Kayne Anderson Rudnick
Investment Management

Small-Mid Cap Core Portfolio
Managed Accounts
Third Quarter 2017 Review

kayne.com

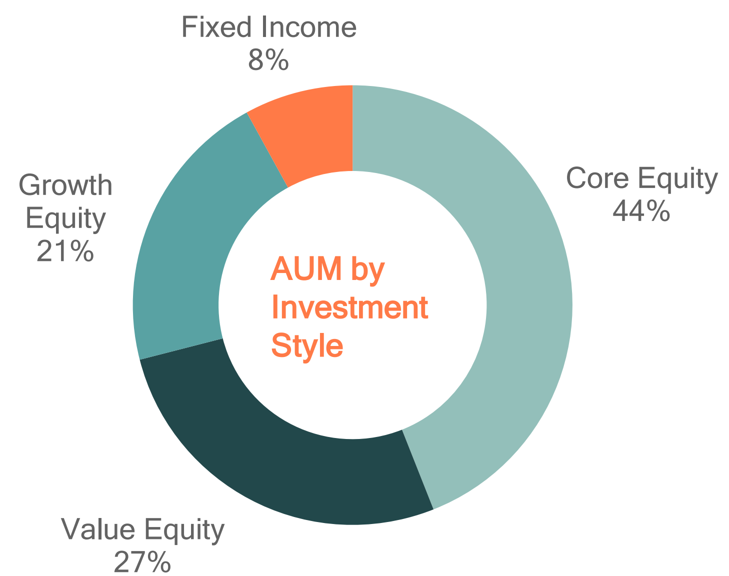
1800 Avenue of the Stars, 2nd Floor Los Angeles, CA 90067 T 800.231.7414

Firm Overview
As of September 30, 2017

Profile

- Originally established to manage founder capital
- Specialization in small and mid cap equity strategies with over three decades of experience
- A differentiated "business analyst" investment approach focusing on high-quality businesses
- A disciplined and repeatable investment process that produces high-conviction portfolios
- A wholly owned, independent subsidiary of Virtus Investment Partners

At a Glance	
Year Founded	1984
Headquarters	Los Angeles, CA
AUM	$16.9 billion
Number of Investment Professionals	14
Average Investment Experience	16 Years



Numbers may not always add up due to rounding.

Disciplined Investment Approach

Investment Philosophy & Objectives

Kayne Anderson Rudnick
Investment Management

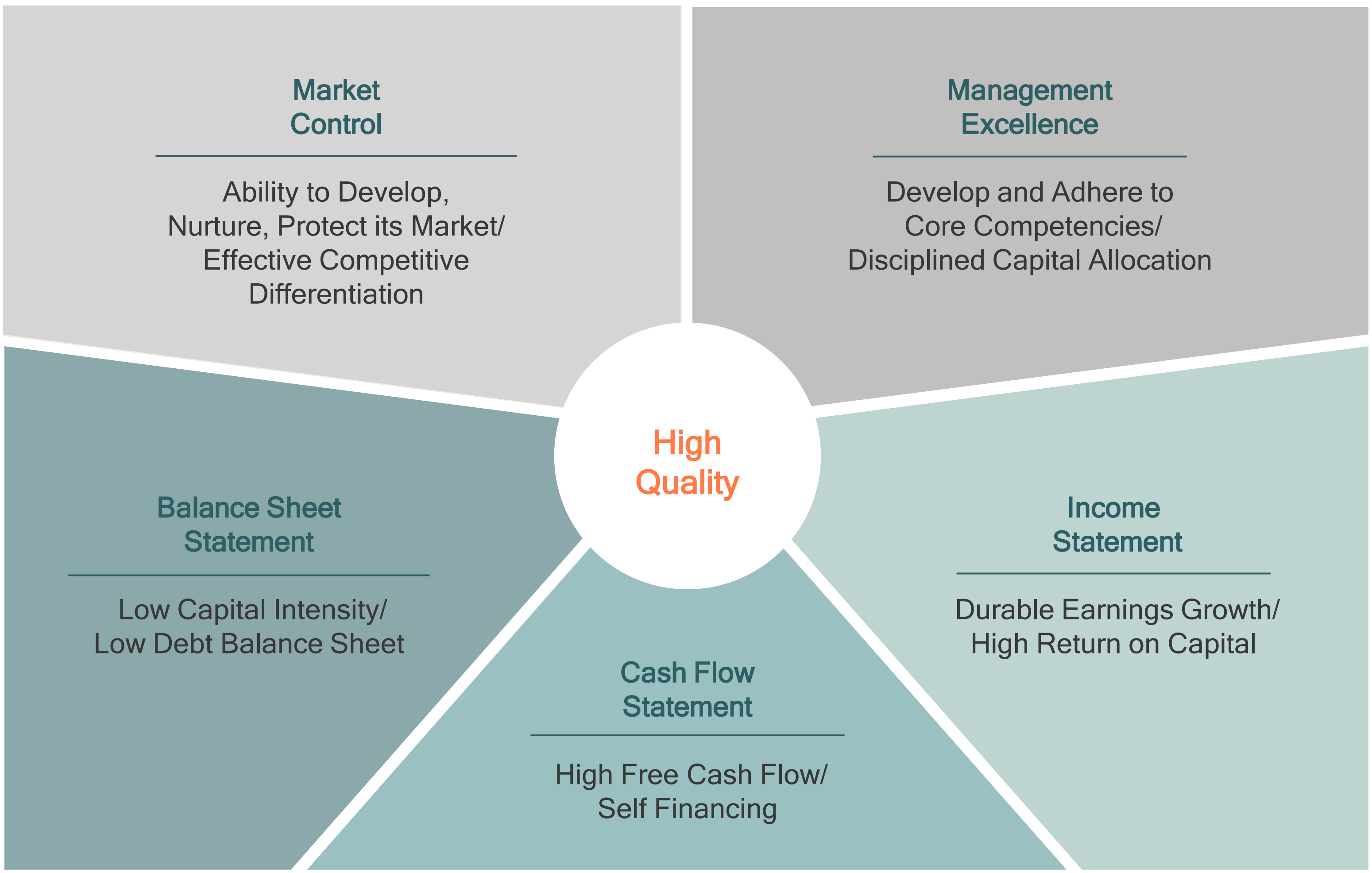
Investment Philosophy

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 2500™ Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics

Tenets of Quality



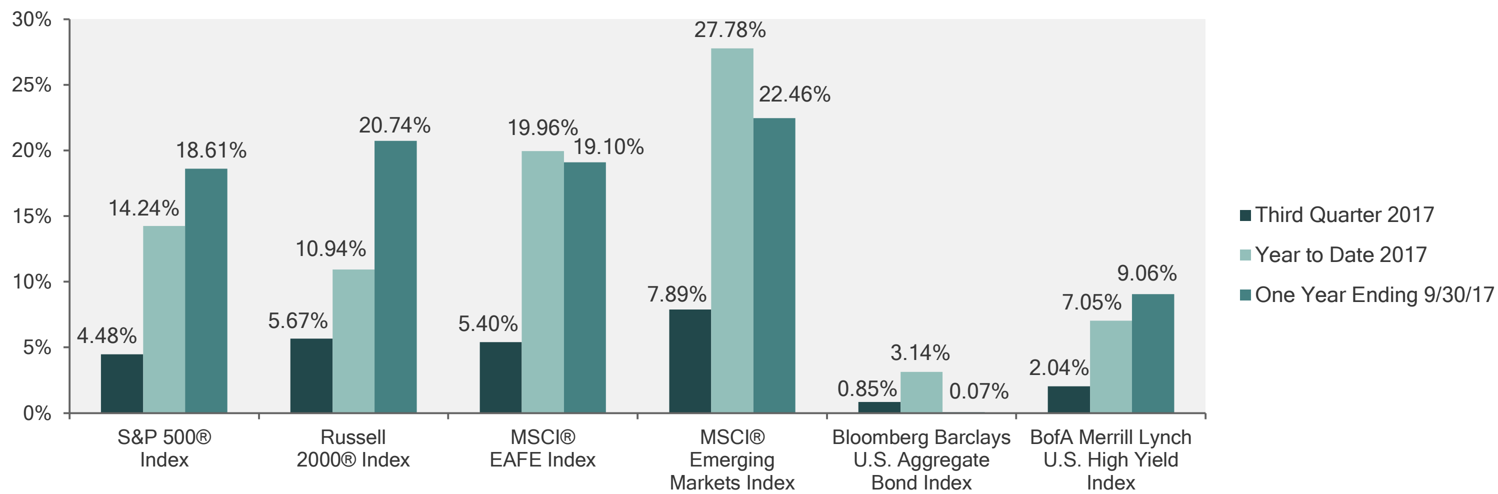
Small-Mid Cap Core Team

Kayne Anderson Rudnick
Investment Management

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

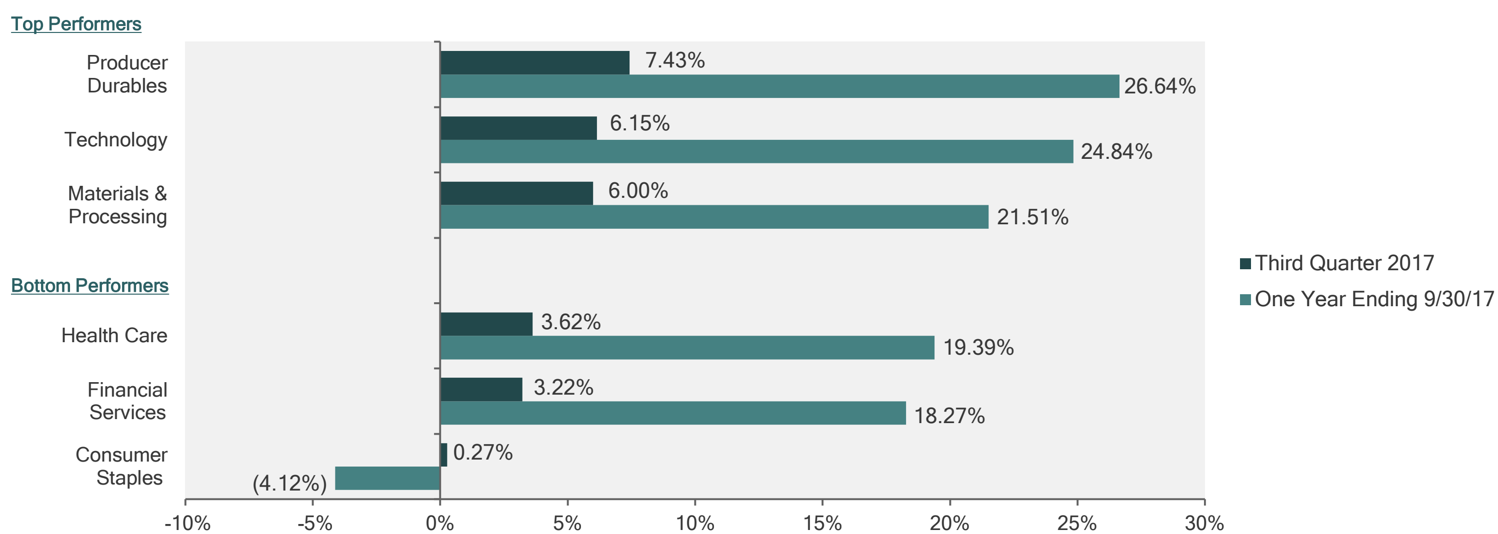
**Represents years of industry experience.*

Index Performance



Sector Performance

Russell 2500™ Index



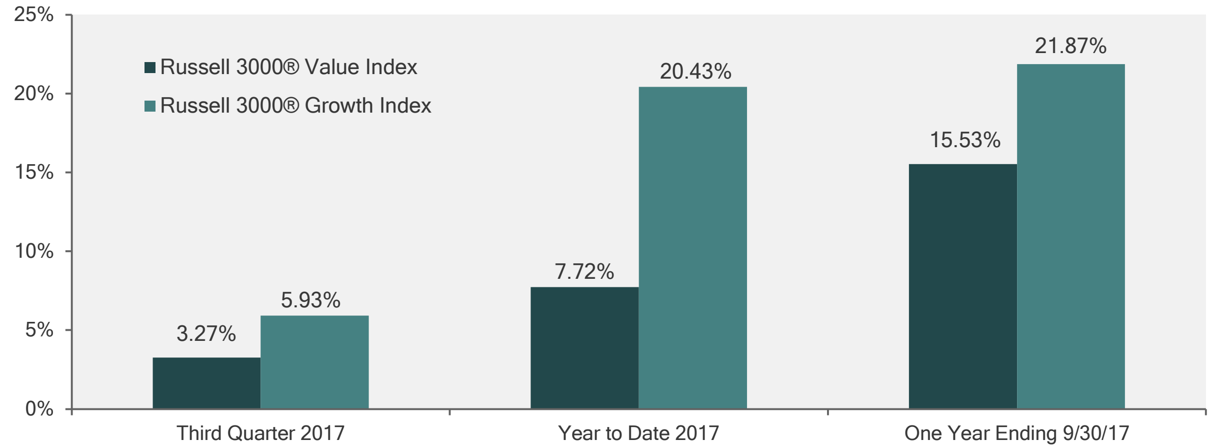
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.

