Kayne Anderson Rudnick
Investment Management

Mid Cap Core Portfolio

Fourth Quarter 2016 Review

kayne.com

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Disciplined Investment Approach

Investment Philosophy & Objectives

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

Tenets of Quality

Market Control

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

Management Excellence

Develop and Adhere to Core Competencies/ Disciplined Capital Allocation

High Quality

Balance Sheet Statement

Low Capital Intensity/ Low Debt Balance Sheet

Income Statement

Durable Earnings Growth/ High Return on Capital

Cash Flow Statement

High Free Cash Flow/ Self Financing

How Are We Different?

We Manage Risk and Generate Returns Differently

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Risk

KAR Approach

Stock Portfolio

25-35

3% to 10% positions in **high-quality** companies

Each company has:

- Minimal **business** risk
- Minimal **balance sheet** risk
- Minimal **profit** risk

Classic Approach

Stock Portfolio

75

1% to 2% positions

No stock can help or hurt **more than**

2%

Returns

KAR Approach	Classic Approach
Exceptional companies producing **exceptional** returns on capital	**Average** companies producing **average** returns on capital
Buy at attractive price and let **exceptional returns** on capital drive **exceptional growth** and **income** over extended period of time	Buying **cheap** and **selling dear** required for above-average portfolio returns
36 to 60 months average holding period	**6 months** average holding period
Low frictional costs due to **LESS trading**	**High** frictional costs due to **RAPID trading**
Inherent tax efficiency	**Poor** tax efficiency due to short holding periods

Past performance is no guarantee of future results.

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	30 Years	5 Years
Jon Christensen, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Health Care	21 Years	15 Years
Craig Stone	Portfolio Manager & Senior Research Analyst Sector Coverage: Producer Durables	27 Years	16 Years
Todd Beiley, CFA	Senior Research Analyst Sector Coverage: Financials and Producer Durables	17 Years	14 Years
Julie Kutasov	Senior Research Analyst Sector Coverage: Energy and Financials	15 Years	15 Years
Chris Wright, CFA	Senior Research Analyst Sector Coverage: Consumer Discretionary, Consumer Staples, and Financials	6 Years	5 Years
Chris Benway, CFA	Research Analyst Sector Coverage: Materials and Processing and Producer Durables	7 Years	2 Years
Julie Biel, CFA	Research Analyst Sector Coverage: Technology and Consumer Discretionary	8 Years	3 Years

Market Review
Periods Ending December 31, 2016

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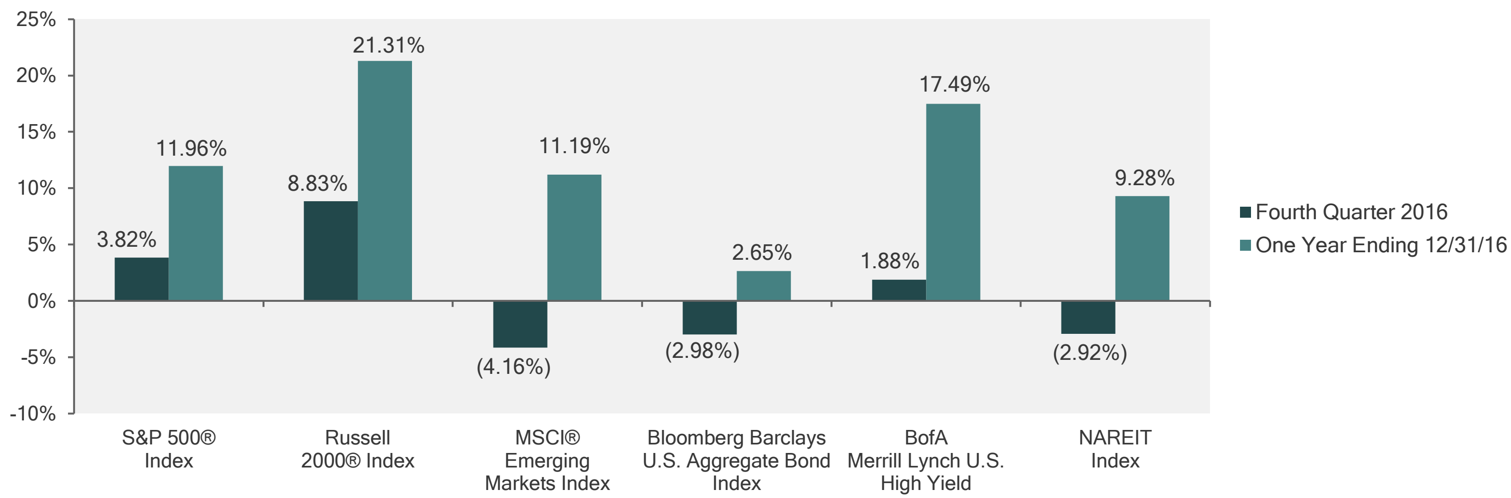
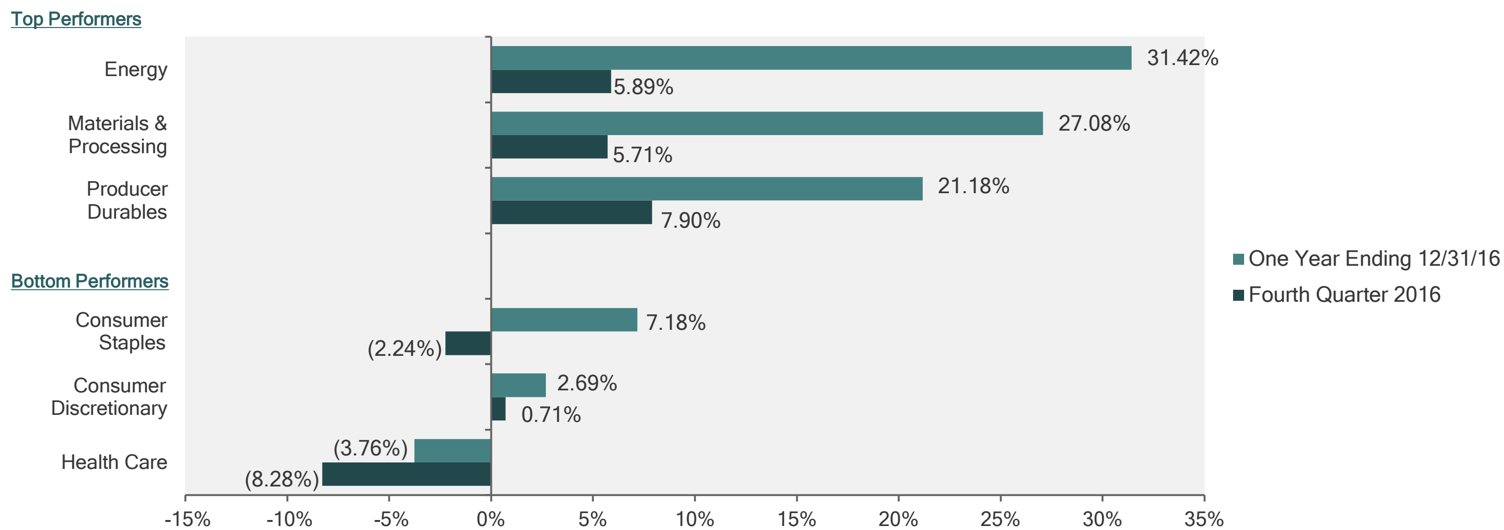
Index Performance



