid free-cash-flow generator, maintaining a pristine cash-rich, debt-free balance sheet and returning excess cash to shareholders in the form of regular cash dividends.
Emerald Expositions Events	(0.74%)	Emerald encountered organic revenue shrinkage in the third quarter of 2018, and structural issues are surfacing in regard to the cost to attend relative to the value provided by traditional tradeshows as e-commerce and direct-to-consumer platforms influence distribution models. Our view of the value proposition and competitive stance of tradeshows has deteriorated, and we exited our position.
Moelis & Co.	(0.70%)	Moelis shares were negatively impacted as bullish investor sentiment at the beginning of the year (especially after tax reform) was replaced by fear. Recent market volatility, trade-war fears, rising rates and recession risk are causing investors to take a dimmer view of the M&A environment. So even though Moelis reported double-digit revenue growth in the most recent quarter, the market appears to be implying growth will be negative in 2019 due to the aforementioned fears. While we have no special insight into the volume of deal activity in 2019, if the economy does take a downturn and M&A slows, Moelis's restructuring business would likely take off, which would help offset the hit. More importantly, the Moelis brand continues to gain in stature as evidenced by the company's share gains in the most recent quarter. As a result, we remain owners of the business.

Purchases

Small Cap Sustainable Growth Portfolio
Quarter Ending December 31, 2018

Kayne Anderson Rudnick
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Purchases	Descriptions/Reasons
Aspen Technology–Increased Position	We increased our position to take advantage of the more attractive price following the stock's decline amid a correction in the overall market and a sharp fall in the price of crude oil.
DocuSign–Increased Position *(Purchased Q2 2018)*	DocuSign has continued to penetrate and expand its market, and we think the company's competitive advantages and market opportunity will enable the business to prosper for a long time. The stock declined amid the market's correction, and we used the opportunity to increase our position.
Ellie Mae–Increased Position	We increased our position due to a more attractive price created by the slowing housing market and lower associated loan volume for Ellie Mae. A portion of the company's revenue is directly tied to the number of loans completed. However, Ellie Mae's competitive position remains strong. The company accounts for about 40% of all mortgages, and loans processed on its software platform grew modestly in the third quarter, while the industry saw a decline. We believe industry fundamentals will improve over time and Ellie Mae's strong competitive position will lead to healthy business results.
Moelis & Co.–Increased Position *(Purchased Q1 2018)*	We increased our position in Moelis to take advantage of what we view as an opportunity to buy a high-quality franchise at a reasonable price. As an investment bank, Moelis is likely to have results that are economically sensitive, which has caused its stock to decline due to the potential for slowing M&A activity amid rising market volatility, trade friction, and slowing global economic growth. We believe the company's culture, incentive structure, and growing reputation are effective competitive barriers and will allow the company to gain market share over time. Additionally, the company's balance sheet is sound and the company avoids acquisitions and distributes excess cash through regular and special dividends.
Paycom Software–Increased Position	Paycom, through its differentiated product platform and local sales office model, is successfully exploiting the market opportunity of converting middle-market companies to cloud-based human-resource management software. The company's reputation for handling complex and critically important payroll and HR-related functions is a key competitive advantage. The share price fell amid a broad stock-market correction. We viewed this as an opportunity to increase our position.
Rightmove–Increased Position *(Purchased Q1 2018)*	Rightmove's competitive position remains sound, but the shares have declined somewhat due to weak housing-market trends in the U.K. ahead of Brexit. We think Rightmove's long-term prospects remain bright and find the stock attractively priced, particularly on a relative basis.

Sales

Small Cap Sustainable Growth Portfolio
Quarter Ending December 31, 2018

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Sales	Reasons
Emerald Expositions–Sold Entire Position	At the time of our initial investment we attributed Emerald's weak business trends to temporary disruptions affecting a few of their large wholesale trade shows. We have since come to recognize that we underestimated the impact that e-commerce was having at the wholesale level. We now believe that Emerald's challenges are likely to persist due to fundamental changes occurring across many industries in the way companies bring their products to market and that weaken the importance of trade shows overall. For this reason, we sold our position.
Aspen Technology–Trimmed Position	Aspen has strengthened its competitive position as the leading provider of optimization software to process industries such as refineries and chemical plants. The company's profitability has also expanded considerably over the past several years. These developments, along with a recovery in the price of crude oil, have raised investors' confidence in Aspen's business stability and pricing power. We trimmed our position given the company's rich valuation and to help fund an increase in another holding.
HEICO–Trimmed Position	HEICO's business is growing at a healthy pace both organically via product expansion and through acquisitions. Profitability also has expanded meaningfully. The outlook for the aerospace and defense markets is favorable as well. However, the current valuation incorporates these positive developments and lowers the probability that we will earn an attractive return from this level over time.
Ollie's Bargain Outlets–Trimmed Position	Ollie's closeout retail strategy has been very successful and thus far resilient amid the migration of consumer buying online. Moreover, the company's purchasing-power advantages strengthen as the company grows. With the stock priced at a higher valuation, however, we trimmed our position to help fund an increase in another holding.

