



PORTFOLIO OVERVIEW

The Small Cap Core Portfolio outperformed the Russell 2000 Index during the quarter helped primarily by strong outperformance in the consumer-discretionary and financial-services sectors where the portfolio's high-quality sector holdings are very different from those of the benchmark.

The companies that contributed the most to performance during the quarter included Tempur-Pedic International and Computer Programs & Systems. Tempur-Pedic International saw its shares rise in the quarter after posting financial results that showed ongoing improvement in the premium mattress category despite the lack of a housing recovery. The company has been able to maintain profitability and improve margins through effective cost-cutting and the successful introduction of its new Cloud line. Also, Tempur-Pedic continues to generate strong free cash flow that has been used to pay down its debt levels. Federal subsidies aimed at spurring the adoption of electronic medical records are benefiting Computer Programs & Systems. Recent results showed healthy gains in revenue, earnings, and orders.

The companies that contributed the least to performance during the quarter included RBC Bearings and Steiner Leisure. RBC Bearings performed well in 2010, pushing the stock to a premium valuation and causing the stock to lag in the first quarter. Steiner Leisure underperformed the overall market in the first quarter despite posting solid financial results for the 2010 fiscal year. The ongoing recovery of the cruise industry combined with some reticence in on-board consumer spending has kept the shares of Steiner Leisure range bound. Even with the downturn, the company is highly profitable and has considerable financial leverage should we see an increase in their core markets.

PURCHASES AND SALES

In the Small Cap Core Portfolio, we purchased Copart and sold HEICO and Roper Industries during the quarter.

Founded in 1982, Copart is a leading provider of salvage vehicle auction services in North America and the United Kingdom (U.K.). The company provides salvage vehicle suppliers, primarily insurance companies, with a full range of services to process and sell salvage vehicles through auctions, principally to licensed vehicle dismantlers, rebuilders, repair licensees, and used-vehicle dealers. With its nearly 40% share of the U.S. salvage vehicle auction market, Copart has significant competitive advantages over independent lot auctioneers including the company's long-term relationships with major insurance firms and its Internet bidding capabilities allow for remote auction participation.

HEICO's customers' businesses (commercial airlines) are tied to the price volatility of jet fuel, which has been on the upswing since the bottom of the recession. With this trend moderating and with HEICO having a large portion of its business with international carriers that could see some demand issues stemming from the Euro currency declines, we viewed the surge in HEICO's shares as fully reflecting this information. While we admire the company, we viewed the operational headwinds combined with a rich valuation as an opportunity to move funds to other ideas that we believe offer greater overall upside return. Roper Industries continues to deliver record earnings through its ability to grow organically and through prudent mergers and acquisitions activity. However, Roper's larger size makes them more dependent on larger deals to make the needle move, creating greater risk as successful integration of future M&A deals becomes more challenging. With these challenges ahead of them, the shares trading at the upper end of their historical range, and with a market cap over \$8 billion, we sold our shares and reallocated funds to positions that offer greater reward-to-risk.

OUTLOOK

The economic recovery has clearly taken hold and the financial system has stabilized. However, we continue to operate in an environment where small and mid-size businesses, the backbone of the U.S. economy, are increasingly optimistic about future growth, but are still hesitant to commit to meaningful increases in human and physical capital. Further, unemployment remains high, thus restraining ongoing consumer spending which makes up nearly three quarters of the U.S. economy. These factors diminish the likelihood of a swift economic recovery. We believe that the businesses in which we invest—those that have significant control over their markets and do not depend on external financing—will prosper in such an environment.

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 not be considered a recommendation or solicitation to purchase securities. A complete list of holdings and specific securities transactions for the preceding 12 months is available upon request. Holdings are subject to change. Past performance is no guarantee of future results.

PORTFOLIO HIGHLIGHTS

Style: Small Cap
Sub-Style: Core
Index: Russell 2000*
Portfolio Inception: 1992
Portfolio Assets: \$1,301.6 M
Portfolio Turnover: 25%–35%

INVESTMENT MANAGEMENT TEAM

NAMES	YEARS of research experience
Robert Schwarzkopf, CFA <i>CIO + Portfolio Manager</i>	30
Todd Beiley, CFA <i>Portfolio Manager + Senior Research Analyst</i>	12
Jon Christensen, CFA <i>Portfolio Manager + Senior Research Analyst</i>	16
Julie Kutasov <i>Senior Research Analyst</i>	10
Craig Stone <i>Senior Research Analyst</i>	22
Craig Thrasher, CFA <i>Research Analyst</i>	6
Gregory Toppe, CFA <i>Research Analyst</i>	11
Aaron Reed, CIMA, CIMC <i>Senior Portfolio Advisor</i>	21