Sector Performance
Russell Midcap® Index



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Market Review
Periods Ending December 31, 2016

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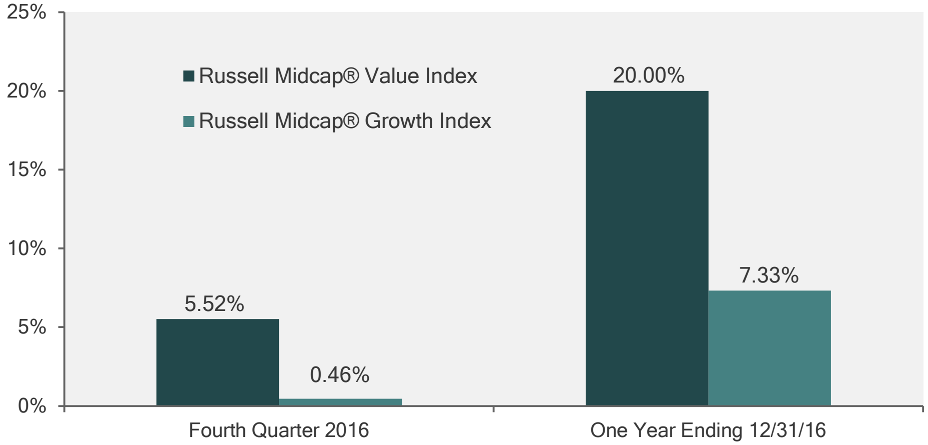
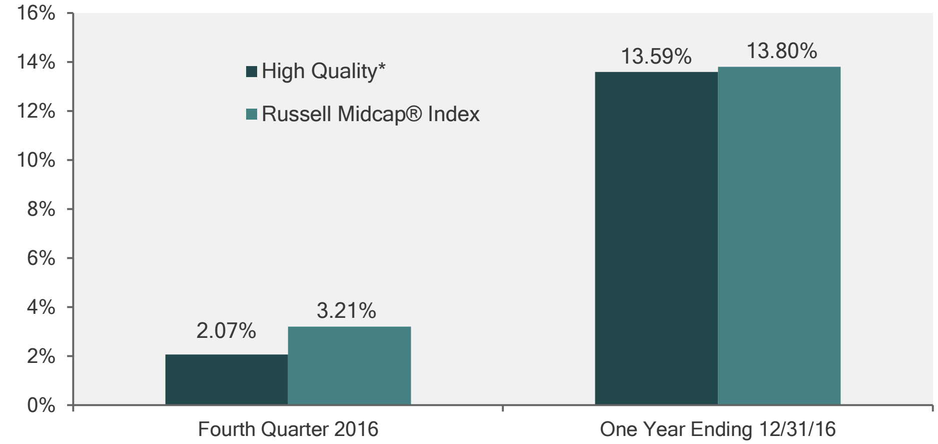
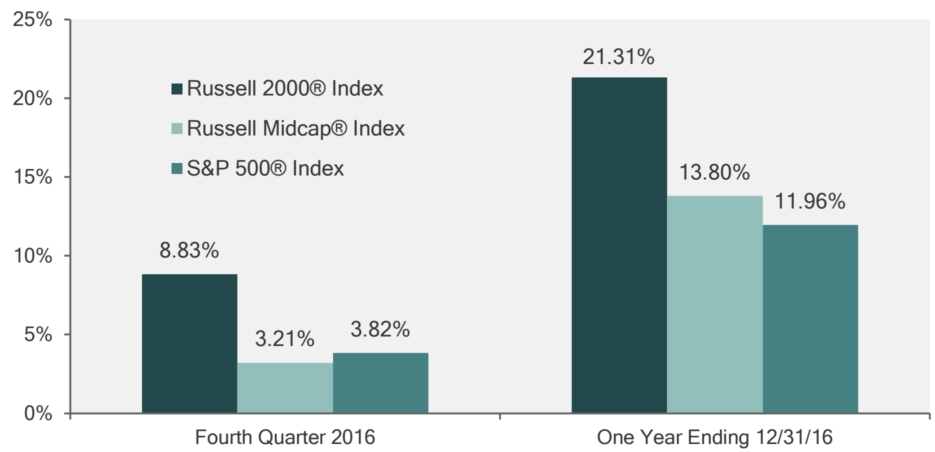
Performance by Style
Russell Midcap® Value Index vs. Russell Midcap® Growth Index



Performance by Quality
Russell Midcap® Index



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



**High quality is defined as stocks in the Russell Midcap® Index with an S&P quality ranking of B+ and higher.*

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Credit Spreads Have Tightened

Baa Corporate Spreads

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Data as of December 31, 2016.

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Quarterly Performance Overview

Mid Cap Core Portfolio
Periods Ending December 31, 2016

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Monthly and Quarterly Performance

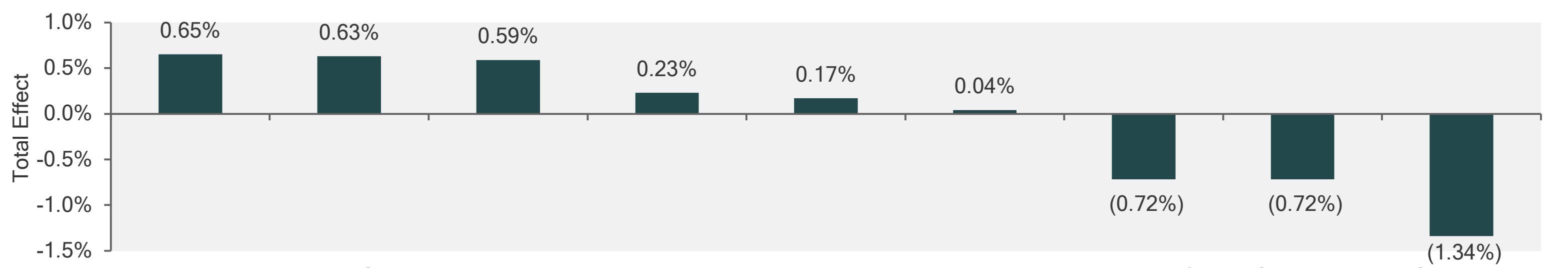
	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
October	(3.48)	(3.54)	(3.17)	(31)
November	4.11	4.05	5.39	(128)
December	2.16	2.10	1.14	102
Fourth Quarter	2.66	2.47	3.21	(55)