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Portfolio Characteristics

Small Cap Sustainable Growth Portfolio – As of December 31, 2018

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	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Quality		
Return on Equity–Past 5 Years	23.3%	12.2%
Total Debt/EBITDA	0.6 x	3.4 x
Earnings Variability–Past 10 Years	24.7%	73.7%
Growth		
Earnings Per Share Growth–Past 10 Years	10.5%	8.3%
Capital Generation–{ROE x (1-Payout)}	17.5%	10.1%
Value		
P/E Ratio–Trailing 12 Months	32.7 x	46.1 x
Free Cash Flow Yield†	3.0%	1.4%
Market Characteristics		
$ Weighted Average Market Cap–3-Year Average	$3.9 B	$2.3 B
Largest Market Cap–3-Year Average	$11.1 B	$8.7 B
Annualized Standard Deviation–Since Inception*	19.7%	24.4%

**January 1, 1998*

†Free cash flow data is as of September 30, 2018. Prices are as of December 31, 2018. Excludes financials.

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Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. 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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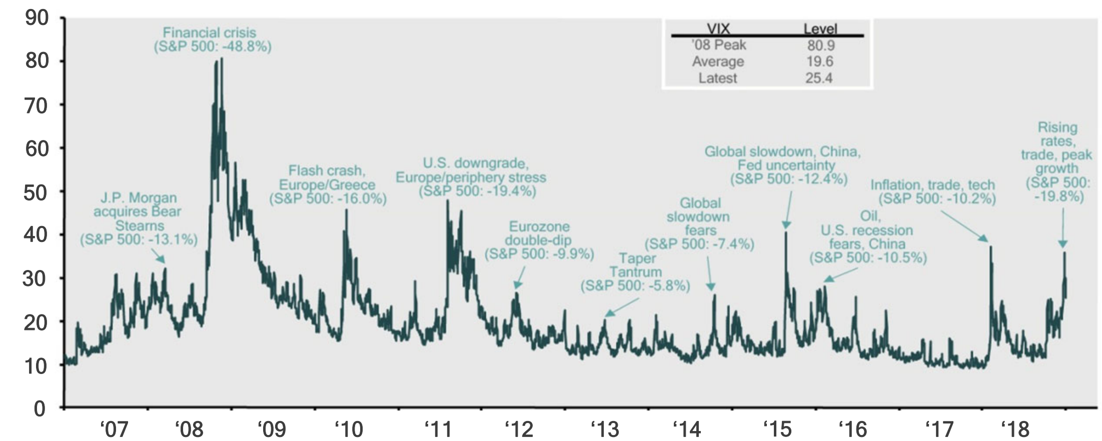
The U.S. economy will likely decelerate into 2019. International economies have decelerated, and may stabilize in late 2019.

- U.S. 2018 growth should come in the 3.0% to 3.5% GDP range. We believe U.S. 2019 growth will slow down to the 1.5% to 2.5% range.
- The yield curve flattening will make any future rate increases harder to attain for the Federal Reserve. Fed funds futures are assuming no rate increases in 2019.
- Corporate earnings should be able to grow in the mid- to single-digit range for 2019 despite slower growth.
- Recession doesn't seem probable in the near future unless trade and Federal Reserve mistakes occur.
- Volatility is rising from extremely low levels and is likely to continue in a slowing global growth environment.
- Innovation and disruption is continuing at a breathtaking pace in the U.S. in a variety of industries, creating clear winners and losers in many industries. Stock picking is key.
- Tax reform is undoubtedly a positive for corporate America, but the impact may be more uneven by industry/company than many analysts are assuming. Merger and acquisition activity has been picking up since the announced changes.

