

Emerging Markets Small Cap Portfolio

Second Quarter 2017

Market Review

The MSCI Emerging Markets Small Cap Index extended its run, rising about 2.6% during the second quarter, reaching a year-to-date return of 16% as of the end of June. The strong performance was helped by improving economic growth, growing earnings, and partly by the weakness in the dollar. Sector-wise, gains were broad-based with the exception of energy, telecom and utilities. From a geographical standpoint, Turkey stood out performing strongly, as the market seems to be moving past the election uncertainty, while Brazil was one of the weak-performing markets, affected by the Temer corruption probe. An interesting observation during the quarter was the divergence between the EM currency performance and the commodity prices.

Portfolio Review

The Emerging Market Small Cap portfolio had a strong quarter, outperforming the MSCI Emerging Market Small Cap Index by more than 500 basis points. The performance was driven by strong stock selection, helped by strong performance in some of the portfolio's heavily weighted portfolio companies.

The biggest contributors to performance in the quarter were Autohome and Sinmag Equipment. Autohome, the leading online automotive information destination in China, was once again our largest contributor to performance. As Autohome has been one of our biggest laggards over the last two years, we have discussed the stock in detail previously. We noted over the last two quarters that we were optimistic about the prospects for Autohome given the recent positive changes under new management. In particular, we were hopeful for significant margin improvement, which we believed would lead to earnings growth and multiple expansion. Indeed, in the first-quarter results, the company showed dramatic margin improvement and the stock reacted very favorably. Sinmag Equipment is the largest bakery equipment supplier in Asia, with a strong market share in China. The stock performed strongly during the quarter, as the company reported positive first-quarter results, showing strong growth in both profits and order backlog, driven by strong growth in sales to bakeries in China.

The biggest detractors from performance were Sarine Technologies and CARE Ratings. Sarine Technologies, the global leader in diamond processing equipment, was the biggest detractor during the quarter. Sarine has suffered subsequent to our recent purchase after the company reported issues with technology infringement in their largest market, India. Sarine has taken legal action to protect their patents, but the uncertainty has put pressure on the shares. CARE Ratings is the second-largest credit ratings agency in India. The stock detracted during the quarter as the company reported weaker-than-expected results on slower revenue growth amid tepid demand. Demand in the ratings business can be cyclical, but we continue to see strong long-term prospects for the business, as demand for capital investments and infrastructure financing in India grows over time.

Purchases and Sales

New Purchases	Complete Sales
Fila Korea	None
Sarine Technologies	
Taisun	

Portfolio Highlights

Style: Small Cap
Index: MSCI® Emerging Markets Small Cap Index
Portfolio Turnover: 25%–35%
Number of Holdings: 30–60

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 MSCI® Emerging Markets Small Cap Index
- To achieve this return objective with a portfolio that exhibits lower overall risk characteristics

Investment Management Team

Name	Years of research experience
Douglas S. Foreman, CFA Chief Investment Officer	31
Hyung Kim Portfolio Manager + Senior Research Analyst	13
Craig Thrasher, CFA Portfolio Manager + Senior Research Analyst	13
Ekaterina V. Advena Research Analyst	8

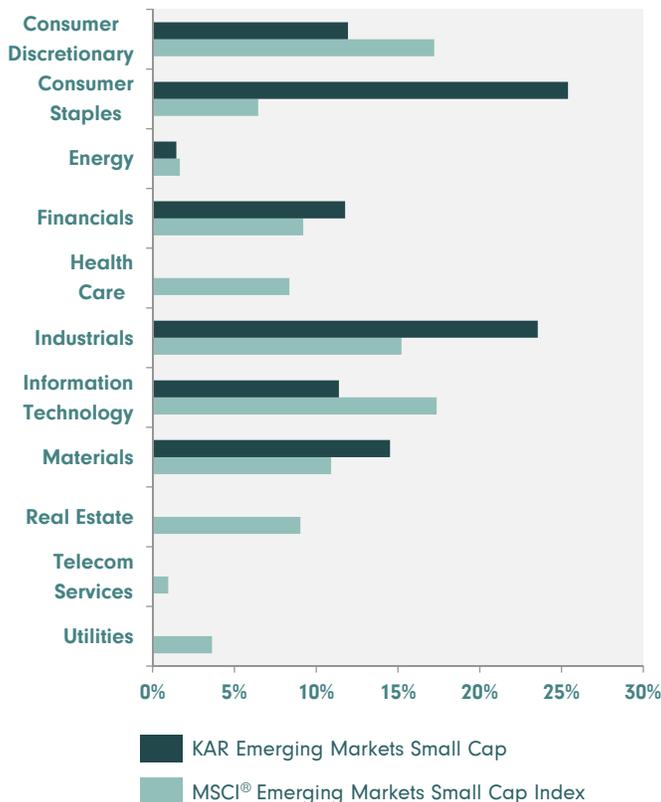
This report is based on the assumptions and analysis made and believed to be reasonable by Advisor. However, no assurance can be given that Advisor's opinions or expectations will be correct. This report is intended for informational purposes only and should be not considered a recommendation or solicitation to purchase securities. A complete listing 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. Data is obtained by FactSet Research Systems and is assumed to be reliable. Past performance is no guarantee of future results.