Contributors

Highest	Contribution
Bank of the Ozarks	+1.34%
Signature Bank	+1.03%
First Financial Bankshares	+0.73%
Lowest	**Contribution**
TripAdvisor	(0.85%)
Monster Beverage	(0.69%)
Edwards Lifesciences	(0.68%)

Attribution by Sector

Quarter Ending December 31, 2016



	Financial Services	Health Care	Producer Durables	Technology	Utilities	Energy	Materials & Processing	Consumer Staples	Consumer Discretionary	Total Effect
Russell Midcap® Returns	6.65%	(8.28%)	7.90%	4.71%	1.05%	5.89%	5.71%	(2.24%)	0.71%	3.21%
KAR Returns	10.32%	0.33%	10.70%	5.87%	0.00%	7.53%	(17.14%)	(8.67%)	(7.15%)	2.66%
KAR Selection Effect	0.78%	1.75%	0.41%	0.15%	0.00%	0.06%	(0.60%)	(0.50%)	(1.38%)	0.67%
KAR Allocation Effect	(0.13%)	(1.13%)	0.19%	0.07%	0.17%	(0.02%)	(0.12%)	(0.22%)	0.04%	(1.14%)

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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

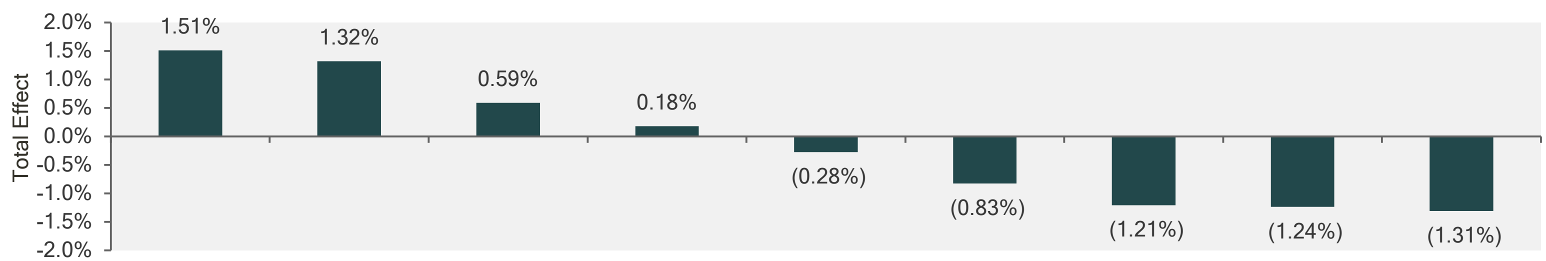
Mid Cap Core Portfolio
Periods Ending December 31, 2016

Kayne Anderson Rudnick Investment Management

Quarterly and Annual Performance

	Gross (%)	Net (%)	Index (%)	Excess Returns (bps)
First Quarter 2016	2.91	2.72	2.24	67
Second Quarter 2016	2.19	2.00	3.18	(99)
Third Quarter 2016	4.04	3.85	4.52	(48)
Fourth Quarter 2016	2.66	2.47	3.21	(55)
1 Year Ending 12/31/16	12.33	11.50	13.80	(147)

Attribution by Sector
One Year Ending December 31, 2016



	Health Care	Financial Services	Technology	Producer Durables	Utilities	Consumer Discretionary	Materials & Processing	Consumer Staples	Energy	Total Effect
Russell Midcap® Returns	(3.76%)	15.19%	21.09%	21.18%	16.91%	2.69%	27.08%	7.18%	31.42%	13.80%
KAR Returns	12.56%	21.06%	23.10%	19.96%	0.00%	(2.88%)	0.39%	(5.11%)	15.53%	12.33%
KAR Selection Effect	3.24%	1.29%	0.36%	(0.22%)	0.00%	(0.90%)	(0.74%)	(0.96%)	(0.90%)	1.17%
KAR Allocation Effect	(1.73%)	0.03%	0.23%	0.40%	(0.28%)	0.07%	(0.48%)	(0.27%)	(0.41%)	(2.43%)

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Highest Contributors

Mid Cap Core Portfolio
One Year Ending December 31, 2016

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Security	Contribution	Comments
Nordson	+2.55%	Nordson's double-digit organic growth in the third quarter drove the company's better-than-expected results and stock outperformance. Nordson's order rates in the quarter were also strong, up double-digits as well. Growth in the company's medical business is boosting the long-term growth prospects for Nordson, and the company continues to make tuck-in acquisitions to help broaden its product portfolio.
First Financial Bankshares	+1.75%	First Financial Bankshares has benefited from the recovery in oil prices, which has improved the prospect for some of the company's customers. The company has also benefitted from the expectation of less regulation and higher interest rates under a Trump administration. While all banks will benefit from higher rates, we believe First Financial will remain an outlier among peers with better credit quality and operating efficiency.
Aspen Technology	+1.62%	Despite turbulence in oil prices, Aspen's revenue declined just 0.4%, year-over-year, in its worst quarter. This demonstrates the critical nature of its software, which is helped by long-term contracts. As oil prices have stabilized, business conditions have improved for Aspen, which also announced it will release software that helps the company maintain its customers' capital equipment, which would add sizeable incremental revenue opportunity for the company.

Lowest Contributors

Mid Cap Core Portfolio
One Year Ending December 31, 2016

Kayne Anderson Rudnick
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Security	Contribution	Comments
TripAdvisor	(2.31%)	TripAdvisor's shares have been under pressure for the past year, as margins declined due to increased marketing spend. In addition, the recent rollout of Instant Book has negatively impacted revenue growth and margins. The most recent quarter's results continued to reflect these pressures.
Monster Beverage	(0.85%)	Monster Beverage's quarterly results remain erratic, as Monster continues to transition its global distribution agreements to Coca-Cola bottlers, the majority of which should be completed by the end of the year. As a result, it remains difficult to draw a trend line from a single quarter's results, therefore, the share price has been volatile quarter-to-quarter. This is exemplified by the single-digit sales growth reported in the most recent quarter compared to double-digit growth in the first and second quarters of 2016.
Sally Beauty Holdings	(0.30%)	Sally Beauty Holdings' turnaround under new management is taking longer than most investors had expected. After a recent meeting with management, it is clear the company's core systems had been grossly starved for capital and the improvements being made now are just to bring Sally to present day standards. Going forward, there should be less disruption, both within the stores and in the organization, so that management can focus on improving traffic growth at the Sally brand. The professional group has fared better over the last year and could be facing challenging same-store results in the coming year.

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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.