TOP FIVE HOLDINGS

as of March 31, 2011

COMPANY	PERCENT of equity (%)
Copart	5.4
Jack Henry & Associates	5.4
Hittite Microwave	5.3
ANSYS	5.3
Cohen & Steers	5.1
Total	26.5

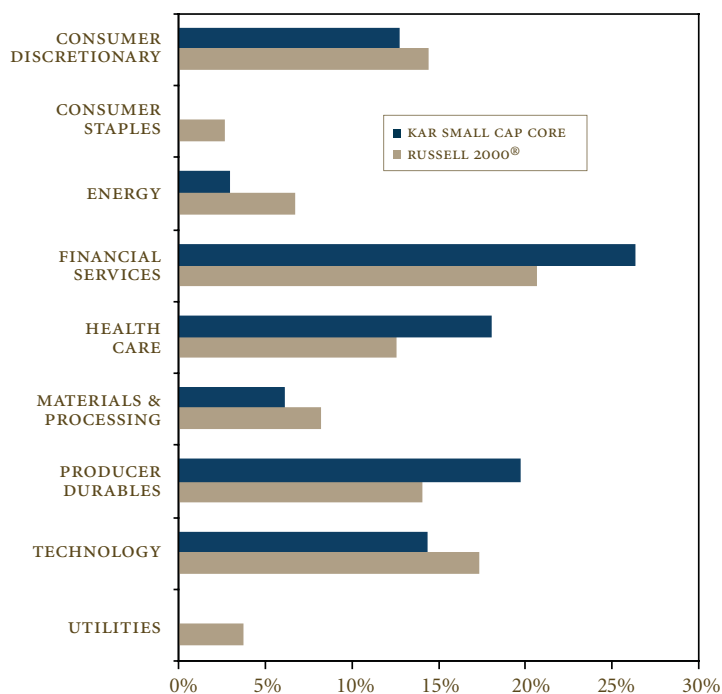
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Small Cap Core strategy. Individual investors' holdings may differ slightly from the representative portfolio.

INVESTMENT PROCESS—DISCOVERING QUALITY



SECTOR DIVERSIFICATION

as of March 31, 2011



Data is obtained from FactSet Research Systems and is assumed to be reliable. A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. The sector information represented above is based on Russell sector classifications.

PORTFOLIO CHARACTERISTICS

as of March 31, 2011

KAR Small Cap Core Russell 2000®

QUALITY	KAR Small Cap Core	Russell 2000®
Return on Equity—Past 5 yrs.	20.9%	8.9%
Total Debt/EBITDA	0.5x	4.7x
Earnings Variance—Past 10 yrs.	23.0%	98.4%
S&P Stock Ranking (A+, A, A-, B+)	64.2%	19.2%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	6.7%	4.2%
Earnings Per Share Growth—Past 10 yrs.	13.8%	7.2%
Dividend Per Share Growth—Past 5 yrs.	14.7%	-0.3%
Dividend Per Share Growth—Past 10 yrs.	19.6%	4.3%
Capital Generation—(ROE x {1-Payout})	15.2%	7.7%
VALUE		
P/E Ratio—Trailing 12 Months	23.6x	29.9x
Dividend Yield	1.0%	1.1%
Free Cash Flow Yield†	4.4%	2.2%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$2.1 B	\$1.2 B
Largest Market Cap—4 Qtr. Avg.	\$5.9 B	\$4.1 B
Annualized Standard Deviation—Since Inception*	16.6%	20.6%

*April 1, 1992

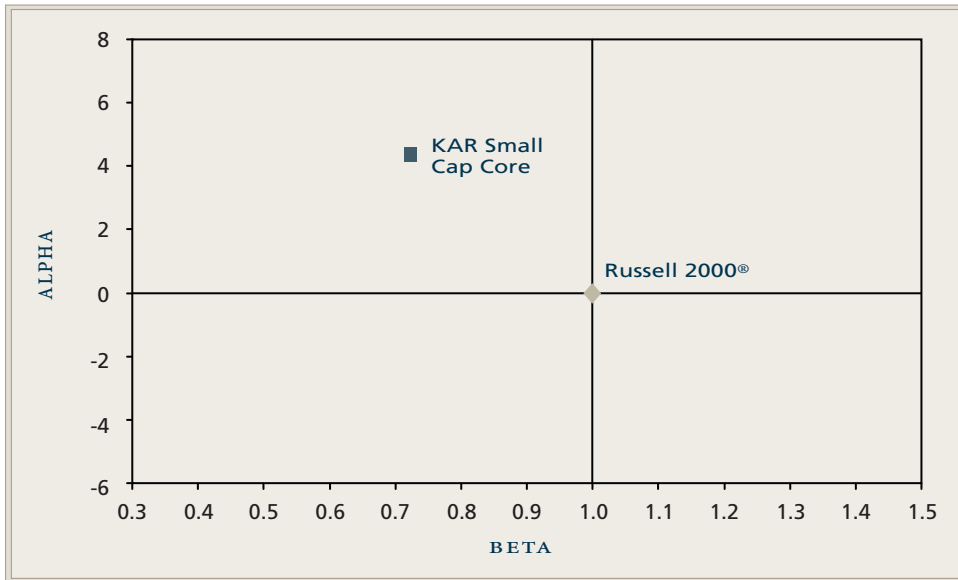
†Free cash flow data is as of December 31, 2010. Prices are as of March 31, 2011. Excludes financials.