Investment Process: Discovering Quality

Development of High-Quality Universe	Proprietary Fundamental Research	Portfolio Construction	Sell Discipline
400 Stocks Quantitative Screens <ul style="list-style-type: none"> High return on capital over a full economic cycle Long and resilient earnings history High return on net operating assets Minimal debt Other Resources <ul style="list-style-type: none"> Research on existing portfolio holdings Meetings with companies Industry reviews Investment conferences Third-party research 	100–120 Stocks Qualitative Analysis <ul style="list-style-type: none"> Evaluate sustainability of business model and assess management's ability to direct capital where it can create further control of its market Financial Analysis <ul style="list-style-type: none"> Evaluate basis for superior profitability, long-term growth potential, and ability to allocate capital appropriately Valuation Analysis <ul style="list-style-type: none"> Determine the current and potential value of the business 	30–60 Stocks Position Weights <ul style="list-style-type: none"> Average position size is typically 1% to 5% Max initial position size is 5% (cost) Max position size is 10% (market) Sector and Geographic Tolerances <ul style="list-style-type: none"> Benchmark agnostic but seek broad diversification Holding Period <ul style="list-style-type: none"> Typically 3-to-5 years Portfolio turnover is typically 25% to 35% Cash Levels <ul style="list-style-type: none"> Fully Invested Typical cash position less than 10% 	Extended Valuation Portfolio Upgrade Diversification Requirements Acquisition Activity Negative Company or Industry Changes
Higher Quality Stronger, More Consistent Growth Better Value			

Sector Diversification

As of June 30, 2017



A complete listing 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 GICS sector classifications. Data is obtained by FactSet Research Systems and is assumed to be reliable.

Portfolio Characteristics

As of June 30, 2017

	KAR Emerging Markets Small Cap	MSCI® Emerging Markets Small Cap Index
Quality		
Return on Equity—Past 5 Years	22.5%	12.1%
Total Debt/EBITDA	0.9 x	4.5 x
Interest Expense Coverage	4.3 x	3.0 x
Growth		
Earnings Per Share Growth—Past 5 Years	7.5%	8.4%
Earnings Per Share Growth—Past 10 Years	9.8%	8.6%
Dividend Per Share Growth—Past 5 Years	8.1%	9.5%
Dividend Per Share Growth—Past 10 Years	13.4%	9.1%
Value		
P/E Ratio—Trailing 12 Months	14.8 x	19.4 x
Dividend Yield	3.6%	2.2%
Market Characteristics		
\$ Weighted Average Market Cap	\$1.7 B	\$1.3 B
Largest Market Cap	\$8.5 B	\$8.1 B

Data is obtained from 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.