U.S. Yield Curve Steepness
Short-Term Yield Versus Long-Term Yield Spread*

CBOE Market Volatility Index (VIX)
Index level

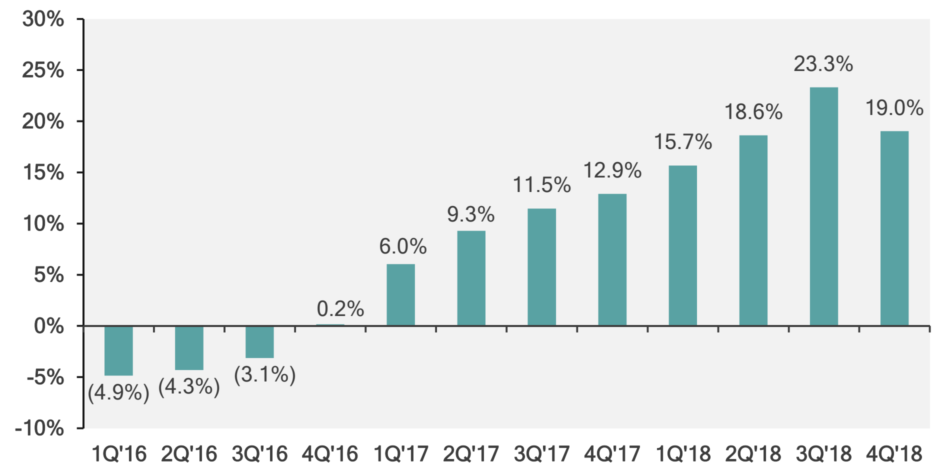


Data as of December 31, 2018.
**From January 1962 to May 1976 short-term bond is U.S. 1-year bond. Short-dated bond is 2-year from June 1976. Time to recession is calculated as the time between the final sustained inversion of the yield curve prior to recession, and the onset of recession.*
Stock market returns are based on calendar year peak to trough declines experienced during VIX spike, except for J.P. Morgan acquires Bear Stearns, which is based on the calendar year peak to the acquisition date. Average is based on the period shown from 12/31/2006 to 12/31/2018.
Data is obtained from is obtained from CBOE, 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.

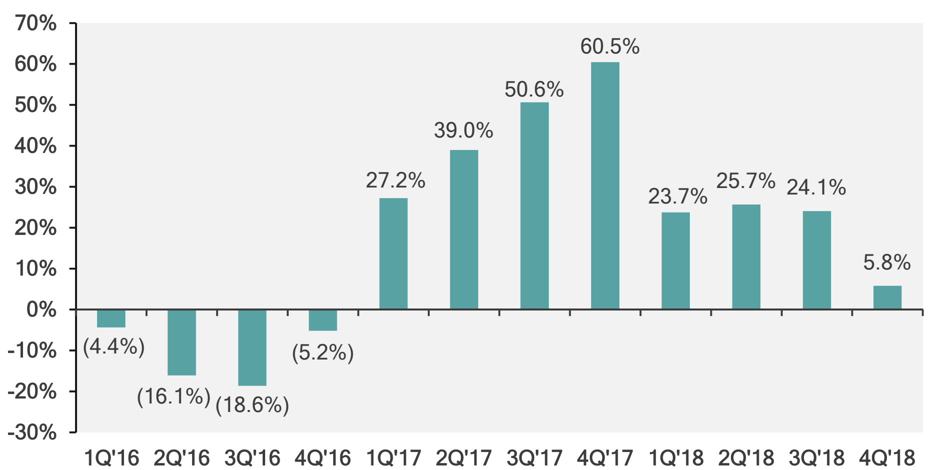
Global growth prospects did not improve as much as expected in 2018 primarily due to trade conflicts.

- Europe and Emerging Markets economies weakened in 2018, but trade resolution could help stabilize these growth rates.
- Trade talks with China are finally starting to show some progress, but a full resolution is needed. China's growth has clearly been hampered by trade concerns but the U.S. is not immune either. Emerging markets and international stocks have been hit hard by trade concerns.
- Global inflation expectations are still very benign, and this gives central banks the opportunity to "wait and see" on short-term rates. Global competition, oil prices and modest wage growth are the key drivers behind this longer-term.

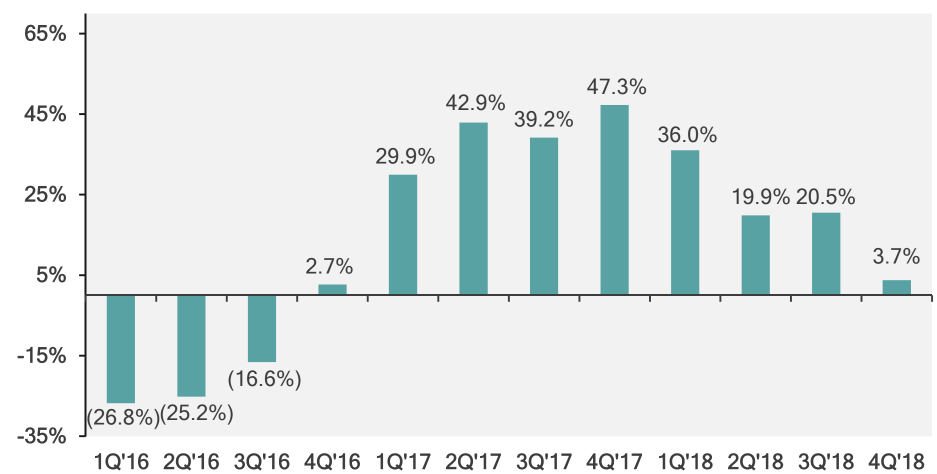
S&P 500® Trailing 12-Month Earnings Growth (Year Over Year)