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

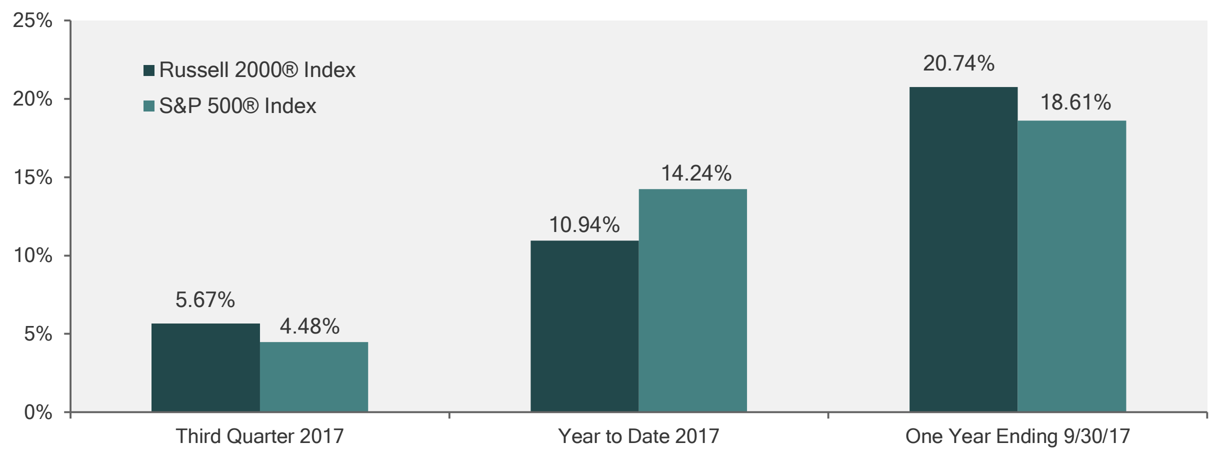
Market Review
Performance by Style and Market Cap

Kayne Anderson Rudnick
Investment Management

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



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



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

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

Quarterly Performance Overview

Small-Mid Cap Core Portfolio
Periods Ending September 30, 2017

Kayne Anderson Rudnick Investment Management

Monthly, Quarterly and Year to Date Performance

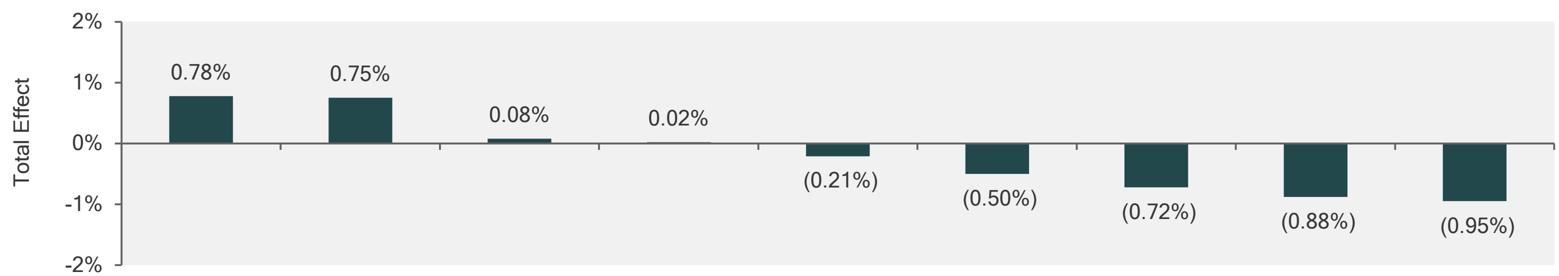
	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
July	1.03	0.78	1.04	(1)
August	(1.57)	(1.82)	(0.83)	(74)
September	3.37	3.12	4.54	(117)
Third Quarter	2.80	2.03	4.74	(195)
Year to Date	9.58	7.16	11.00	(142)

Contributors

Highest	Contribution
RBC Bearings	+1.25%
WABCO Holdings	+0.78%
Aspen Technology	+0.58%
Lowest	**Contribution**
Signature Bank	(0.58%)
Equifax *(Sold Q3 2017)*	(0.55%)
Manhattan Associates	(0.40%)

Attribution by Sector

Quarter Ending September 30, 2017



	Materials & Processing	Consumer Discretionary	Consumer Staples	Utilities	Technology	Energy	Producer Durables	Financial Services	Health Care	Total Effect
Russell 2500™ Returns	6.00%	4.63%	0.27%	4.31%	6.15%	5.76%	7.43%	3.22%	3.62%	4.74%
KAR Returns	14.84%	11.44%	(3.99%)	0.00%	4.47%	(5.67%)	3.19%	(0.06%)	(3.58%)	2.80%
KAR Selection Effect	0.77%	0.72%	(0.07%)	0.00%	(0.28%)	(0.55%)	(0.87%)	(0.88%)	(0.96%)	(2.10%)
KAR Allocation Effect	0.01%	0.03%	0.14%	0.02%	0.07%	0.05%	0.14%	0.00%	0.01%	0.48%

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

Returns for the Kayne Anderson Rudnick composite are preliminary. All periods less than one year are total returns and are not annualized. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding. Past performance is no guarantee of future results.

Annual Performance Overview

Small-Mid Cap Core Portfolio
Periods Ending September 30, 2017

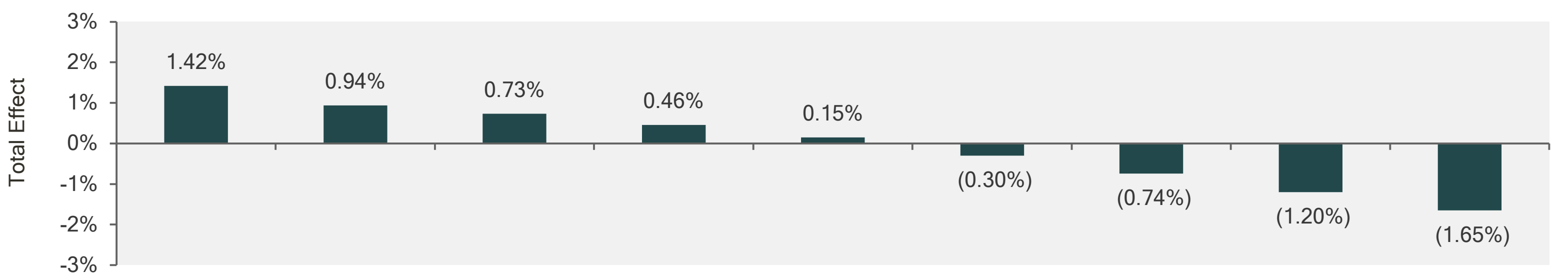
Kayne Anderson Rudnick
Investment Management

