



Kayne Anderson Rudnick
Investment Management

Small Cap Sustainable Growth Portfolio
Managed Accounts
Second Quarter 2017 Review

kayne.com

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Firm Overview

As of June 30, 2017



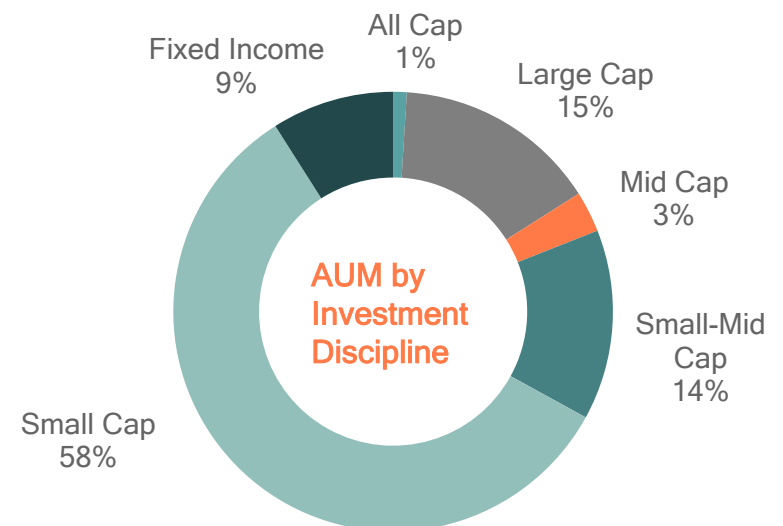
Kayne Anderson Rudnick
Investment Management

Profile

- Originally established to manage founder capital
- Boutique firm specializing 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	\$15.3 billion
Number of Investment Professionals	15
Average Investment Experience	15 Years

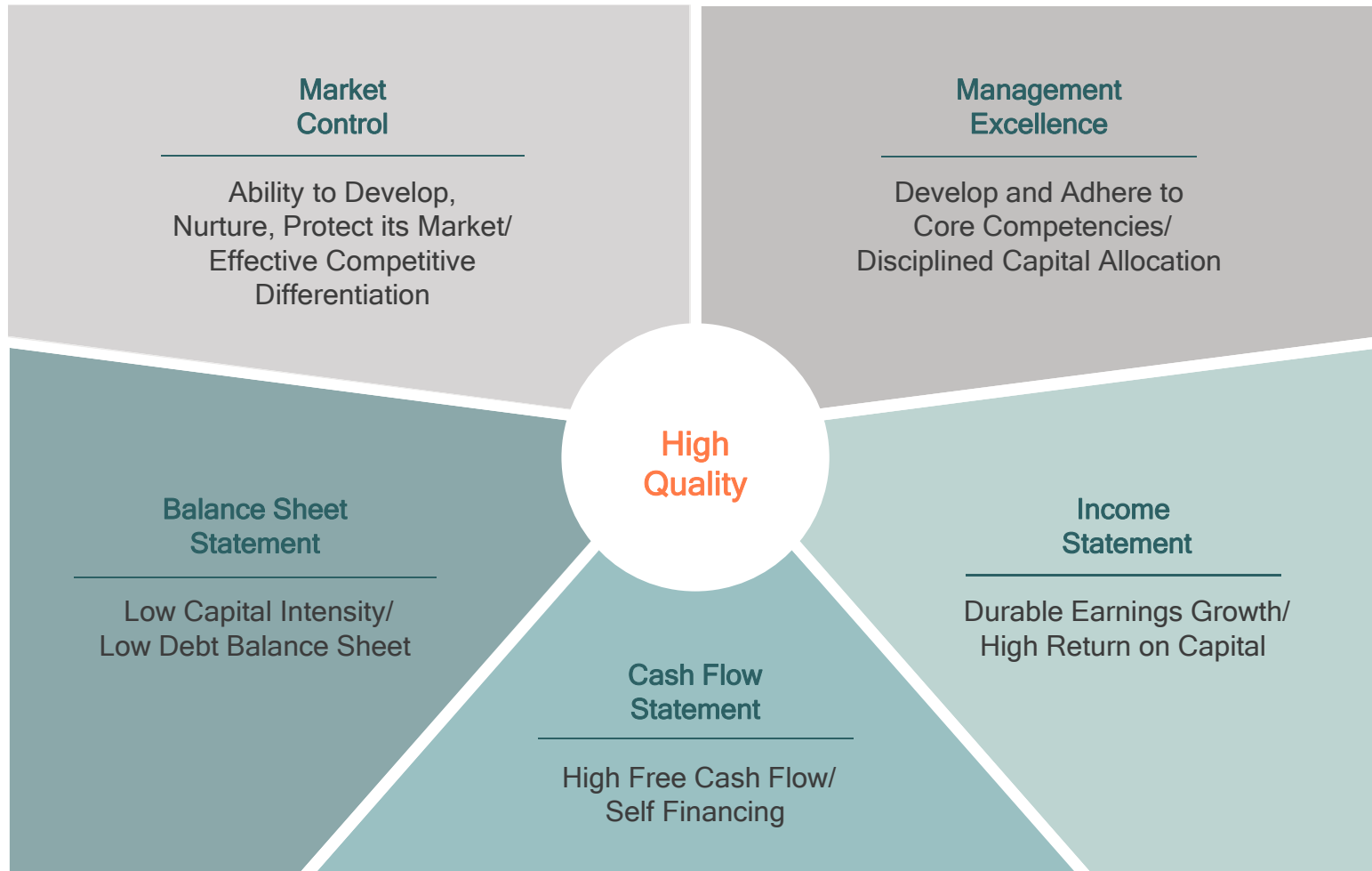


Investment Philosophy

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

Investment Objectives

- To achieve a return meaningfully above that of the Russell 2000® Growth Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics