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



STOXX 600 Trailing12-Month Earnings Growth (Year Over Year)



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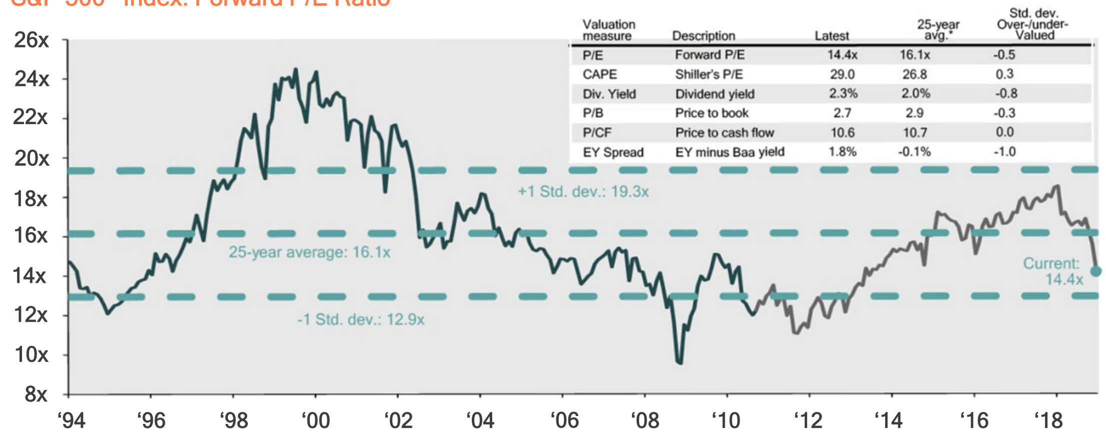
Market Outlook

Kayne Anderson Rudnick
Investment Management

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

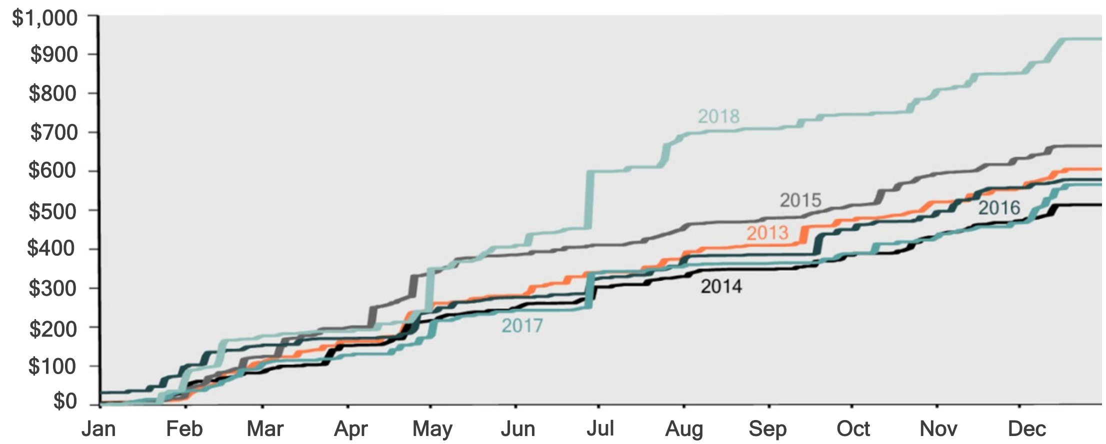
- There is potential for P/E ratios to improve slightly from current levels. Corporate earnings grew 19% in the U.S. last year with negative equity returns.
- Equity valuations remain reasonable by historic measures, both on absolute levels but particularly relative to interest rates.
- Foreign markets are a risk for U.S. EPS growth rates, particularly for large multinationals, but trade concerns may improve in 2019.
- With favorable corporate cash flow, investors are being rewarded with increased share buybacks, dividends and acquisitions.
- Corporate profit margins are still being maintained at very high historical levels, despite a much tighter labor market. Wage growth is still reasonable.
- 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 <u>over time</u>) 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



Valuation measure	Description	Latest	25-year avg.*	Std. dev. Over-/under-Valued
P/E	Forward P/E	14.4x	16.1x	-0.5
CAPE	Shiller's P/E	29.0	26.8	0.3
Div. Yield	Dividend yield	2.3%	2.0%	-0.8
P/B	Price to book	2.7	2.9	-0.3
P/CF	Price to cash flow	10.6	10.7	0.0
EY Spread	EY minus Baa yield	1.8%	-0.1%	-1.0

S&P 500® Announced Buybacks
Value of Announced Buybacks, $bn



Data as of December 31, 2018.

Data is obtained from Bloomberg, FactSet Research Systems, FRB, Robert Shiller, Standard & Poor's, Thomson Reuters, Compustat and J.P. Morgan and is assumed to be reliable.