Purchases

Mid Cap Core Portfolio
Quarter Ending December 31, 2016

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Purchases	Descriptions/Reasons
Axalta Coating Systems–Initiated Position	Axalta Coating Systems manufactures paint and coating systems for vehicle and industrial applications.
West Pharmaceutical Services–Initiated Position	West Pharmaceutical Services develops, manufactures and sells packaging and delivery systems in the United States and internationally.
AMETEK–Increased Position	AMETEK's end markets have been sluggish as oil and gas market weakness has hurt the electronic instruments business. Despite the weakness in the company's end markets, which we believe should stabilize over the next year, management has done a great job in mitigating costs and has been disciplined in its M&A strategy. The company is also prudent with capital allocation by buying back shares on weakness while maintaining low debt leverage.
Globus Medical–Increased Position	Shares of Globus Medical have been under pressure as the company's top-line growth has been hurt by a delay in hiring and the onboarding of new sales associates. This has been an ongoing issue for the company, and in our opinion, does not indicate a weakening in demand for the company's products. The company is also making inroads in emerging technologies in trauma and robotics, thus revenues are more likely in the future.
Monster Beverage–Increased Position	Since our last trim in Monster Beverage in mid-2015, the company's shares have performed in line with the market as the company's new distribution agreement with Coca-Cola has taken time to develop while new distributors are brought on and previous players are terminated. This should (and has) create some noise in the results, but the longer-term benefits are potentially substantial. In addition, Monster continues to gain market share as it relates to others in the energy drink market.

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Axalta Coating Systems (AXTA)

- Axalta's refinish segment (42% of sales) provides millions of color combinations, allowing body shops to easily match the existing paint color following auto body repair. The vehicle Original Equipment Manufacturer (OEM) segment sells high-performance paints to global auto OEMs (31% of sales) and commercial auto OEMs (10% of sales). Industrial coatings (17% of sales) are sold to industrial and insulation markets.

- Application of vehicle coatings is a complex process that is being consistently refined. Axalta's scale enables painter and process training; helps provide the ability to run OEM painting operations at the OE's facilities, and facilitates global offerings to OEMs and nationwide product offerings to Multiple-System Operators.

- Axalta has been in the coatings industry for 150 years and has accumulated more than 900 coating patents. In addition to paint quality, the company has also acquired extensive knowledge about the application, mixture and storage of vehicle coatings. The result of this experience is four million color variations that allow auto body shops to easily and accurately match the existing coat of paint following auto body repair.

New Position

Mid Cap Core Portfolio
Quarter Ending December 31, 2016

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West Pharmaceutical Services (WST)

- West becomes embedded with partners in commercialization and approval processes, assisting biopharma clients from clinical trials to commercialization to ensure that packaging is compatible with drug formulation. Other companies lack the infrastructure and expertise to handle these complex issues. This also allows West to gain insight on pipeline developments. West is a supplier to the top 75 companies producing injectable drugs.

- West's packaging segment has created high-value products in packaging and injectable delivery. The FluroTec stopper product, for example, creates a barrier between the surface and the biologic, thus diminishing contamination. It also improves the shelf-life of the drug. This highly sophisticated service designed to ensure safety and efficacy should grow revenues and margins.

- Clients seeking FDA approval of a drug must submit stability testing results that show packaging has no impact on purity or potency. Therefore, quality and reliability are key. The stability testing data becomes part of the drug application – thus adding to the costs of customers switching to another supplier.

Sales

Mid Cap Core Portfolio
Quarter Ending December 31, 2016

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Sales	Reasons
Rockwell Collins—Sold Entire Position	Over the past few years, we have seen Rockwell's top-line results weaken as aerospace and defense has been hurt by sequestration, and the business jet market has yet to recover from the last recession. This has provided the impulse for management to become more acquisitive to gain growth. In 2014, the company bought ARINC (cabin networks and services), and in October, it announced plans to buy B/E Aerospace (aircraft seating and galley inserts). We believe this shift of asset allocation strategy to larger M&A deals reflects difficulty in the company's end markets and increased risk of integration given the much larger size of deals. With this change in business course, we sold our position.
Aspen Technology—Trimmed Position	We took some profits from Aspen Technology to help fund our investment in West Pharmaceuticals Services. The move has nothing to do with the business fundamentals but more with the ability to evenly spread the risk-reward variable in the portfolio.
First Financial Bankshares—Trimmed Position	Shares of First Financial Bankshares have done very well since our initial investment and are now trading at 3.3x price-book. Given the extended valuation, we trimmed our position to help fund other ideas.
Nordson—Trimmed Position	Nordson has significantly outperformed the Russell Midcap Index since our last increase in early 2015. The company's organic growth continues to impress and outweigh the industry. Valuation is not a major concern, but we trimmed our weight slightly to fund our new investment in West Pharmaceuticals Services to even out the risk-reward scenario in the portfolio.
RLI—Trimmed Position	While we continue to admire the business fundamentals, we trimmed our position to aid in funding of other ideas that we believe offer more compelling risk-reward metrics.

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Sales (continued)

Mid Cap Core Portfolio
Quarter Ending December 31, 2016

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Sales	Reasons
Ross Stores–Trimmed Position	While we remain highly confident in the business, Ross' valuation reflects levels of expectations that may be difficult to achieve. We did not take the shares down more due to the high degree of execution and solid track record management has in delivering consistent results.
Wynn Resorts–Trimmed Position	We trimmed our position in Wynn Resorts due to the ongoing risk of the business exposure to the Chinese government and the vagrancies that come along with their ideology. While we have always been aware of the government's intervention in the past in Macau (anti-corruption campaign, smoking bans, construction issues, etc.), there seems to be a continuum of mandates and regulations that we believe are difficult to gauge longer term. While we are confident in the long-term business opportunities in Macau, we reduced our weight to reflect the associated risks.

Portfolio Characteristics

Higher Quality, Stronger, More Consistent Growth, & Better Value
Mid Cap Core Portfolio – As of December 31, 2016

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	KAR Mid Cap Core	Russell Midcap® Index
Quality		
Return on Equity–Past 5 Years	25.0%	14.2%
Total Debt/EBITDA	1.8 x	4.4 x
Earnings Variance–Past 10 Years	31.1%	69.6%
S&P Stock Ranking (A+, A, A-, B+)	73.8%	41.6%
Growth		
Earnings Per Share Growth–Past 5 Years	10.5%	9.5%
Earnings Per Share Growth–Past 10 Years	14.5%	7.0%
Dividend Per Share Growth–Past 5 Years	19.3%	13.6%
Dividend Per Share Growth–Past 10 Years	17.8%	7.2%
Capital Generation–{ROE x (1-Payout)}	19.8%	9.5%
Value		
P/E Ratio–Trailing 12 Months	26.0 x	26.5 x
Dividend Yield	0.8%	1.7%
Free Cash Flow Yield†	4.0%	3.3%
Market Characteristics		
$ Weighted Average Market Cap–4 Qtr. Average	$11.3 B	$12.8 B
Largest Market Cap–4 Qtr. Average	$29.7 B	$39.8 B
Annualized Standard Deviation–Since Inception*	14.2%	17.0%

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.