Small Cap Sustainable Growth Team

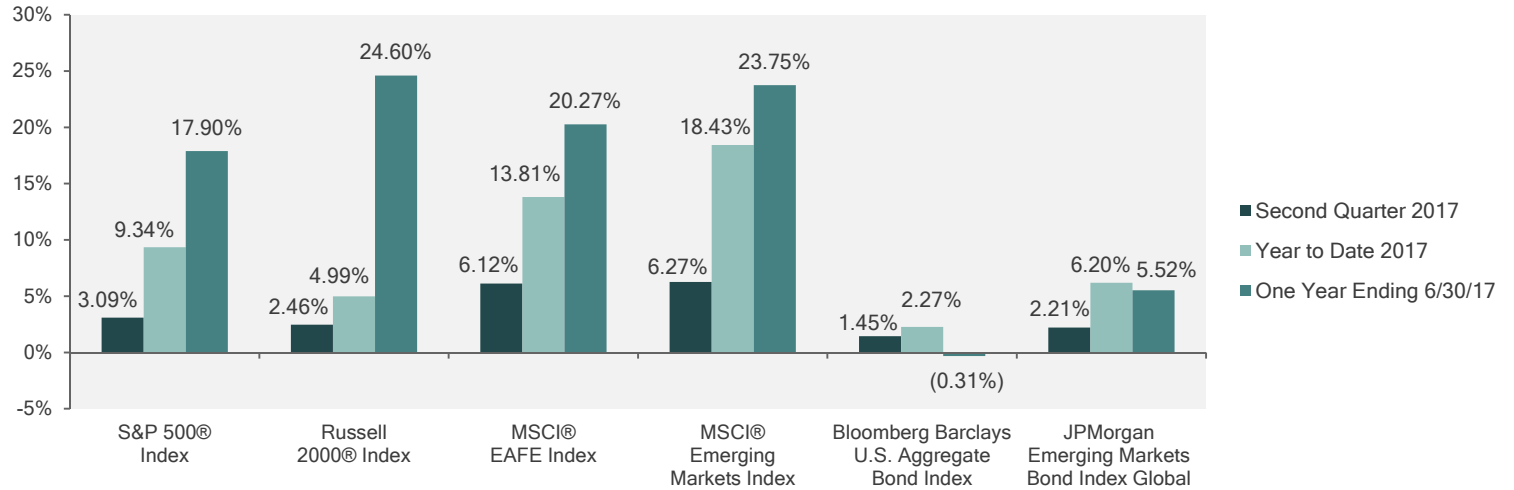


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Portfolio Manager/Analysts	Responsibility	Research Experience	Years with KAR
Douglas S. Foreman, CFA	Chief Investment Officer	31 Years	6 Years
Todd Bailey, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Financials and Producer Durables	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.