*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 1993, and FactSet for December 31, 2018. Average P/E and standard deviations are calculated using 25 years of IBES 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. *P/CF is a 20-year average due to cash flow data availability. Buybacks are based on company announcements year to date. Past performance is no guarantee of future results.*

Appendix

Kayne Anderson Rudnick
Investment Management

- Portfolio Data
- Disclosure

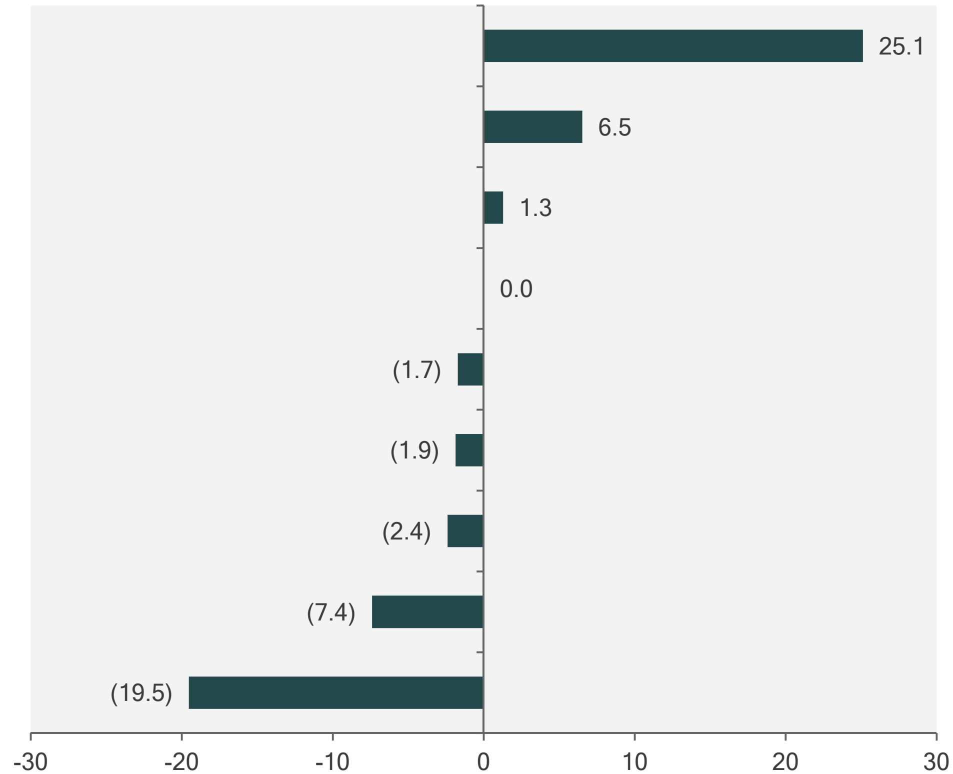
Sector Weights

Small Cap Sustainable Growth Portfolio
As of December 31, 2018

Kayne Anderson Rudnick Investment Management

Sectors*	KAR Small Cap Sustainable Growth (%)	Russell 2000® Growth Index (%)
Technology	41.7	16.6
Financial Services	17.3	10.8
Consumer Staples	4.0	2.7
Materials & Processing	7.0	7.0
Energy	–	1.7
Utilities	–	1.9
Producer Durables	13.0	15.4
Consumer Discretionary	10.7	18.1
Health Care	6.3	25.9

Underweight/Overweight (%)



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**The large underweight in the KAR portfolio relative to the Russell 2000 Growth Index in the health-care sector is due to the benchmark's large weighting in biotechnology companies and pharmaceutical companies. Within the benchmark's health-care sector, biotechnology represents 12.0% and pharmaceutical represents another 2.7% as of December 31, 2018. These two sub-sectors represent 14.7% of the health-care sector within the benchmark and is outside our investable universe given the difficulty in discerning a competitive advantage, persistent lack of profitability and not meeting our overall investment criteria. Compared to the remaining 11.2% weight in the benchmark, our portfolio has a 6.3% weight in health care. The overweight the technology sector is due to the classification of the diverse business models held within our portfolio by the Russell sector classification system that is used. Many of these businesses within the technology sector are categorized to other non-technology sectors by other index classification systems beginning in the third quarter 2018 (i.e., GICS added a Communication Services sector beginning in 3Q that reduced this overweight as many of the companies currently held moved to this new sector).*

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 Sustainable Growth Portfolio
As of December 31, 2018

Kayne Anderson Rudnick
Investment Management

Top 10 Holdings	Russell Sector	% of Portfolio
Autohome	Technology	8.0
Fox Factory	Consumer Discretionary	6.9
Auto Trader Group	Technology	6.8
Interactive Brokers Group	Financial Services	5.5
Rightmove	Technology	5.1
Old Dominion Freight Line	Producer Durables	4.4
Copart	Producer Durables	4.3
Paycom Software	Technology	4.0
The Chefs' Warehouse	Consumer Staples	4.0
Aspen Technology	Technology	4.0
Total		**53.0**

Research confidence leads to large active weights

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
# of Holdings	27	1,257
Average Position Size (%)	3.7	0.1
Weight of Top Ten Holdings (%)	53.0	5.3
Active Share (%)	98.1	–

The strategy benefits from diversification while still taking significant active positions

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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.