**January 1, 2000*

†Free cash flow data is as of September 30, 2016. Prices are as of December 31, 2016. Excludes financials.

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Market Outlook

U.S. Economy

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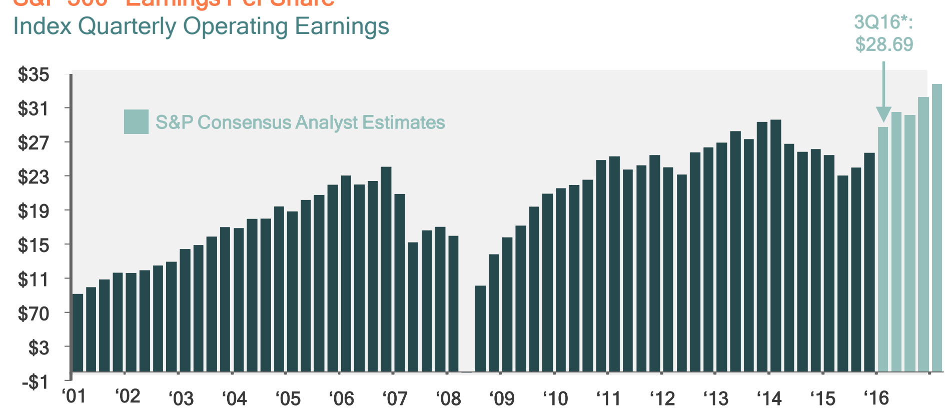
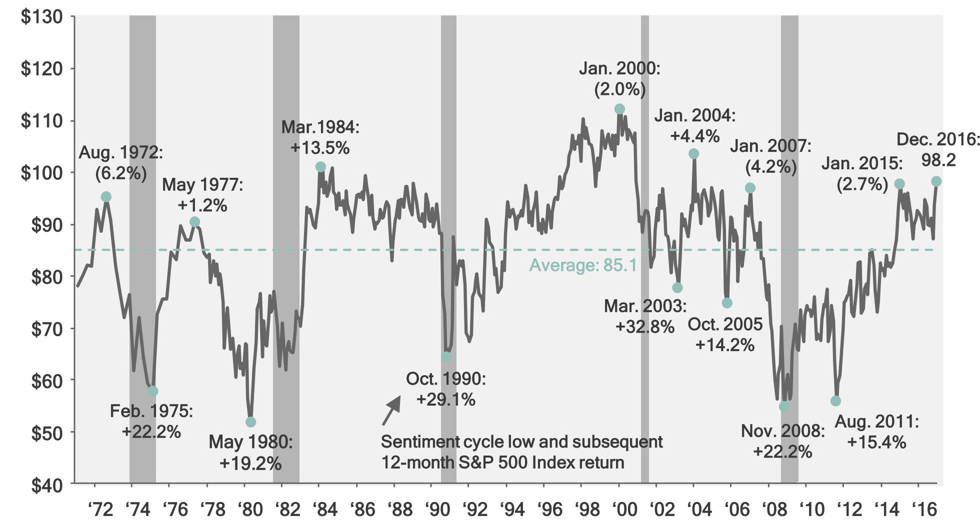
The U.S. economy continues to grow modestly. International macroeconomic events have started to stabilize improving the outlook for global economic growth rates.

- Corporate earnings and revenue continue to grow in constant currency and companies are maintaining historically high operating margins. However, the strength in the U.S. dollar and the decline in energy earnings have been hurting reported earnings of the S&P 500 over the last two years, but this is abating. S&P 500 EPS should improve from low single-digit to mid-to-high single-digit growth.
- Trump's surprise 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.
- Corporate cash is at all-time highs, leading to share buybacks, dividend increases and acquisitions. Companies have become more disciplined about their capital allocation.
- 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 in a recession, but energy appears to have finally found a bottom and is starting to recover.
- 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.

S&P 500® Earnings Per Share
Index Quarterly Operating Earnings



Consumer Sentiment Index – University of Michigan



Data as of December 31, 2016.

**3Q16 earnings are calculated using actual earnings for 98.6% S&P 500 market cap and earnings estimates for the remaining companies.*

EPS levels are based on operating earnings per share. Earnings estimates are Standard & Poor's consensus analyst expectations. Peak is defined as the highest index value before a series of lower lows, while a trough is defined as the lowest index value before a series of higher highs. Subsequent 12-month S&P 500 returns are price returns only, which excludes dividends. Data is obtained from FactSet Research Systems, J.P. Morgan Asset Management, Compustat, Standard & Poor's and University of Michigan. Past performance is no guarantee of future results.

Market Outlook
International Economy

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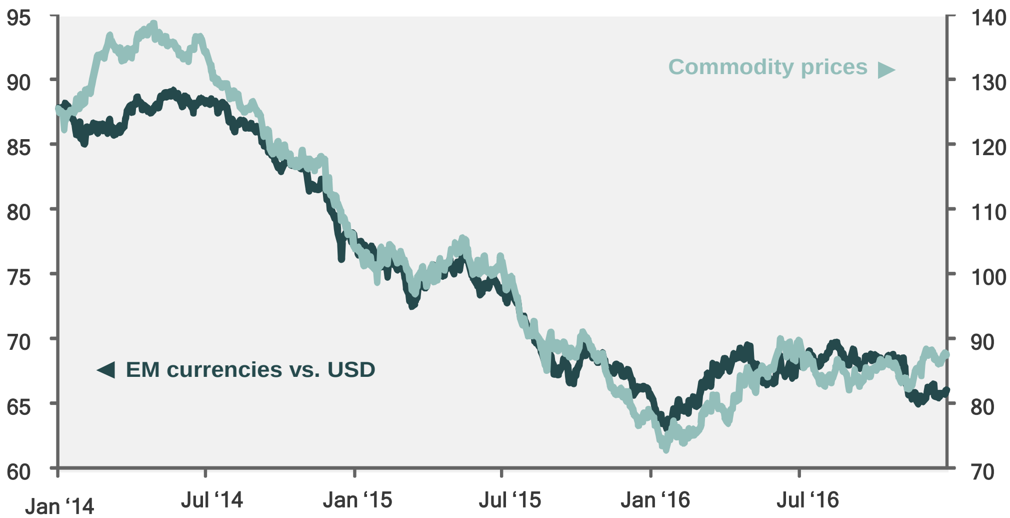
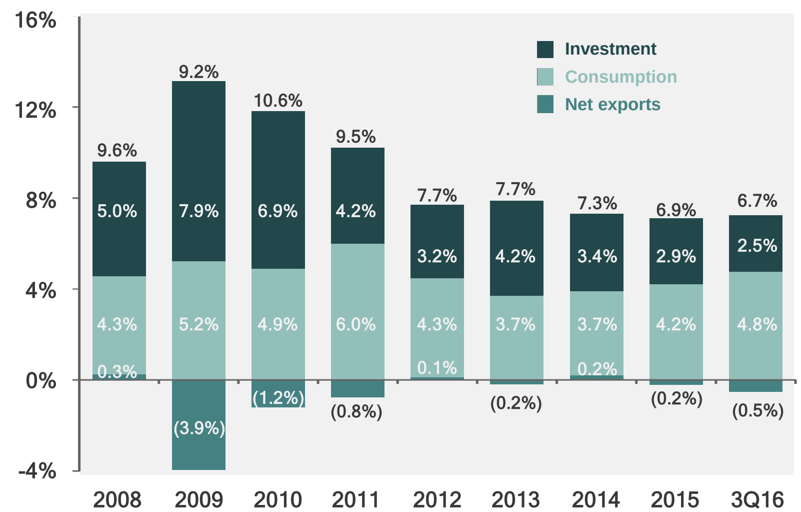
Global growth prospects are improving in Q4, providing support for risk-based assets abroad.