Quarterly and Annual Performance

	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
Fourth Quarter 2016	5.61	4.84	6.12	(51)
First Quarter 2017	6.40	5.62	3.76	264
Second Quarter 2017	0.18	(0.56)	2.13	(195)
Third Quarter 2017	2.80	2.03	4.74	(195)
1 Year Ending 9/30/17	15.73	12.34	17.79	(207)

Attribution by Sector

One Year Ending September 30, 2017



	Materials & Processing	Financial Services	Consumer Discretionary	Consumer Staples	Utilities	Energy	Health Care	Technology	Producer Durables	Total Effect
Russell 2500™ Returns	21.51%	18.27%	15.43%	(4.12%)	15.18%	(14.47%)	19.39%	24.84%	26.64%	17.79%
KAR Returns	39.36%	21.03%	25.37%	5.17%	0.00%	(15.60%)	13.36%	14.72%	15.07%	15.73%
KAR Selection Effect	1.42%	0.91%	0.67%	0.29%	0.00%	(0.06%)	(0.90%)	(1.53%)	(1.97%)	(1.16%)
KAR Allocation Effect	(0.00%)	0.02%	0.06%	0.16%	0.15%	(0.24%)	0.15%	0.33%	0.32%	0.95%

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

Returns for the Kayne Anderson Rudnick composite are preliminary. All periods less than one year are total returns and are not annualized. For further details on the composite, please see the disclosure statement in this presentation. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding. Past performance is no guarantee of future results.

Highest Contributors

Small-Mid Cap Core Portfolio
One Year Ending September 30, 2017

Kayne Anderson Rudnick
Investment Management

Security	Contribution	Comments
RBC Bearings	+2.76%	RBC Bearings' stock outperformed over the past year as the company is benefiting from an influx of commercial aircraft deliveries, a rebound in industrial end-markets, and an improving margin profile. We remain optimistic regarding RBC's competitive position in aerospace and defense and the long-term outlook for the business.
Primerica	+2.26%	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.
Wynn Resorts	+1.81%	Wynn Resorts' shares have outperformed as Macau traffic that had been in a precipitous decline in 2015 and 2016 has now seen stabilization. With several large infrastructure projects and adjacent property builds currently going on, we believe that this provides a longer term path for further traffic increases in to the Macau region. As this occurs, Wynn properties should see a large benefit and sustained growth.

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

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

Lowest Contributors

Small-Mid Cap Core Portfolio
One Year Ending September 30, 2017

Kayne Anderson Rudnick
Investment Management

Security	Contribution	Comments
TripAdvisor *(Sold Q2 2017)*	(1.15%)	TripAdvisor's shares have been under pressure for several years as margins have continued declined due to increased marketing spend. In addition, the transition to Instant Book has negatively impacted revenue growth, which created additional pressure on margins. We expected to see some improvement in business fundamentals this year, but management is intent on ramping up marketing spend further to reignite revenue growth.
Manhattan Associates	(1.01%)	While Manhattan continues to deliver solid license growth, the company has seen a slowdown in its services business, primarily from delayed implementations. Many of Manhattan's customers are retailers, who have been under material pressure from online competition. While Manhattan's software enables retailers to be more competitive, and the strong license revenue indicates healthy underlying demand, many customers are waiting on major installations. We view this as a transitory issue that should resolve itself in the next year.
Equifax *(Sold Q3 2017)*	(0.55%)	Equifax disclosed a massive cybersecurity breach with criminals having gained access to personal information of roughly 143 million U.S. consumers over the period from mid-May 2017 through July 29, 2017 when the breach was uncovered. We are disappointed, however, not just by the vast scale of the breach but also by its duration and an over a month-long disclosure lag. These were particularly concerning considering the importance of the credit bureau's reputation as a trusted consumer data repository. Even assuming the best case scenario of a "contained" outcome, it is clear that the company will remain under significant pressure in the near-to-medium term due to additional investment in IT/data security infrastructure, potential litigation liability not covered by insurance, increased regulatory oversight and negative media coverage.

Purchases

Small-Mid Cap Core Portfolio
Quarter Ending September 30, 2017

Kayne Anderson Rudnick
Investment Management

Purchases	Descriptions/Reasons
Copart–Initiated Position	Copart is the largest provider of auction services for salvaged (totaled) vehicles. The company primarily acts as an agent, collecting fees from both buyer and seller, while not taking ownership of the car. Copart is unique from its main competitor, owned by KAR Auction Services, in that 100% of its auctions are conducted online.
Teradyne–Initiated Position	Teradyne manufactures and sells automatic test systems used to test semiconductors, wireless products, data storage and complex electronic systems in the consumer electronics, wireless, automotive, industrial and aerospace and defense industries. The company has also recently entered into selling collaborative robots (cobots)–highly programmable automation equipment that can be used by global manufacturing and light industrial customers to help improve quality, increase manufacturing efficiency and reduce manufacturing costs.
Cotiviti Holdings–Increased Position	Cotiviti's stock declined sharply post-earnings due to multiple issues: (1) The company announced the departure of CFO Steve Seneff, which we view as non-alarming as he is staying on through September; (2) there is a lack of upside guidance given that the shares had appreciated significantly over the short term; (3) timing issues related to the ramp up for newer clients. We believe that the near-term negative reaction is overdone and its structural business model and long-term return potential has not changed. We, therefore, increased our position.
Lennox International–Increased Position	Lennox recently reported solid financial results with revenues and volume increasing as the residential replacement market for the company's products grew low double digits. We believe the replacement market could have a long tailwind for the business. This, combined with a prudent management team that is investing wisely in the business in the form of technology, as well as consistently repurchasing shares, gives us confidence in the longer term story.
Signature Bank–Increased Position	Shares of Signature Bank have lagged driven primarily by investor concerns over slowing commercial real estate (CRE) activity in New York and the bank's limited exposure to variable interest loans. The flattening of the yield curve and price competition have, in fact, put some downward pressure on new CRE loan rates while recent short-term interest rate increases are starting to exert some upward pressure on deposit costs. However, our investment thesis, predicated on the company's low-cost operating model and unique compensation structure, remains intact. With an attractive valuation, we increased our position.

New Position

Small-Mid Cap Core Portfolio
Quarter Ending September 30, 2017

Kayne Anderson Rudnick
Investment Management

Copart (CPRT)

- Once a car has been deemed totaled, insurance companies want to monetize the vehicle as quickly as possible at the highest possible price. Buyers of salvaged vehicles want access to a wide vehicle selection, interaction with reputable sellers and purchases delivered timely. Copart has achieved critical mass where both buyers and sellers have these needs met which attracts additional buyers and sellers to the auction platform, further strengthening the network.