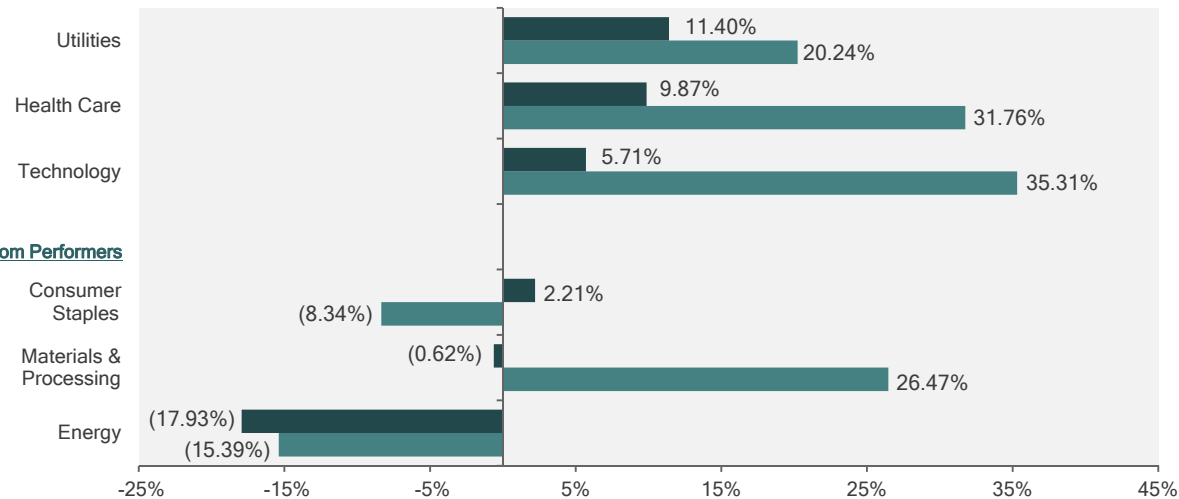
Index Performance



Sector Performance

Russell 2000® Growth Index

Top Performers



Bottom Performers

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Market Review

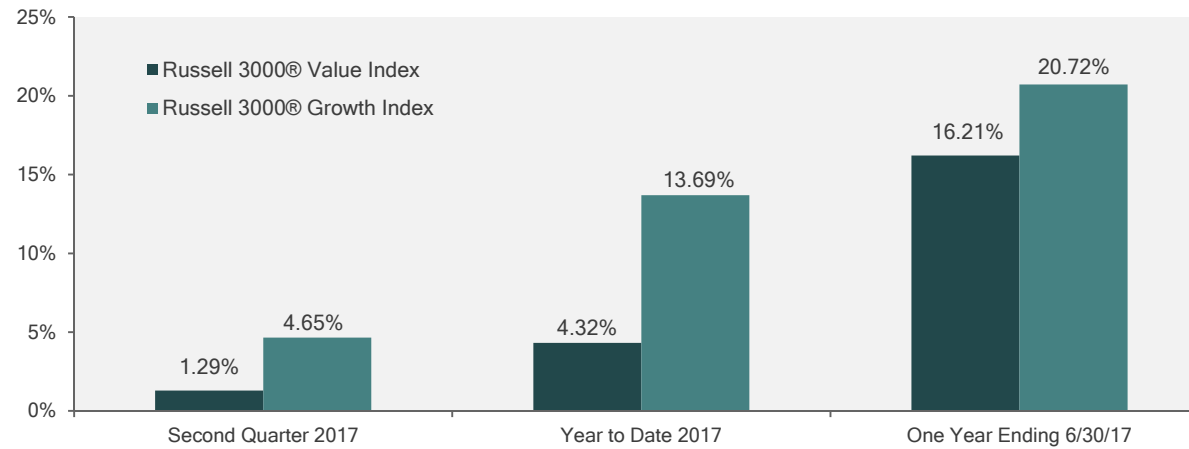
Frequent Style Rotation



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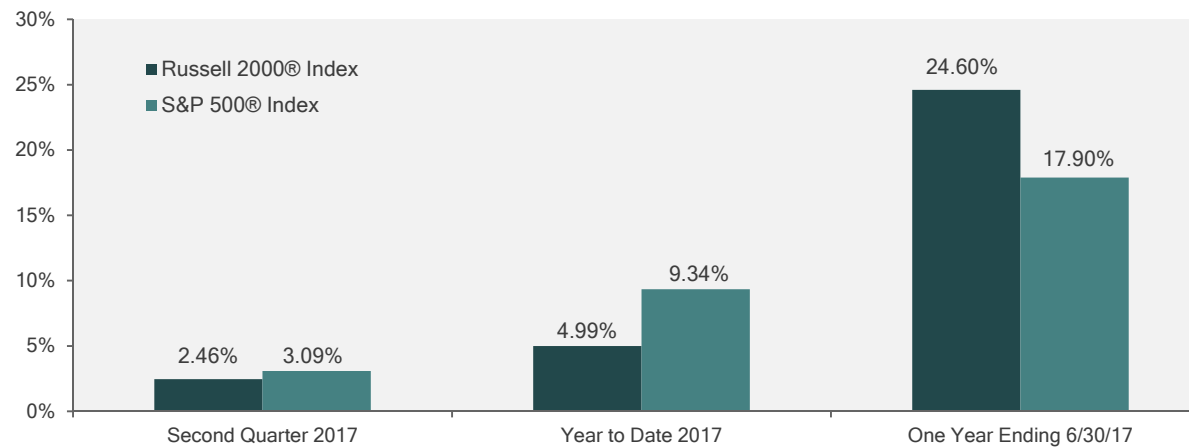
Performance by Style

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 Sustainable Growth Portfolio

Periods Ending June 30, 2017



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Monthly, Quarterly and Year to Date Performance

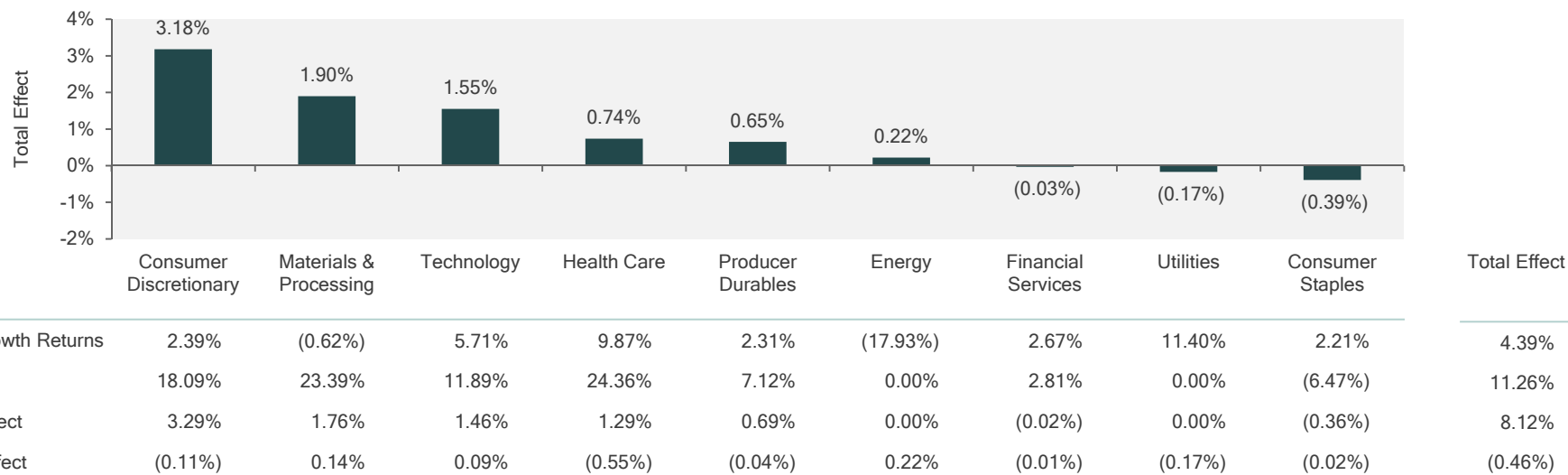
	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
April	4.00	3.75	1.84	216
May	5.01	4.76	(0.91)	592
June	1.88	1.63	3.44	(156)
Second Quarter	11.26	10.46	4.39	687
Year to Date	17.56	15.86	9.97	759

Contributors

Highest	Contribution
Autohome	+2.48%
National Research	+1.93%
Ollie's Bargain Outlet Holdings	+1.77%
Lowest	Contribution
NVE	(0.33%)
PriceSmart	(0.25%)
The Chefs' Warehouse	(0.24%)