- At a 2.45% 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 been starting to improve due to a steepening yield curve.
- European inflation is very benign and below 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.
- Weak commodity prices have pressured emerging market growth rates and currencies, but are showing signs of stability over the last couple of quarters. Uncertainty about U.S. trade policies may slow down the recovery in progress.

Emerging Markets
Commodity Prices and FX



China Real GDP Contribution
Year-Over-Year % Change



Data as of December 31, 2016.
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, J.P. Morgan Global Economic Research, Bloomberg and CEIC and is assumed to be reliable.
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Market Outlook

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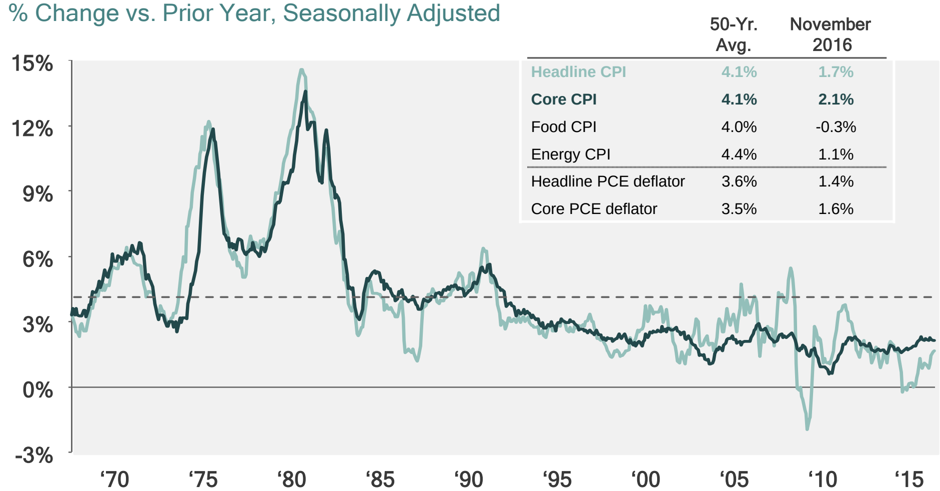
Overhanging Economic Issues:

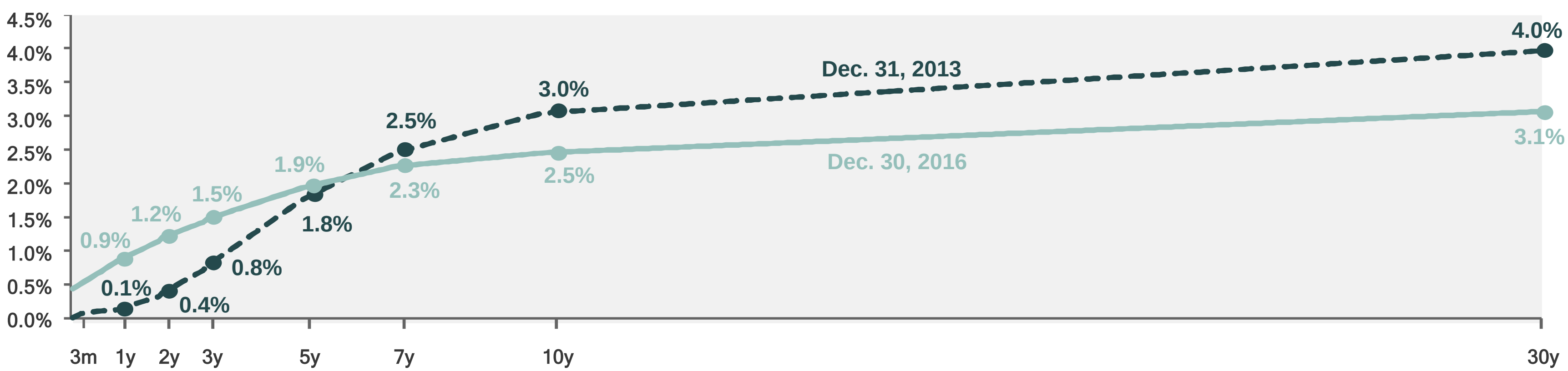
- How will the long end of the bond market react to the Fed's desire to raise short-term rates further into 2017?
- A hard landing in China could slow global GDP materially. It is still a risk.
- Europe goes into another recession despite QE efforts by the ECB due to Brexit effects.
- Does the EU unravel as referendums occur into 2017/18?
- Global deflation, not inflation, continues to be principal risk, but inflation expectations are finally rising.
- Renewed energy price weakness continues to erode capital spending and business confidence.
- Uncertainty surrounding global trade and immigration policy in the U.S.

CPI and Core CPI
% Change vs. Prior Year, Seasonally Adjusted



	50-Yr. Avg.	November 2016
Headline CPI	4.1%	1.7%
Core CPI	4.1%	2.1%
Food CPI	4.0%	-0.3%
Energy CPI	4.4%	1.1%
Headline PCE deflator	3.6%	1.4%
Core PCE deflator	3.5%	1.6%

Yield Curve
U.S. Treasury Yield Curve



Data as of December 31, 2016.

CPI used is CPI-U and values shown are % change versus one year ago and reflect November 2016 CPI data. Core CPI is defined as CPI excluding food and energy prices. The Personal Consumption Expenditure (PCE) deflator employs an evolving chain-weighted basket of consumer expenditures instead of the fixed-weight basket used in CPI calculations.