- As additional buyers and sellers transact with Copart, the company has been able to invest in vehicle yards where salvaged vehicles are held in the interim. A dense network of yards results in considerably lower hauling expenses and allows Copart to service national insurance accounts.

- Copart's network effect has resulted in a duopoly market in which the top two players garner more than an 80% share of the salvage market. Competitive advantages continue to strengthen as platform buyers and sellers increase and vehicle yard density rises. Management has allocated capital to the benefit of shareholders and the new CFO, Jeff Liaw, is a solid addition who will continue these prudent allocation practices.

New Position

Small-Mid Cap Core Portfolio
Quarter Ending September 30, 2017

Kayne Anderson Rudnick
Investment Management

Teradyne (TER)

- Semiconductors are proliferating beyond just traditional electronic markets into consumer goods, automotive, and other industries which offer good steady growth potential for Teradyne. Additionally the complexity of the chipsets, memory modules, and the need for faster time to market of consumer products means that more efficient and upgraded testing methods are needed to handle the complexity and speed needed.

- Teradyne has been free cash flow positive every year since 2005. Gross margin over the last 10 years have ranged from 34% to 52% (calendar 2016) while the five year average stands at nearly 51%.

Sales

Small-Mid Cap Core Portfolio
Quarter Ending September 30, 2017

Kayne Anderson Rudnick
Investment Management

Sales	Reasons
Church & Dwight–Sold Entire Position	Church & Dwight announced that it signed an agreement to acquire Waterpik, a leading manufacturer of oral water flossers and replacement showerheads for approximately $1 billion, marking the largest acquisition in the company's history. Importantly, with no manufacturing (with Waterpik to be run independently) and limited marketing and distribution synergies expected, the deal diverges from Church & Dwight's traditional deal integration approach. We expect the Waterpik acquisition to pressure profitability and meaningfully increase the ever-present execution risk. More importantly, we are concerned with what appears to be a strategic shift in the management team's approach to capital allocation, which is likely related to the company's new leadership under the CEO Matthew Farrell who took over the reins about a year and a half ago. With these considerations in mind, and with the shares trading at an attractive valuation, we exited our position in the company.
Equifax–Sold Entire Position	Equifax disclosed a massive cybersecurity breach with criminals having gained access to personal information of roughly 143 million U.S. consumers over the period from mid-May 2017 through July 29, 2017 when the breach was uncovered. We are disappointed, however, not just by the vast scale of the breach but also by its duration and an over a month-long disclosure lag. These were particularly concerning considering the importance of the credit bureau's reputation as a trusted consumer data repository. Even assuming the best case scenario of a "contained" outcome, it is clear that the company will remain under significant pressure in the near-to-medium term due to additional investment in IT/data security infrastructure, potential litigation liability not covered by insurance, increased regulatory oversight and negative media coverage. With these considerations in mind, we exited our position in Equifax.
FactSet Research Systems–Sold Entire Position	FactSet's organic revenue growth has been moderating recently as more active manager customers shut down or become increasingly cost-conscious amid the market's continued shift toward passive investing. Further, continuously falling technology costs have invited capable, aggressively-priced competition from both smaller and larger players. FactSet's recent acquisition activity is also likely to increase the ever-present execution risk. With these considerations in mind, and with the shares trading at a fair valuation, we exited our remaining small position in the company.

Sales (continued)

Small-Mid Cap Core Portfolio
Quarter Ending September 30, 2017

Kayne Anderson Rudnick
Investment Management

Sales	Reasons
Monotype Imaging–Sold Entire Position	Monotype Imaging has finally seen some stabilization in its core font business and once again lowered its guidance for its acquired business, Olapic. The lower guidance for Olapic was attributed to the revenue recognition similar to the SaaS recognition. However, the fact that the company just realized this after almost a year of Olapic ownership speaks to the fast-changing nature of the industry that Olapic competes, and thus gives us less conviction in the long-term operating model of this new business segment. The stock reacted positively to the stabilization of the core business and we used this strength to sell the stock.
Jack Henry & Associates–Trimmed Position	While we continue to admire Jack Henry's solid market positioning, we reduced our position in the company due to valuation.

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

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

Portfolio Characteristics

Higher Quality, Stronger, More Consistent Growth, & Better Value
Small-Mid Cap Core Portfolio – As of September 30, 2017

Kayne Anderson Rudnick Investment Management

	KAR Small-Mid Cap Core	Russell 2500™ Index
Quality		
Return on Equity–Past 5 Years	**21.5%**	11.8%
Total Debt/EBITDA	**2.2 x**	5.1 x
Earnings Variance–Past 10 Years	**42.1%**	74.5%
S&P Stock Ranking (A+, A, A-, B+)	**59.5%**	28.4%
Growth		
Earnings Per Share Growth–Past 5 Years	**7.0%**	9.3%
Earnings Per Share Growth–Past 10 Years	**13.4%**	8.1%
Dividend Per Share Growth–Past 5 Years	**7.9%**	10.4%
Dividend Per Share Growth–Past 10 Years	**11.6%**	6.6%
Capital Generation–{ROE x (1-Payout)}	**16.3%**	8.7%
Value		
P/E Ratio–Trailing 12 Months	**27.9 x**	33.0 x
Dividend Yield	**0.8%**	1.4%
Free Cash Flow Yield†	**3.7%**	2.2%
Market Characteristics		
$ Weighted Average Market Cap–4 Qtr. Average	**$7.4 B**	$4.6 B
Largest Market Cap–4 Qtr. Average	**$15.5 B**	$16.0 B
Annualized Standard Deviation–Since Inception*	**14.8%**	18.6%

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

In a market of cyclical businesses requiring growth capital from fickle markets, we own companies producing self-funded strong, consistent growth sustainable into the future.