Attribution by Sector

Quarter Ending June 30, 2017



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Annual Performance Overview

Small Cap Sustainable Growth Portfolio

Periods Ending June 30, 2017



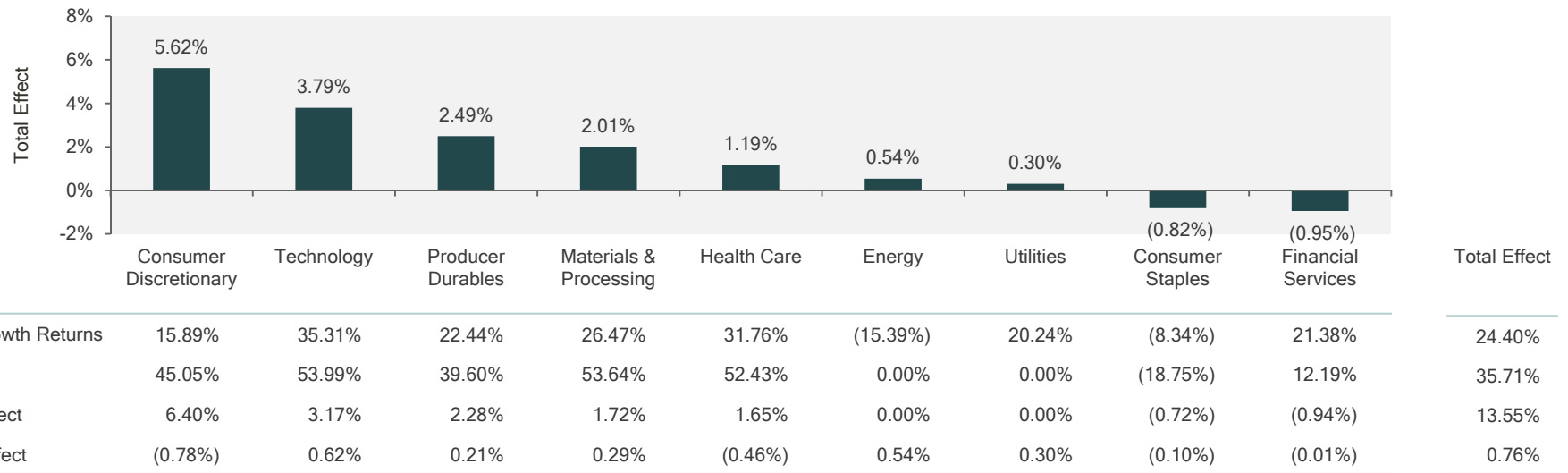
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Investment Management

Quarterly and Annual Performance

	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
Third Quarter 2016	9.41	8.62	9.22	19
Fourth Quarter 2016	5.50	4.73	3.57	193
First Quarter 2017	5.66	4.89	5.35	31
Second Quarter 2017	11.26	10.46	4.39	687
1 Year Ending 6/30/17	35.71	31.79	24.40	1131

Attribution by Sector

One Year Ending June 30, 2017



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Highest Contributors

Small Cap Sustainable Growth Portfolio

One Year Ending June 30, 2017



Kayne Anderson Rudnick
Investment Management

Security	Contribution	Comments
Autohome	+5.06%	Despite a slowdown in car sales volumes in China, Autohome's most recent quarterly sales results showed robust growth, which speaks to the secular shift of ad budgets from offline to online media. As the new management team rids the company of the new car transaction business, we are seeing the underlying profitability of the core business begin to reemerge. Given Autohome's strong competitive positioning, better capital allocation under new management and the expected long-term growth of the Chinese car market, we remain owners of the business.
Fox Factory Holding	+4.97%	Fox Factory's growth has accelerated due to new model specification wins in its mountain bike segment and the initiation of production of on-road sports trucks by its original equipment manufacturer customers. We believe Fox's reputation in its distinctive markets is a healthy competitive advantage that will provide Fox with enduring success.
Ollie's Bargain Outlet Holdings	+4.18%	Despite much of the doom and gloom in retail, Ollie's has been able to deliver solid same-store sales and earnings growth. As a concept, the company has a very differentiated approach to retail, delivering healthy foot traffic that is helping it drive profitability as it grows. The company is also likely to benefit from increased real estate opportunities as the landscape grows increasingly challenging.

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Lowest Contributors

Small Cap Sustainable Growth Portfolio

One Year Ending June 30, 2017



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Security	Contribution	Comments
The Chefs' Warehouse	(1.16%)	While the The Chefs' Warehouse continues to report strong organic growth, the share price remains under pressure over the past year due to estimate misses and guidance cuts in previous quarters. More recently, the company reported another quarter of subdued profits due to ongoing investments in operating expenses to support growth of the business. Looking back at the performance of the company during our multiple years of ownership, there have been many self-inflicted mistakes by management.
Shutterstock <i>(Sold Q1 2017)</i>	(0.31%)	Shutterstock's share price rebounded in the first half of 2016, as concerns regarding the competitive threat from Adobe's new stock photo offering abated. A meaningful slowdown in revenue growth over the next two quarters sent Shutterstock's 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 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.
PriceSmart	(0.27%)	PriceSmart has faced material macro headwinds in many of its markets. Some of these have been currency related, while others have been driven by challenging general economic conditions. Through these challenges, the company has been driving modest earnings growth, helped by improved profitability in Colombia, which is likely to be its most significant market. Although the challenges PriceSmart faces are material, we believe the company is still well-positioned to benefit from improved economic growth over the long term in the Latin American markets.

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Purchases

Small Cap Sustainable Growth Portfolio
Quarter Ending June 30, 2017



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Purchases	Descriptions/Reasons
Interactive Brokers Group—Increased Position	Interactive Broker’s low-cost advantage continues to generate industry-leading growth in customer accounts and customer equity. However, financial results have been weak due to lower trading activity per account amid low market volatility. We view this as a cyclical challenge and believe Interactive’s long-term opportunity remains attractive, particularly in light of their low market share. In addition, the company is exiting the market-making business, which is a positive given that segment’s deteriorating financial results.

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Sales

Small Cap Sustainable Growth Portfolio
Quarter Ending June 30, 2017



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Sales	Reasons
None	

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Portfolio Characteristics

Small Cap Sustainable Growth Portfolio – As of June 30, 2017



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	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Quality		
Return on Equity—Past 5 Years	24.7%	13.3%
Total Debt/EBITDA	0.9 x	5.2 x
Earnings Variance—Past 10 Years	31.0%	75.9%
Growth		
Earnings Per Share Growth—Past 10 Years	12.0%	8.3%
Capital Generation—{ROE x (1-Payout)}	18.7%	10.9%
Value		
P/E Ratio—Trailing 12 Months	35.2 x	58.2 x
Free Cash Flow Yield†	2.9%	1.3%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Average	\$3.6 B	\$2.2 B
Largest Market Cap—4 Qtr. Average	\$11.4 B	\$8.7 B
Annualized Standard Deviation—Since Inception*	19.8%	24.6%

*January 1, 1998

†Free cash flow data is as of March 31, 2017. Prices are as of June 30, 2017. Excludes financials.