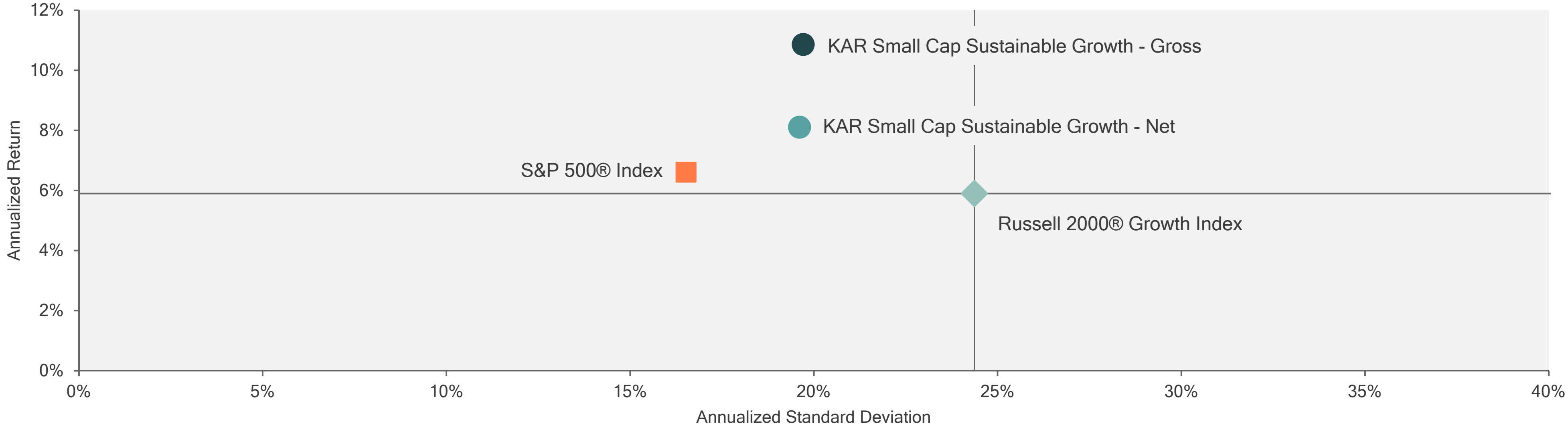
Strong Risk-Adjusted Returns

Small Cap Sustainable Growth Portfolio
Inception* to December 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
KAR Small Cap Sustainable Growth	5.67	0.45	19.71	14.95	0.72	11.41
Russell 2000® Growth Index	0.00	0.16	24.37	18.03	1.00	0.00

**January 1, 1998*

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

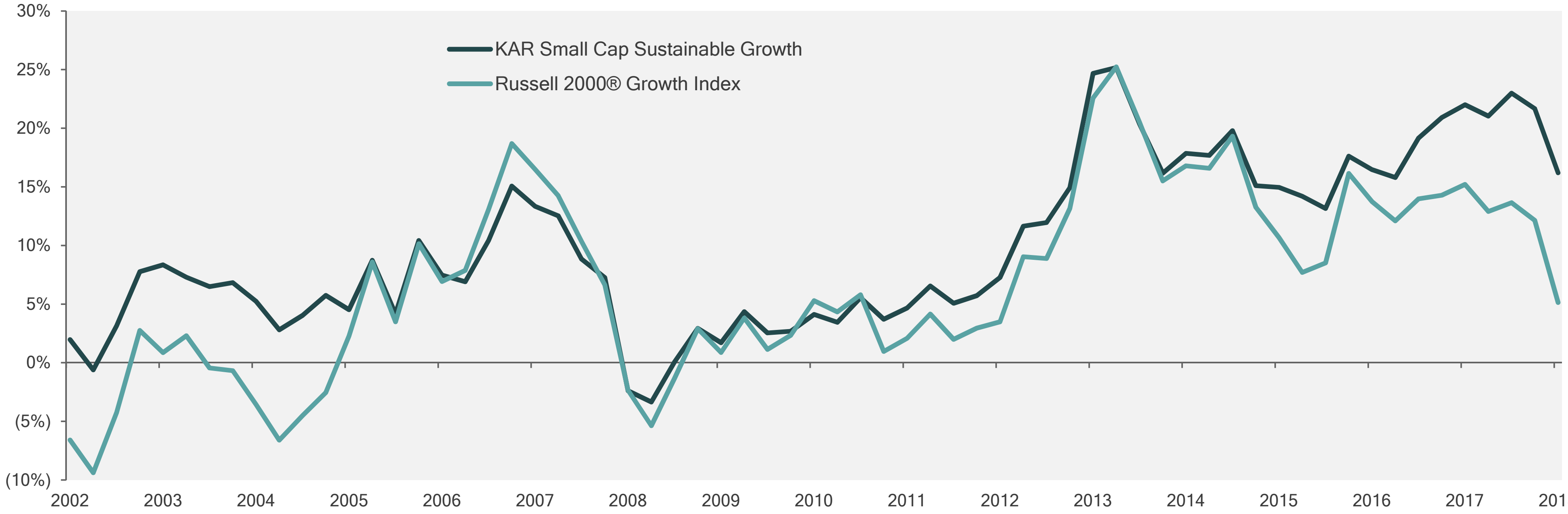
Returns for the Kayne Anderson Rudnick composite are preliminary and are gross of fees unless otherwise specified. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from FactSet Research Systems and is assumed to be reliable. Past performance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