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

**April 1, 1992*

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

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

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

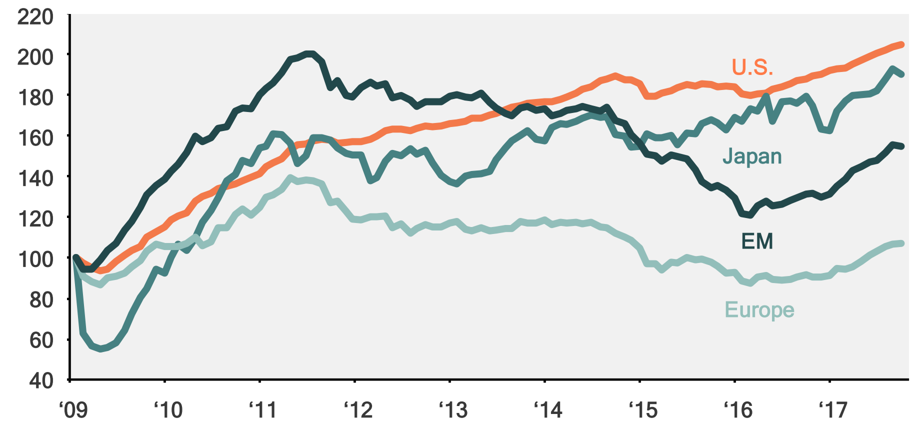
Market Outlook
U.S. Economy

Kayne Anderson Rudnick
Investment Management

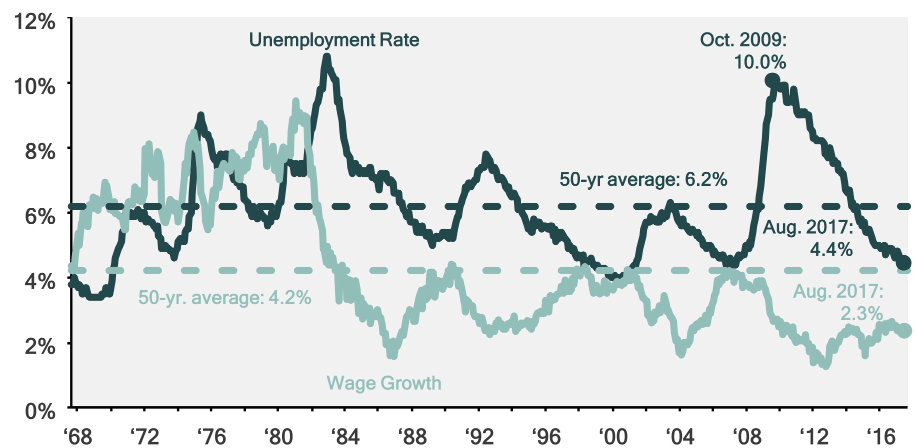
The U.S. economy continues to grow modestly. International economies have finally started to accelerate, improving the outlook for global economic growth rates.

- 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.

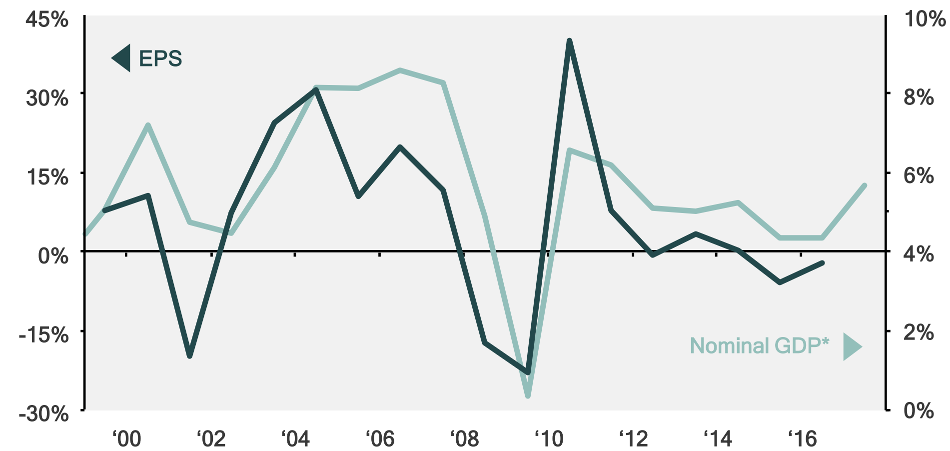
Global Earnings chart uses MSCI indices for all regions/countries, except for the U.S., which is the S&P 500. All indices use IBES aggregate earnings estimates, which may differ from earnings estimates elsewhere in the materials. MSCI Europe includes the Eurozone as well as countries not in the currency 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.

Kayne Anderson Rudnick
Investment Management

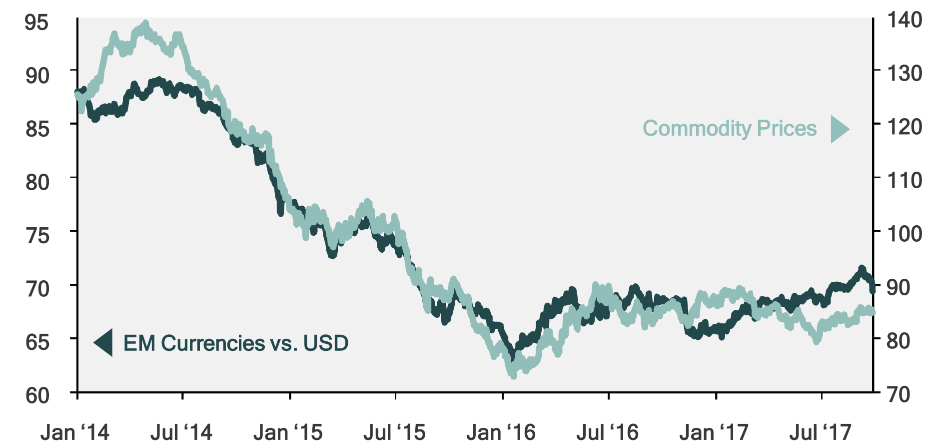
Global growth prospects are solid through year end, providing support for risk-based assets globally.

- 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.*

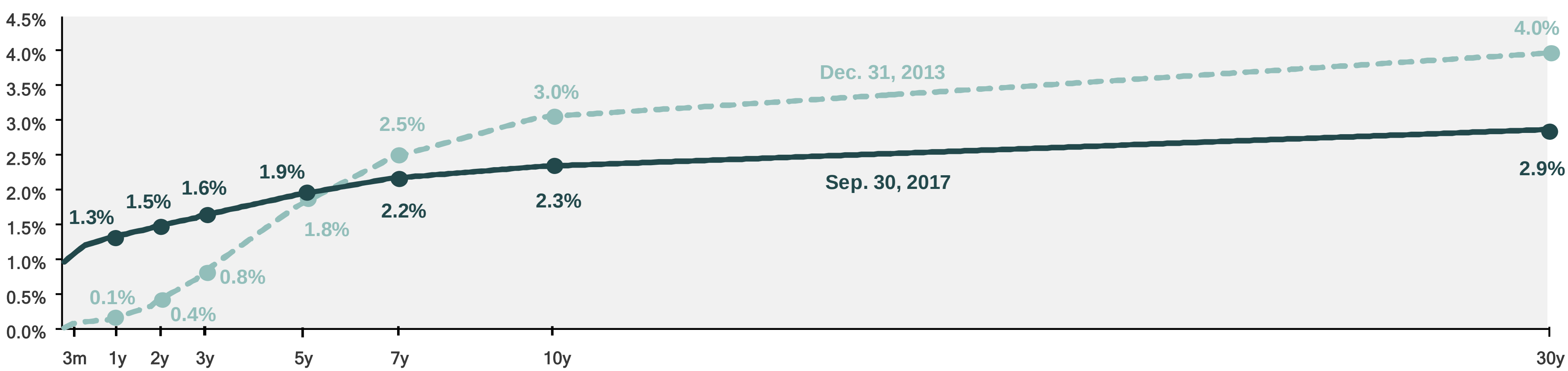
EM currencies is the J.P. Morgan Emerging Market Currencies Index. Commodity prices is the Bloomberg Commodity Price Index. Data is obtained from FactSet Research Systems, IMF, MSCI, Bloomberg, J.P. Morgan Global Economic Research and J.P. Morgan Asset Management and is assumed to be reliable. Past performance 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.