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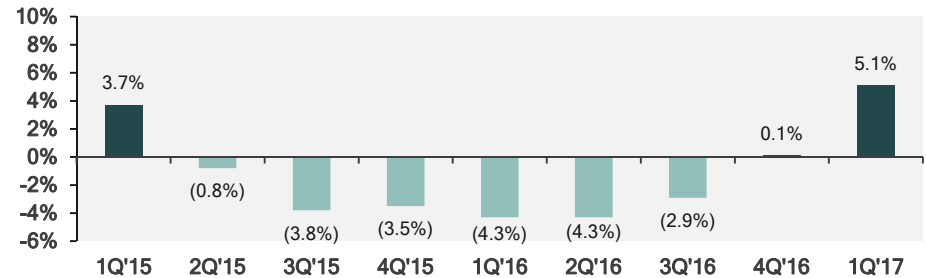
Data is obtained from FactSet Research Systems and BNY Mellon and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information. Past performance is no guarantee of future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

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

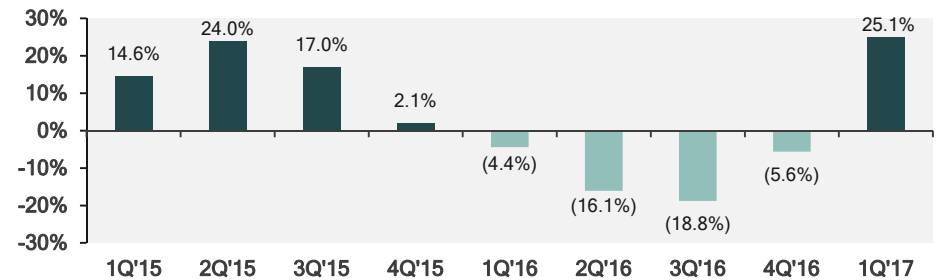
- Corporate earnings and revenue continue to grow in constant currency and companies are maintaining historically high operating margins. Q1 earning per share (EPS) for the S&P 500 was up 13.4%. S&P 500 EPS should improve from low single-digit to mid-to-high single-digit growth over the next 12 to 18 months. Additionally, international markets reported earnings are improving.
- Trump's election should accelerate U.S. GDP to the 2.5% to 3.5% range over the next two years if his agenda becomes a reality. The stock market is assuming little-to-no progress on his agenda currently.
- 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, however, this is a lagging indicator.
- 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 energy.
- 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 Growth

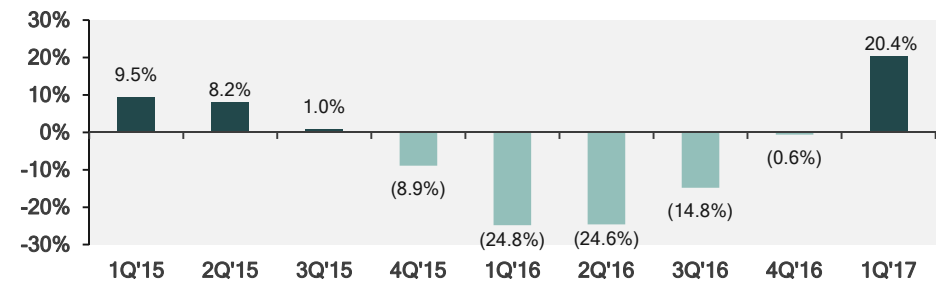
S&P 500® Trailing 12-Month Earnings Growth (Year Over Year)



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



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



Data as of June 30, 2017.

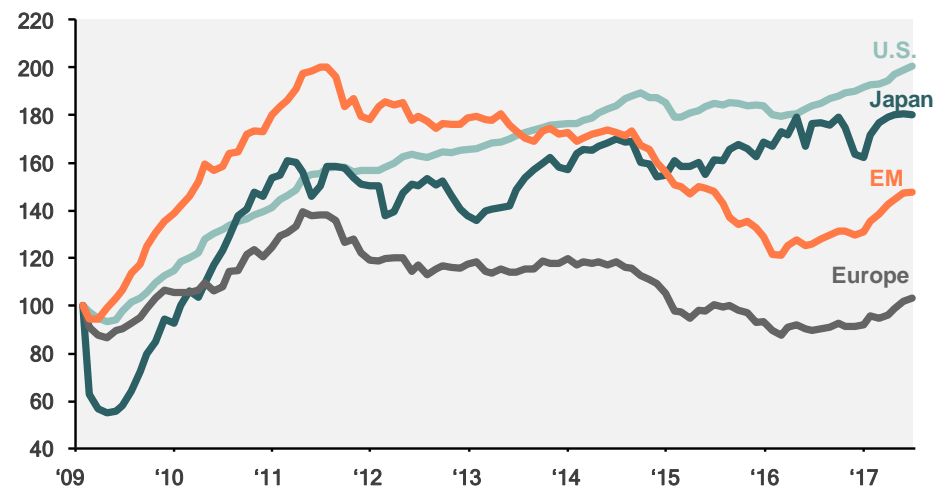
Data is obtained from FactSet Research Systems, Strategas and Bloomberg and is assumed to be reliable. Past performance is no guarantee of future results.

Global growth prospects are solid in Q2, providing support for risk-based assets abroad.

- At a 2.30% yield on the U.S. 10-year bond, a higher initial yield combined with a 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 reaching 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 couple of quarters. Uncertainty about U.S. trade policies may slow down the recovery in progress, but initial negotiations appear much better than expected.