5-Year Rolling Returns

Small Cap Sustainable Growth Portfolio
Inception* to December 31, 2018

Kayne Anderson Rudnick
Investment Management

Performance Statistics
5-Year Rolling Returns



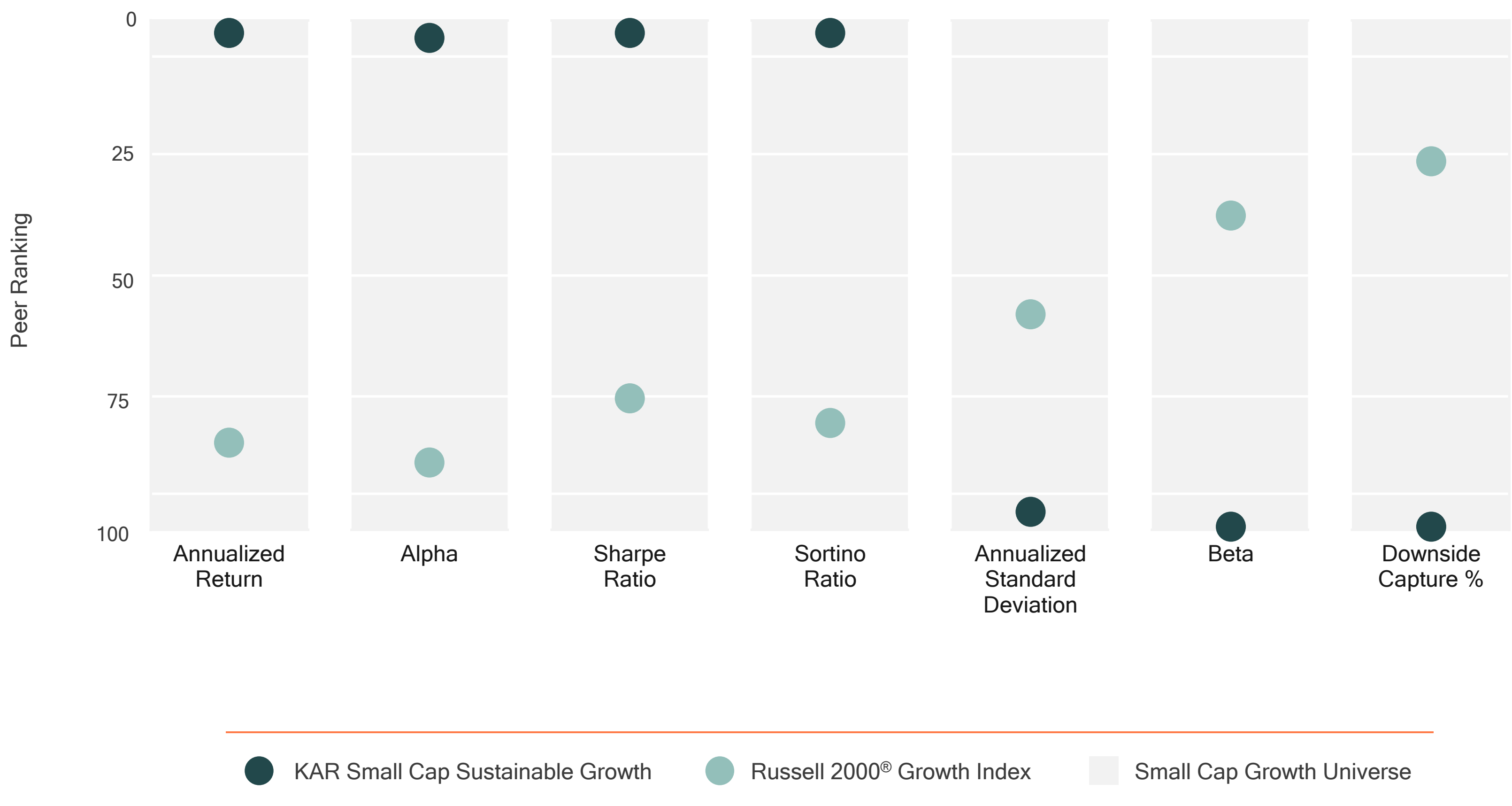
*January 1, 1998

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 Sustainable Growth Portfolio
Ten Years Ending December 31, 2018