Bent 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.

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.

- 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.

Appendix

Kayne Anderson Rudnick
Investment Management

- Portfolio Data
- Disclosure

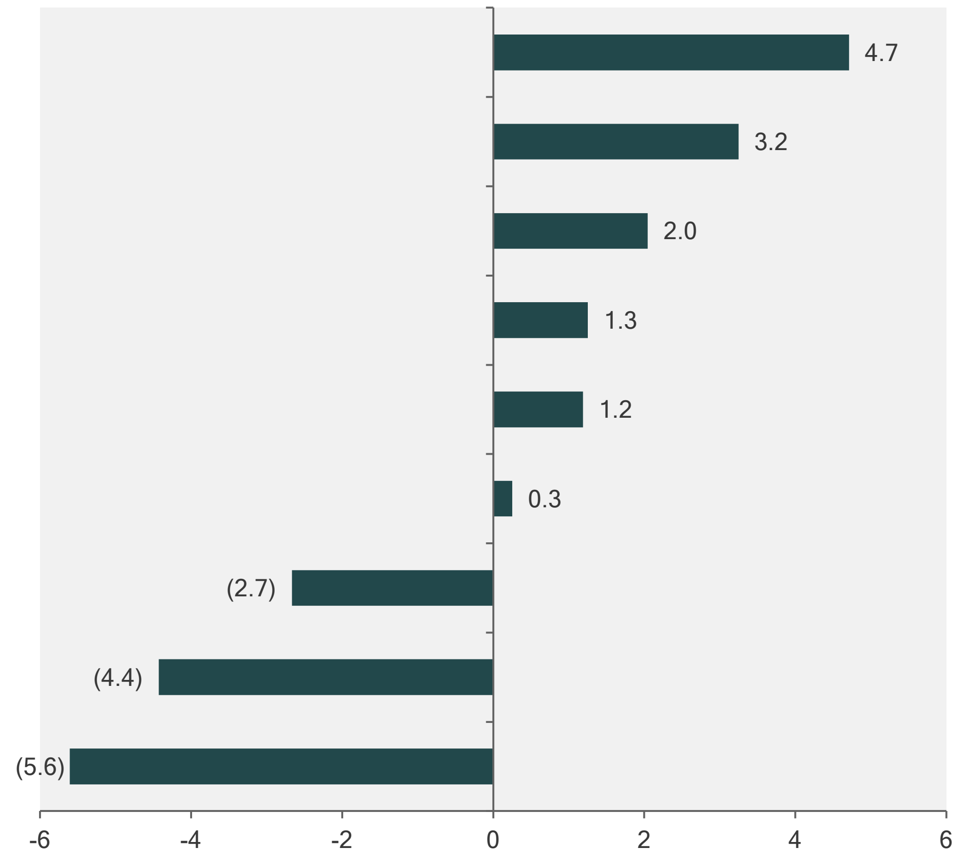
Sector Weights

Small-Mid Cap Core Portfolio
As of September 30, 2017

Kayne Anderson Rudnick Investment Management

Sectors	KAR Small-Mid Cap Core (%)	Russell 2500™ Index (%)
Producer Durables	19.9	15.2
Technology	15.8	12.6
Materials & Processing	9.9	7.8
Energy	5.8	4.5
Consumer Discretionary	14.8	13.6
Health Care	12.0	11.8
Consumer Staples	–	2.7
Utilities	–	4.4
Financial Services	21.8	27.4

Underweight/Overweight (%)



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

A complete list of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual investors' holdings may differ slightly. The sector information represented above is based on Russell sector classifications. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding.

Conviction-Driven Investing Provides Opportunities for Excess Return

Small-Mid Cap Core Portfolio
As of September 30, 2017

Kayne Anderson Rudnick
Investment Management

Top 10 Holdings	Russell Sector	% of Portfolio
RBC Bearings	Materials & Processing	6.1
WABCO Holdings	Consumer Discretionary	5.1
Cooper Companies	Health Care	4.8
Wynn Resorts	Consumer Discretionary	4.8
CDW	Technology	4.6
Signature Bank	Financial Services	4.3
Aspen Technology	Technology	4.3
Nordson	Producer Durables	4.2
Snap-on	Producer Durables	4.0
Expeditors International of Washington	Producer Durables	4.0
Total		**46.2**

Research confidence leads to large active weights

	KAR Small -Mid Cap Core	Russell 2500™ Index
# of Holdings	28	2,491
Average Position Size (%)	3.6	0.04
Weight of Top Ten Holdings (%)	46.2	2.5
Active Share (%)	96.8	–

The strategy benefits from diversification while still taking significant active positions