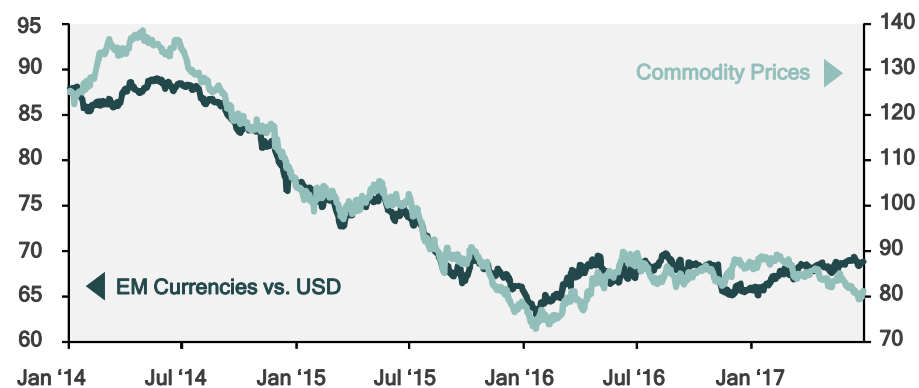
Global Earnings

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



Emerging Markets

Commodity Prices and FX



Data as of June 30, 2017.

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, J.P. Morgan Asset Management, MSCI, Standard & Poor's and Bloomberg 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 in 2017?
- Renewed energy price weakness could continue to erode capital spending and business confidence.
- A hard landing in China could slow global GDP materially. Although receding, it is still a risk.
- Does the EU unravel as referendums occur into 2017/18?
- 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.

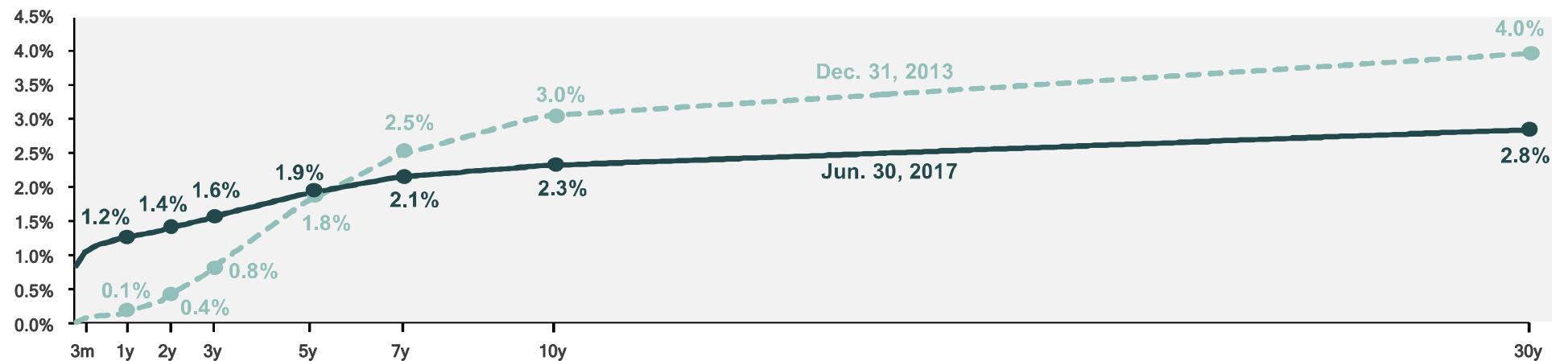
Price of Oil

Brent Crude, Nominal Prices, USD/Barrel



Yield Curve

U.S. Treasury Yield Curve



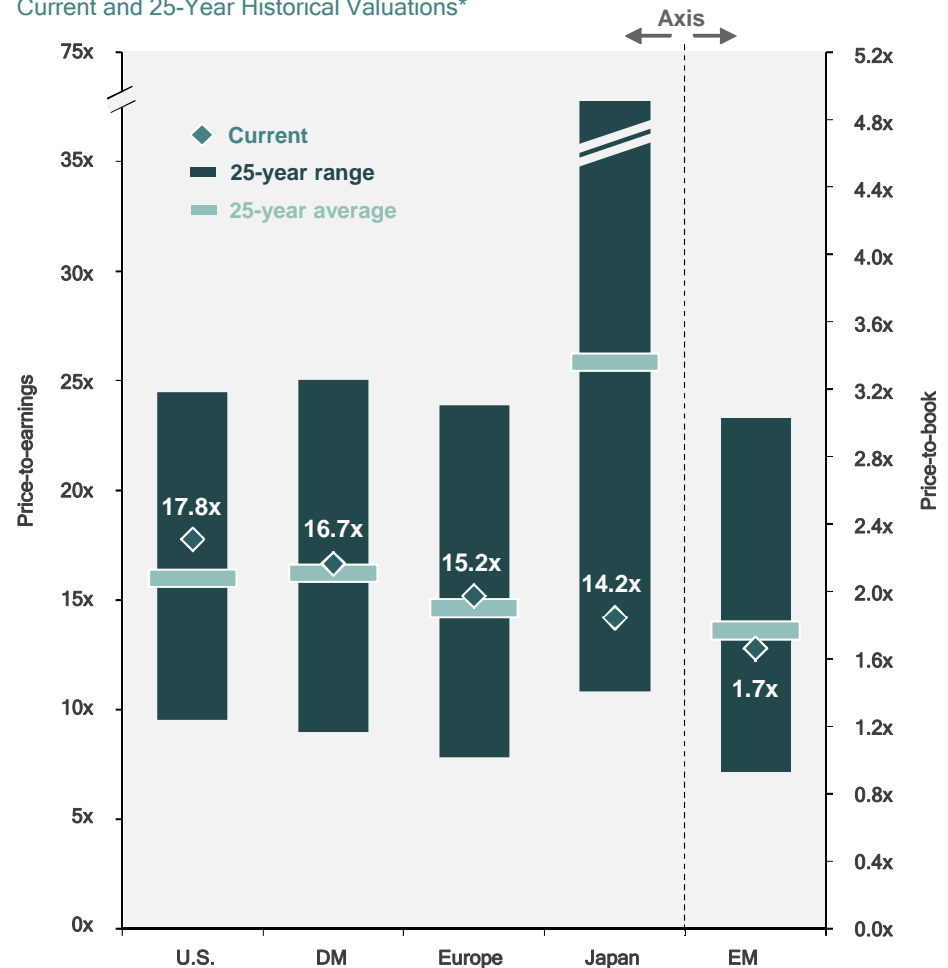
Data as of June 30, 2017.