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

Market Outlook

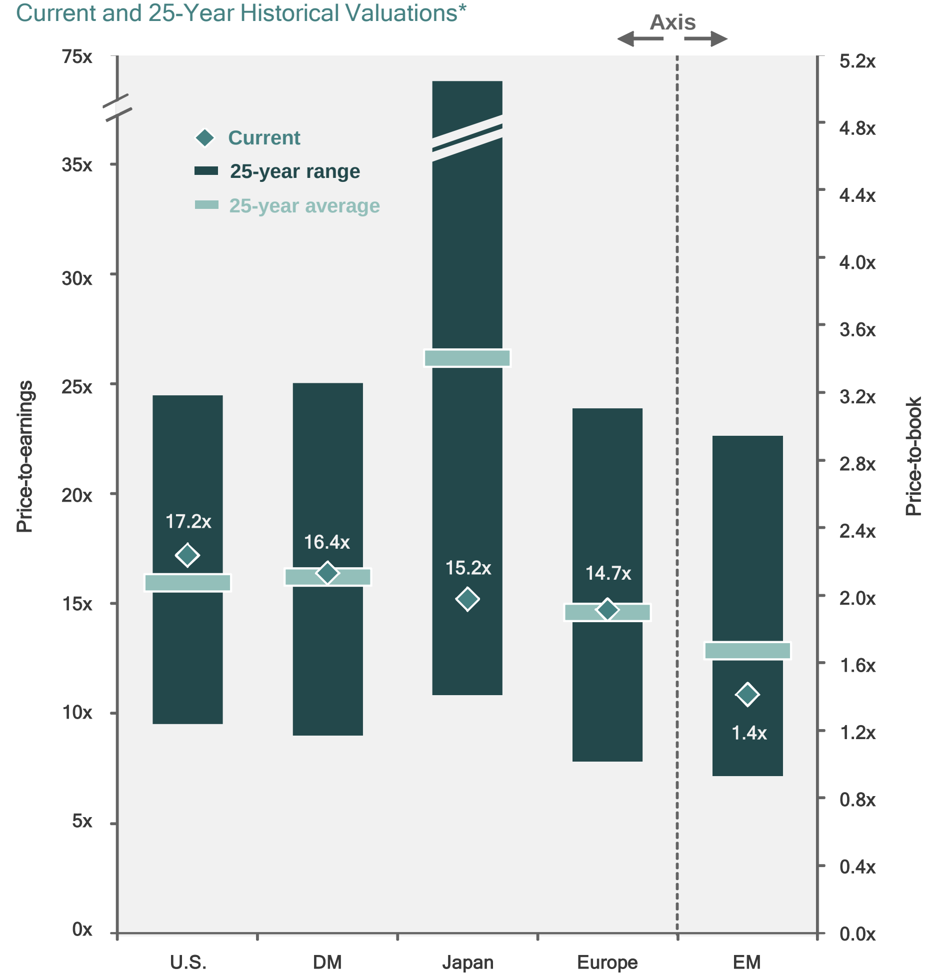
Kayne Anderson Rudnick
Investment Management

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.
- Equity valuations remain reasonable by historic measures, both at absolute levels and 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 a 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 December 31, 2016.

**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.

Appendix

Kayne Anderson Rudnick
Investment Management

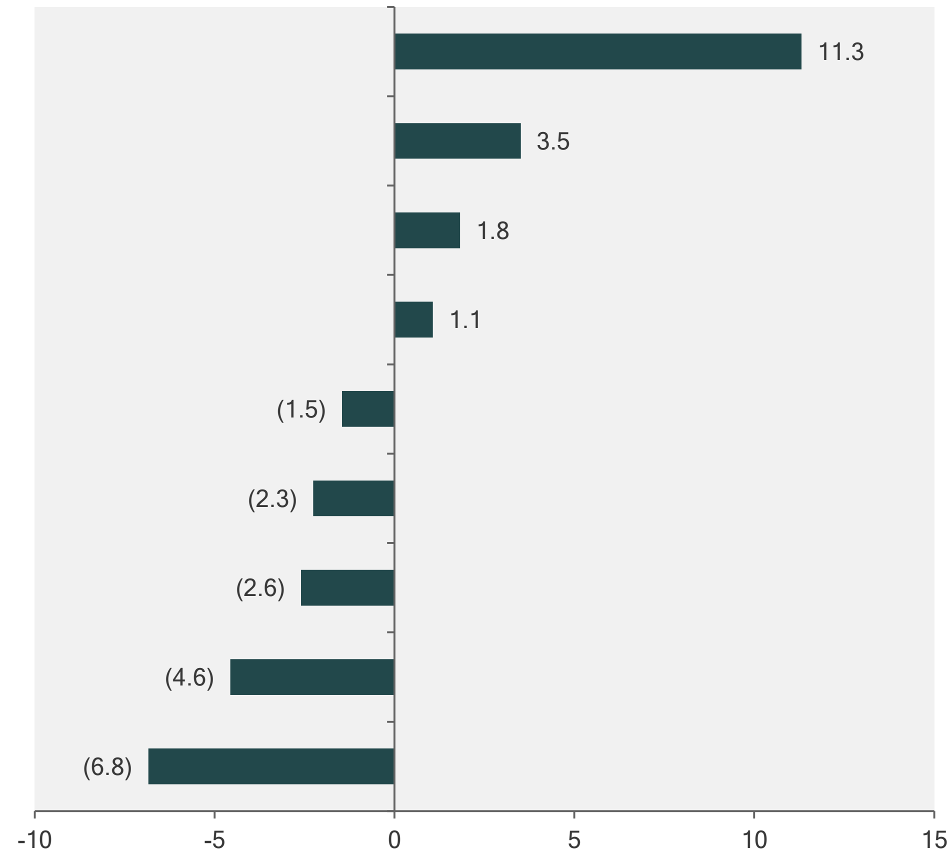
Sector Weights

Mid Cap Core Portfolio
As of December 31, 2016

Kayne Anderson Rudnick Investment Management

Sectors	KAR Mid Cap Core (%)	Russell Midcap® Index (%)
Health Care	19.9	8.6
Technology	14.7	11.2
Producer Durables	14.6	12.8
Consumer Staples	5.9	4.9
Energy	5.1	6.6
Consumer Discretionary	13.8	16.0
Materials & Processing	4.3	6.9
Financial Services	21.5	26.1
Utilities	–	6.8

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

Mid Cap Core Portfolio
As of December 31, 2016

Kayne Anderson Rudnick
Investment Management

Top 10 Holdings	Russell Sector	% of Portfolio
Globus Medical	Health Care	4.7
Bank of the Ozarks	Financial Services	4.7
AMETEK	Producer Durables	4.7
Signature Bank	Financial Services	4.5
Zoetis	Health Care	4.2
Amphenol	Technology	4.2
Aspen Technology	Technology	4.1
WABCO Holdings	Consumer Discretionary	4.0
Monster Beverage	Consumer Staples	4.0
Nordson	Producer Durables	3.8
Total		**43.0**