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

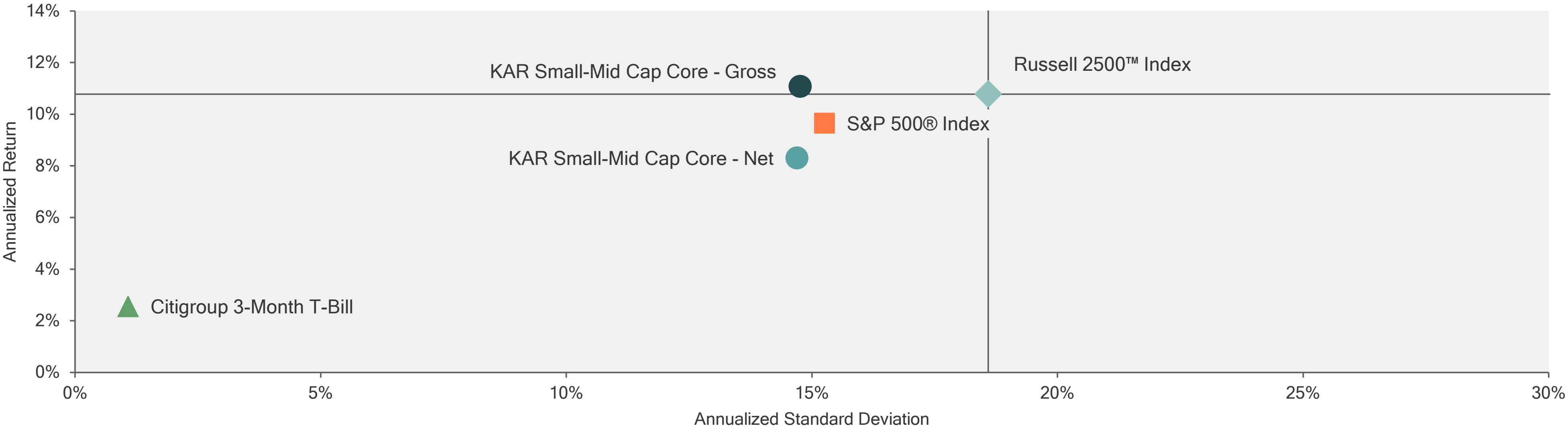
A complete list of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings are based on a representative portfolio. Individual investors' holdings may differ slightly. The sector information represented above is based on Russell sector classifications. Data is obtained from FactSet Research Systems and is assumed to be reliable. Numbers may not always add up due to rounding.

Strong Risk-Adjusted Returns

Small-Mid Cap Core Portfolio
Inception* to September 30, 2017

Kayne Anderson Rudnick Investment Management

Meaningful Excess Return with Lower Volatility
Annualized Since Inception*



Strong Risk-Adjusted Performance Metrics
Annualized Since Inception*

	Alpha	Sharpe Ratio	Standard Deviation	Semi-Standard Deviation	Beta	Tracking Error
KAR Small-Mid Cap Core	**2.49**	**0.58**	**14.76**	**11.02**	**0.70**	**8.80**
Russell 2500™ Index	0.00	0.44	18.59	13.88	1.00	0.00

**April 1, 1992*

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

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

Returns

Small-Mid Cap Core Portfolio

Kayne Anderson Rudnick
Investment Management

Annualized Performance

Periods Ending 9/30/17	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
Third Quarter	2.80	2.03	4.74	(195)
Year to Date	9.58	7.16	11.00	(142)
1 Year	15.73	12.34	17.79	(207)
3 Years	13.50	10.82	10.60	289
5 Years	14.73	12.35	13.86	87
7 Years	14.67	12.33	13.66	102
10 Years	9.16	6.98	8.19	97
Since Inception*	11.08	8.30	10.78	30

Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
2016	17.03	13.61	17.59	(56)
2015	5.76	4.10	(2.90)	866
2014	9.25	7.37	7.07	218
2013	31.04	29.07	36.80	(576)
2012	9.25	7.55	17.88	(863)
2011	8.43	6.02	(2.51)	1094
2010	20.23	17.70	26.71	(647)
2009	31.12	28.86	34.39	(327)
2008	(29.90)	(31.33)	(36.79)	689
2007	0.26	(1.37)	1.38	(112)
2006	14.04	11.75	16.17	(213)
2005	3.24	0.14	8.11	(487)
2004	13.69	10.26	18.29	(460)
2003	25.54	21.91	45.51	(1997)
2002	(17.31)	(19.84)	(17.80)	48
2001	4.57	1.53	1.22	335
2000	23.47	19.85	4.27	1921
1999	7.02	3.93	24.14	(1712)
1998	20.98	17.42	0.38	2060
1997	21.00	17.45	24.36	(336)
1996	26.98	23.22	19.03	795
1995	18.57	15.07	31.70	(1313)
1994	2.75	(0.26)	(1.05)	379
1993	20.00	16.54	16.55	345
1992†	9.65	7.25	11.36	(170)

**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-Mid Cap Core Portfolio

Kayne Anderson Rudnick
Investment Management

Kayne Anderson Rudnick Investment Management, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS® standards. Kayne Anderson Rudnick Investment Management, LLC has been independently verified for the period from January 1, 1999 through December 31, 2016.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS® standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS® standards. The Small-Mid Cap Core Wrap Composite has been examined for the period from January 1, 1999 through December 31, 2016. The verification and performance examination reports are available upon request.

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

The composite includes all fully discretionary Small-Mid Cap Core Wrap Portfolios. Small-Mid Cap Core Wrap Portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 2500™ Index. The Russell 2500™ Index is a market capitalization-weighted index of the 2,500 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 2000. 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 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. Prior to December 31, 2005, net annual returns are calculated by deducting 1/4th of an assumed maximum annual wrap fee of 3% from the gross returns on a quarterly basis. Beginning January 1, 2006, net annual returns are calculated using actual fees incurred. If no fee data is provided by wrap sponsors, the maximum annual wrap fee of 3% is used to calculate net of fee performance. Beginning January 1, 2016, net annual returns are calculated by deducting 1/12th of an assumed maximum annual wrap fee of 3% on a monthly basis. Wrap fees include all charges for trading costs, portfolio management, custody and other administrative expenses.

Internal dispersion is calculated using the asset-weighted standard deviation of annual gross returns for accounts in the composite for the entire year. For those years when less than five accounts were included for the full year, no dispersion measure is presented. The three-year annualized ex-post standard deviation of the composite is presented starting December 31, 2012 because prior to January 1, 2010, the composite return was calculated quarterly and 36 monthly returns are not available.

	3-Yr Annualized Standard Deviation (%)	
December 31	Composite	Benchmark
2012	15.22	19.24
2013	12.17	15.85
2014	10.13	11.84
2015	12.17	12.59
2016	12.60	13.86

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 2500™ Index Annual Return (%)	Internal Dispersion
2007	5,392	738	100%	92	0.26	(1.37)	1.38	0.28
2008	3,445	309	100%	76	(29.90)	(31.33)	(36.79)	0.29
2009	4,010	342	100%	64	31.12	28.86	34.39	0.64
2010	4,729	316	100%	59	20.23	17.70	26.71	0.35
2011	5,232	337	100%	53	8.43	6.02	(2.51)	0.78
2012	6,545	422	100%	44	9.25	7.55	17.88	0.62
2013	7,841	362	100%	39	31.04	29.07	36.80	0.36
2014	7,989	373	100%	35	9.25	7.37	7.07	0.16
2015	8,095	378	100%	30	5.76	4.10	(2.90)	0.19
2016	9,989	369	100%	30	17.03	13.61	17.59	0.38

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

The Russell 2500™ Index is a trademark/service mark of Frank Russell Company. Russel® is a trademark of Frank Russell Company.