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 engaged.
- Equity valuations remain reasonable by historic measures, both at absolute levels but particularly relative to interest 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.

Global Valuations
Current and 25-Year Historical Valuations*



Data as of June 30, 2017.

*Valuations refer to NTMA P/E for Europe, U.S., Japan and developed markets, and P/B for emerging markets. Valuation and earnings charts use 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 used elsewhere in the book. Data is obtained from FactSet Research Systems, J.P. Morgan Asset Management, MSCI and Standard & Poor's and is assumed to be reliable. Past performance is no guarantee of future results.

- Portfolio Data
- Disclosure

Sector Weights

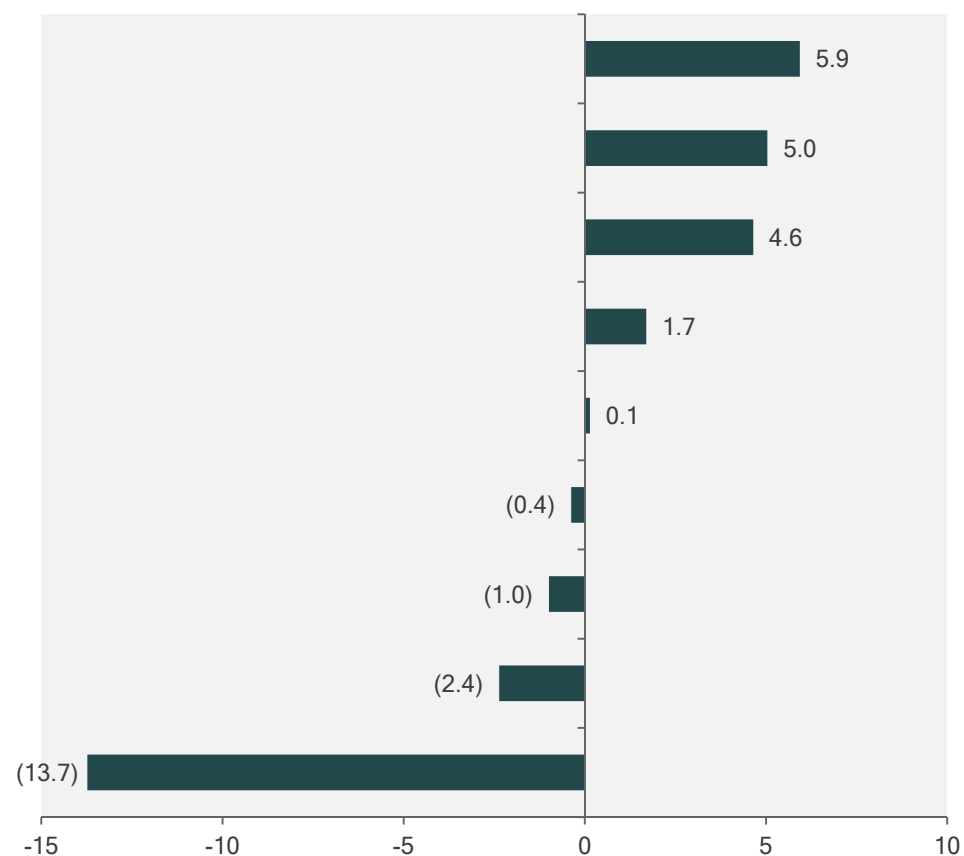
Small Cap Sustainable Growth Portfolio
As of June 30, 2017



Kayne Anderson Rudnick
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Sectors	KAR Small Cap Sustainable Growth (%)	Russell 2000® Growth Index (%)
Consumer Discretionary	21.6	15.7
Technology	24.6	19.6
Financial Services	15.4	10.8
Consumer Staples	4.0	2.3
Producer Durables	16.0	15.8
Materials & Processing	7.9	8.2
Energy	—	1.0
Utilities	—	2.4
Health Care	10.5	24.3

Underweight/Overweight (%)



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Conviction-Driven Investing Provides Opportunities for Excess Return

Small Cap Sustainable Growth Portfolio
As of June 30, 2017



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Top 10 Holdings	Russell Sector	% of Portfolio
Autohome	Technology	7.6
Ollie's Bargain Outlet Holdings	Consumer Discretionary	7.0
Fox Factory Holding	Consumer Discretionary	6.6
National Research	Health Care	6.3
Omega Flex	Materials & Processing	5.3
HEICO	Producer Durables	5.2
Interactive Brokers Group	Financial Services	5.2
Old Dominion Freight Line	Producer Durables	5.1
NVE	Technology	5.0
MercadoLibre	Consumer Discretionary	4.5
Total		57.7

Research confidence leads to large active weights

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
# of Holdings	25	1,171
Average Position Size (%)	4.0	0.1
Weight of Top Ten Holdings (%)	57.7	4.4
Active Share (%)	97.7	—

The strategy benefits from diversification while still taking significant active positions

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Strong Risk-Adjusted Returns