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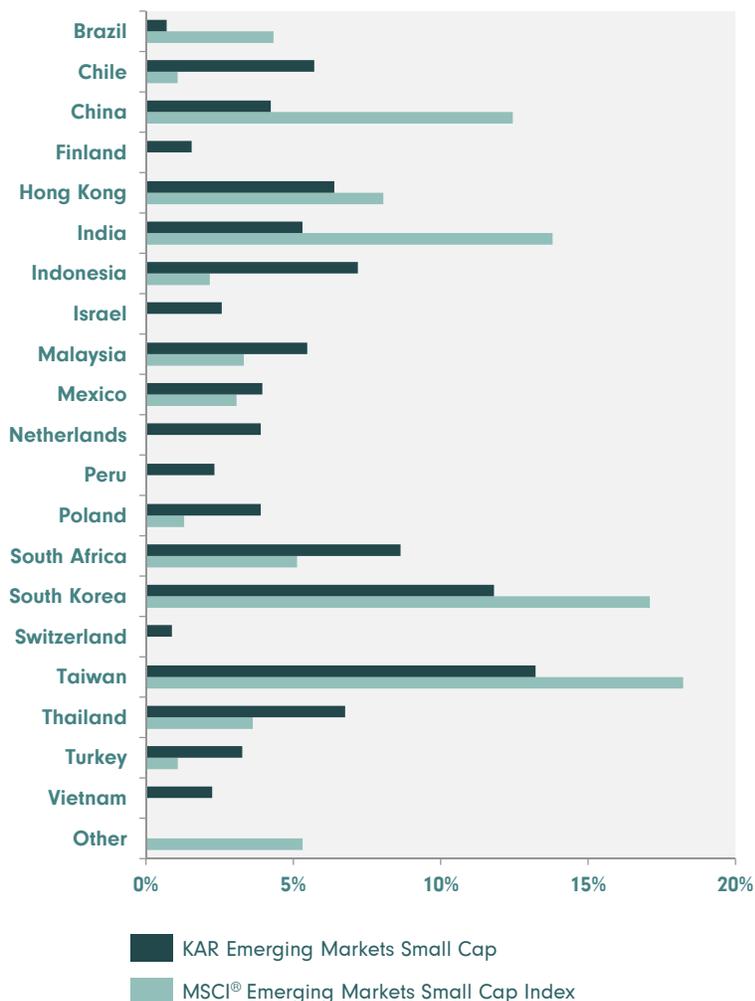
Top 10 Holdings

As of June 30, 2017

Company	Country	Percent of equity (%)
Autohome	China	4.3
BFI Finance Indonesia	Indonesia	4.0
Corporacion Moctezuma	Mexico	4.0
Yandex	Netherlands	3.9
Yung Chi Paint & Varnish	Taiwan	3.4
Sinmag Equipment	Taiwan	3.4
Premier Marketing	Thailand	3.4
Taiwan Secom	Taiwan	3.2
ACE Hardware Indonesia	Indonesia	3.2
Lumax International	Taiwan	3.2
Total		36.0

Country Exposure

As of June 30, 2017



Historical Returns

	KAR Emerging Markets Small Cap (gross)	KAR Emerging Markets Small Cap (net) [‡]	MSCI [®] Emerging Markets Small Cap Index
Annualized Returns (%)[†]			
As of June 30, 2017			
2nd Quarter	9.19	8.93	2.63
Year to Date	24.10	23.51	15.99
One Year	32.97	31.67	17.03
Three Years	5.43	4.39	0.81
Inception*	6.86	5.81	3.19
Annual Returns (%)			
2016	18.45	17.28	2.28
2015	(16.02)	(16.84)	(6.85)
2014	2.20	1.16	1.01

*January 1, 2014

[†]All periods less than one year are total returns and are not annualized. Returns are preliminary.

[‡]Net of all fees and expenses. Assumes a 1% annual fee.

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Returns of the Kayne Anderson Rudnick composite are preliminary and 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.

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Second Quarter 2017

Disclosure

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. The verification reports are available upon request.

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. Verification does not ensure the accuracy of any specific composite presentation.

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 institutional and pooled Emerging Markets Small Cap Portfolios. Emerging Markets Small

Cap Portfolios are invested in equity securities with market capitalizations in line with the MSCI® Emerging Markets Small Cap 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 MSCI® Emerging Markets Small Cap Index (net). The MSCI® Emerging Markets Small Cap Index is a market capitalization-weighted index of small-capitalization stocks from countries defined as Emerging Markets in the MSCI® Global Investable Market Indices Universe, excluding U.S. companies. The index is calculated on a total-return basis with dividends reinvested, net of withholding taxes. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 2014. A list of composite descriptions and policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

The standard management fee schedule currently in effect is as follows: 1.00% for the first \$100 million; 0.90% 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 gross of withholding taxes and 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 1/12th of the highest tier of the standard management fee schedule in effect for the respective period from the gross composite returns on a monthly 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, which measures the variability of the composite (using gross returns) and the benchmark for the 36-month period, is not presented for periods prior to 2016 because 36 monthly composite returns are not available.

3-Yr Annualized Standard Deviation (%)

December 31	Composite	Benchmark
2016	15.00	14.54

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	Gross Annual Return (%)	Net Annual Return (%)	MSCI® Emerging Markets Small Cap Index (net) Annual Return (%)	Internal Dispersion
2014	7,989	5	< 5	2.20	1.16	1.01	N/A
2015	8,095	4	< 5	(16.02)	(16.84)	(6.85)	N/A
2016	9,989	5	< 5	18.45	17.28	2.28	N/A

The MSCI® Emerging Markets Small Cap Index is a trademark/service mark of MSCI®. MSCI® is a trademark of MSCI Inc..