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

The Small Cap Growth Universe includes all managers categorized in the small cap growth 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 on performance would grow at a compounded rate. Over a five-year period, if a $250,000 portfolio had an annual return of 10%, it would grow to $402,628. The net compounded effect of a 3% annual investment management fee would total $51,990 and result in a portfolio value of $350,638.

Returns

Small Cap Sustainable Growth Portfolio

Kayne Anderson Rudnick
Investment Management

Annualized Performance

Periods Ending 12/31/18	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
Fourth Quarter	(13.38)	(14.13)	(21.65)	827
1 Year	10.10	6.89	(9.31)	1941
3 Years	25.49	21.86	7.24	1825
5 Years	16.19	13.29	5.13	1106
7 Years	18.83	16.01	11.25	758
10 Years	20.36	17.58	13.52	684
Since Inception*	10.86	8.11	5.90	496

January 1, 1998

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.*

Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
2018	10.10	6.89	(9.31)	1941
2017	41.80	37.72	22.17	1963
2016	26.59	22.92	11.32	1528
2015	1.91	(0.07)	(1.38)	329
2014	5.16	3.19	5.60	(44)
2013	40.55	37.73	43.30	(276)
2012	12.38	10.05	14.59	(221)
2011	18.59	15.50	(2.91)	2150
2010	15.44	13.07	29.09	(1365)
2009	39.32	36.77	34.47	486
2008	(33.73)	(34.93)	(38.54)	481
2007	(0.61)	(2.14)	7.05	(766)
2006	15.47	13.12	13.35	213
2005	2.71	(0.39)	4.15	(144)
2004	13.42	10.02	14.31	(89)
2003	39.90	35.88	48.54	(865)
2002	(23.82)	(26.14)	(30.26)	644
2001	0.48	(2.42)	(9.23)	971
2000	6.28	3.13	(22.43)	2871
1999	31.19	27.42	43.09	(1190)
1998	3.33	0.20	1.23	210

Disclosure

Small Cap Sustainable Growth Portfolio

Kayne Anderson Rudnick
Investment Management

Kayne Anderson Rudnick Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Kayne Anderson Rudnick Investment Management, LLC has been independently verified for the period from January 1, 1999 through December 31, 2017.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Small Cap Sustainable Growth Wrap Composite has been examined for the period from January 1, 1999 through December 31, 2017. The verification and performance examination reports are available upon request.

Kayne Anderson Rudnick Investment Management, LLC, a wholly owned subsidiary of Virtus Investment Partners, Inc., is a registered investment advisor under the Investment Advisers Act of 1940. Registration of an Investment Advisor does not imply any level of skill or training. Kayne Anderson Rudnick Investment Management, LLC manages a variety of equity and fixed-income strategies focusing exclusively on securities the firm defines as high quality.

The composite includes all fully discretionary Small Cap Sustainable Growth Wrap Portfolios. Small Cap Sustainable Growth Wrap Portfolios are invested in equity securities with market capitalizations in line with the Russell 2000® Growth 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® Growth Index. The Russell 2000® Growth Index is a market capitalization-weighted index of growth-oriented stocks of the 2,000 smallest companies in the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. Benchmark returns are not covered by the report of 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 1/4th 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 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	15.36	21.01
2013	11.96	17.52
2014	11.97	14.02
2015	13.80	15.16
2016	14.67	16.91
2017	12.94	14.80

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
2008	3,445	74	100%	12	(33.73)	(34.93)	(38.54)	0.99
2009	4,010	77	100%	13	39.32	36.77	34.47	1.11
2010	4,729	63	100%	12	15.44	13.07	29.09	0.55
2011	5,232	12	100%	13	18.59	15.50	(2.91)	1.04
2012	6,545	31	100%	32	12.38	10.05	14.59	0.98
2013	7,841	23	100%	26	40.55	37.73	43.30	0.58
2014	7,989	20	100%	23	5.16	3.19	5.60	0.30
2015	8,095	36	100%	24	1.91	(0.07)	(1.38)	0.25
2016	9,989	53	100%	24	26.59	22.92	11.32	0.38
2017	14,609	119	100%	26	41.80	37.72	22.17	0.41

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