Small Cap Sustainable Growth Portfolio

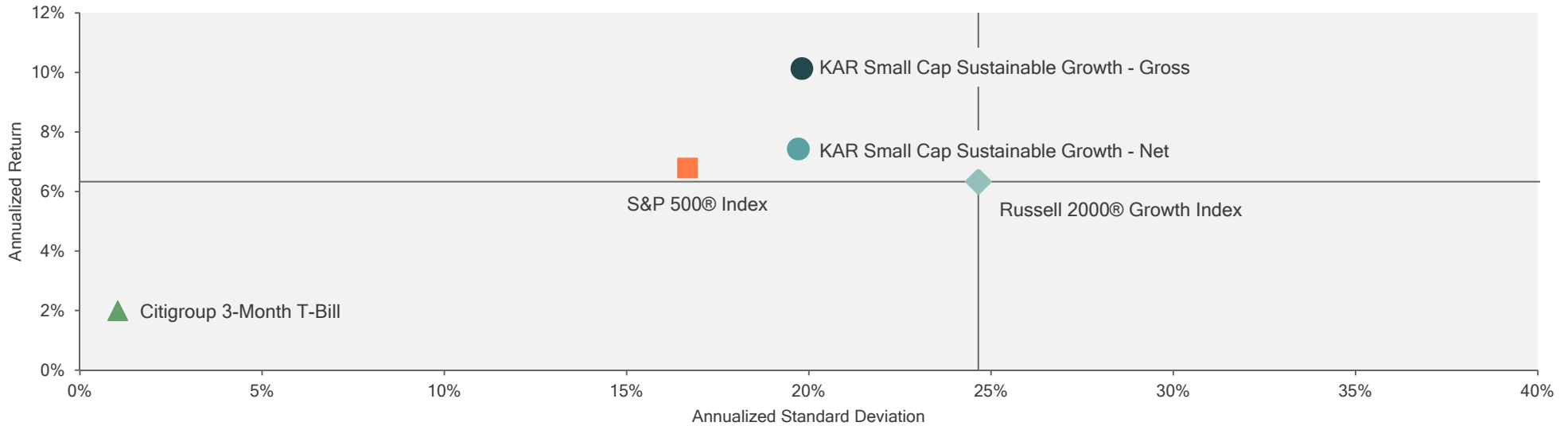
Inception* to June 30, 2017



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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 Sustainable Growth	4.66	0.41	19.81	14.90	0.71	11.53
Russell 2000® Growth Index	0.00	0.18	24.65	18.04	1.00	0.00

*January 1, 1998

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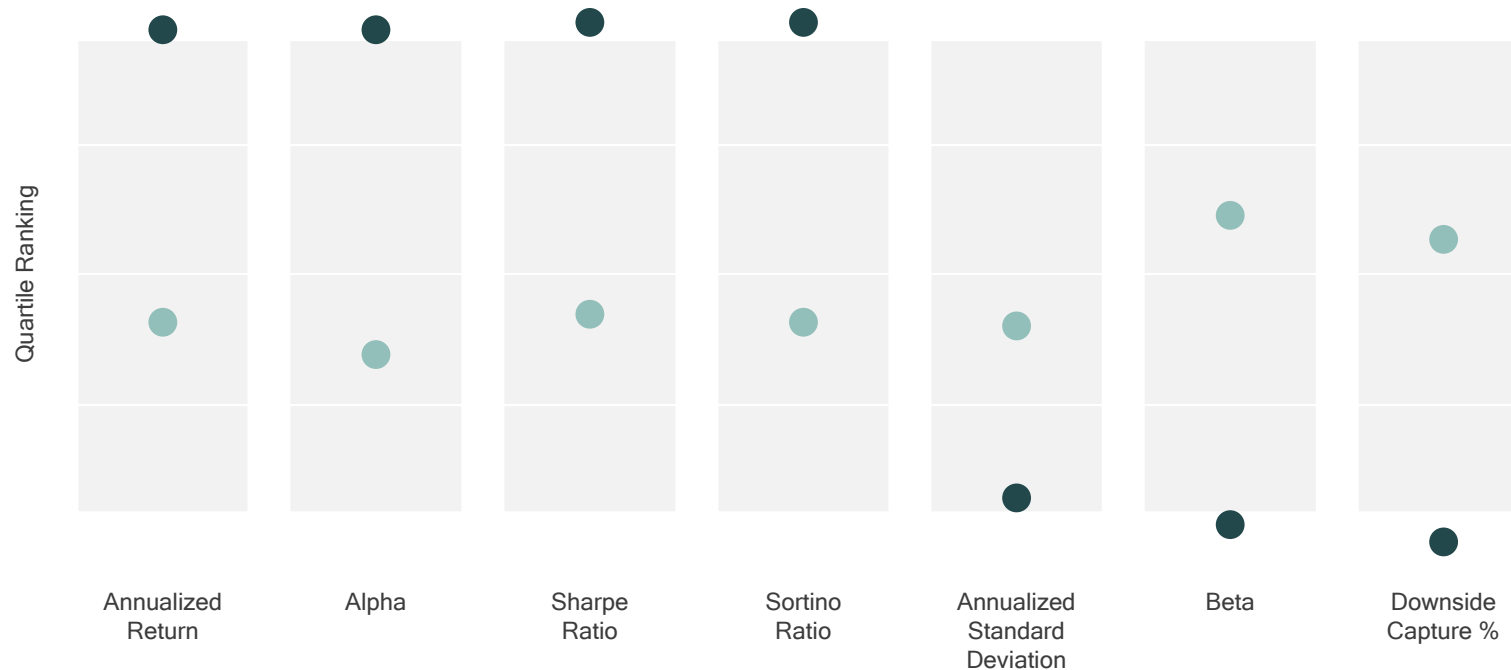
Peer Comparison

Small Cap Sustainable Growth Portfolio

Ten Years Ending June 30, 2017



Kayne Anderson Rudnick
Investment Management



KAR Small Cap Sustainable Growth
 Russell 2000[®] Growth Index
 Small Cap Growth Universe

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The Small Cap Growth Universe includes all managers categorized in the small cap growth asset class by eVestment.

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Returns

Small Cap Sustainable Growth Portfolio



Kayne Anderson Rudnick
Investment Management

Annualized Performance

Periods Ending 6/30/17	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
Second Quarter	11.26	10.46	4.39	687
Year to Date	17.56	15.86	9.97	759
1 Year	35.71	31.79	24.40	1131
3 Years	17.87	15.04	7.64	1022
5 Years	19.16	16.49	13.98	518
7 Years	19.74	16.98	15.16	458
10 Years	11.90	9.51	7.82	408
Since Inception*	10.13	7.43	6.33	380

Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
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

*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.

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, 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 Sustainable Growth 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 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

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	147	100%	9	(0.61)	(2.14)	7.05	0.20
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)	0.60
2016	9,989	53	100%	24	26.59	22.92	11.32	0.38

*Pure gross returns are supplemental to net returns.

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