Research confidence leads to large active weights

	KAR Mid Cap Core	Russell Midcap® Index
# of Holdings	32	796
Average Position Size (%)	3.1	0.1
Weight of Top Ten Holdings (%)	43.0	5.0
Active Share (%)	96.0	–

The strategy benefits from diversification while still taking significant active positions

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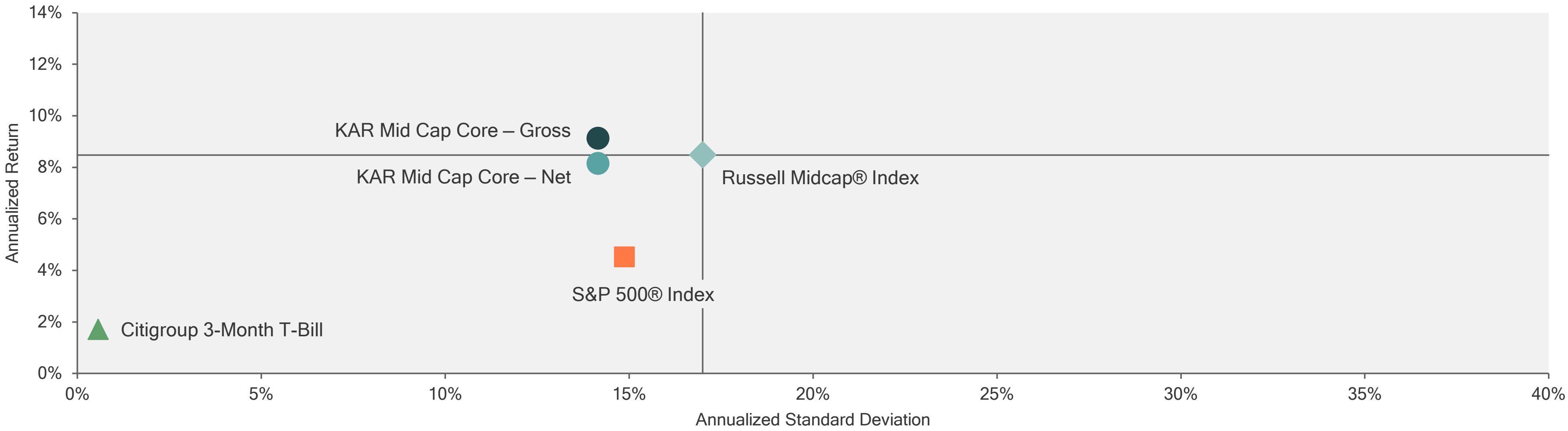
Strong Risk-Adjusted Returns

Mid Cap Core Portfolio
Inception* to December 31, 2016

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 Mid Cap Core	**2.02**	**0.53**	**14.16**	**10.78**	**0.77**	**6.87**
Russell Midcap® Index	0.00	0.40	17.00	12.86	1.00	0.00

**January 1, 2000*

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
Mid Cap Core Portfolio

Kayne Anderson Rudnick
Investment Management

Annualized Performance

Periods Ending 12/31/16	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
Fourth Quarter	2.66	2.47	3.21	(55)
1 Year	12.33	11.50	13.80	(147)
3 Years	11.12	10.29	7.92	320
5 Years	15.51	14.65	14.72	79
7 Years	14.52	13.64	13.68	84
10 Years	9.05	8.13	7.86	119
Since Inception*	9.12	8.14	8.48	64

Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
2016	12.33	11.50	13.80	(147)
2015	3.37	2.60	(2.44)	581
2014	18.17	17.28	13.22	495
2013	28.54	27.62	34.76	(622)
2012	16.58	15.72	17.28	(69)
2011	4.52	3.76	(1.55)	607
2010	20.23	19.06	25.48	(525)
2009	21.11	19.92	40.48	(1936)
2008	(28.63)	(29.37)	(41.46)	1283
2007	6.45	5.40	5.60	86
2006	13.05	11.93	15.26	(221)
2005	8.86	7.78	12.65	(379)
2004	15.23	14.08	20.22	(499)
2003	26.72	25.49	40.06	(1334)
2002	(12.62)	(13.50)	(16.19)	357
2001	(2.76)	(3.71)	(5.62)	286
2000	21.54	20.33	8.25	1329

**January 1, 2000*

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. Past performance is no guarantee of future results.

Disclosure

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, 2014.

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 Mid Cap Core Composite has been examined for the period from January 1, 2000 through December 31, 2014. The verification and performance examination reports are available upon request.

Kayne Anderson Rudnick Investment Management, LLC, a wholly owned subsidiary of Virtus Investment Partners, Ltd., 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 institutional and pooled Mid Cap Core Portfolios. Mid Cap Core Portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Index. The Russell Midcap® Index is a market capitalization-weighted index of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 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 January 2000. As of January 1, 2011, the composite was redefined to include both institutional and mutual fund [or pooled] accounts. Previously, only institutional accounts were included. A list of composite descriptions and policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

Prior to January 1, 2011, the composite minimum was $250,000. 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.

The standard management fee schedule currently in effect is as follows: 0.75% for the first $25 million; 0.65% on the next $25 million; 0.55% on the next $50 million; 0.50% on the balance. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part 2A 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. Returns are presented net of transaction fees and include the reinvestment of all income. Gross returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Model net returns have been calculated by deducting 1/4th of the highest tier of the standard management fee schedule in effect for the respective period from the gross composite returns on a quarterly basis.

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 ended at the following dates:

	3-Yr Annualized Standard Deviation (%)	
December 31	Composite	Benchmark
2011	17.51	21.86
2012	15.39	17.44
2013	12.53	14.23
2014	10.29	10.29
2015	11.96	11.00

Year	Total Firm Assets ($ millions)	Total Composite Assets ($ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	Russell Midcap® Index Annual Return (%)	Internal Dispersion
2006	6,523	8	10	13.05	11.93	15.26	0.14
2007	5,392	7	8	6.45	5.40	5.60	0.19
2008	3,445	7	11	(28.63)	(29.37)	(41.46)	0.08
2009	4,010	8	9	21.11	19.92	40.48	0.40
2010	4,729	8	7	20.23	19.06	25.48	0.31
2011	5,232	10	14	4.52	3.76	(1.55)	0.26
2012	6,545	11	15	16.58	15.72	17.28	0.18
2013	7,841	15	15	28.54	27.62	34.76	0.48
2014	7,989	17	12	18.17	17.28	13.22	0.13
2015	8,095	42	16	3.37	2.60	(2.44)	0.44

The Russell Midcap® Index and Russell 1000® Index are a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.