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

Data is obtained from Bloomberg, FactSet Research Systems, and a major consulting firm, 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.

RISK-RETURN ANALYSIS

Inception* to March 31, 2011



*April 1, 1992

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HISTORICAL RETURNS

	KAR Small Cap Core (gross)	KAR Small Cap Core (net)†	Russell 2000®
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ANNUALIZED RETURNS (%)*
as of March 31, 2011

1st Quarter	10.78	10.51	7.94
One Year	31.01	29.76	25.79
Three Years	13.47	12.34	8.57
Five Years	6.81	5.75	3.35
Seven Years	9.97	8.87	6.60
Ten Years	10.51	9.41	7.87
Inception‡	12.74	11.63	9.26

ANNUAL RETURNS (%)

2010	24.98	23.77	26.85
2009	32.09	30.80	27.17
2008	-27.64	-28.40	-33.79
2007	3.16	2.14	-1.57
2006	13.43	12.30	18.37
2005	7.78	6.70	4.55
2004	23.37	22.14	18.33
2003	34.34	33.06	47.25
2002	-12.74	-13.62	-20.48
2001	6.16	5.13	2.49
2000	21.38	20.18	-3.02
1999	6.09	5.06	21.26
1998	21.39	20.20	-2.55
1997	20.82	19.63	22.36
1996	27.00	25.74	16.49
1995	17.47	16.30	28.44
1994	2.75	1.74	-1.82
1993	20.00	18.84	18.91

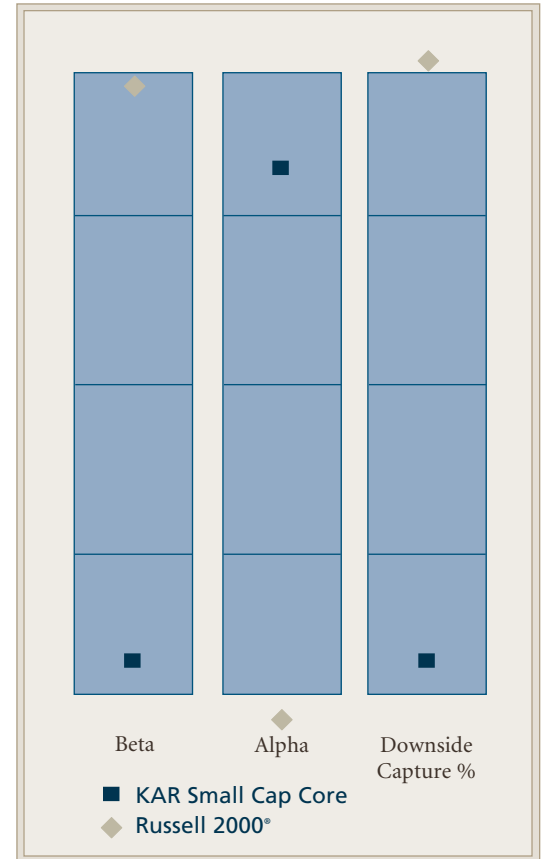
*All periods less than one year are total returns and are not annualized. Returns are preliminary.

†Net of all fees and expenses. Assumes a 1% annual fee.

‡April 1, 1992

PEER COMPARISON CHART

Inception* to December 31, 2010



PERFORMANCE STATISTICS

Inception* to March 31, 2011

	KAR Small Cap Core	Russell 2000®
ANNUALIZED RETURN	12.74	9.26
ANNUALIZED STANDARD DEVIATION	16.61	20.57
ALPHA	4.63	0.00
BETA	0.73	1.00
SHARPE RATIO	0.57	0.29
R-SQUARED	81.38	100.00

*April 1, 1992

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. For further details on the composite, please see the disclosure statement at the end of this presentation. Past performance is no guarantee of future results. Data is obtained from FactSet Research systems and is assumed to be reliable.

DISCLOSURE

Kayne Anderson Rudnick Investment Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Kayne Anderson Rudnick Investment Management, LLC, a wholly owned subsidiary of Virtus Investment Partners, Ltd., is a registered investment advisor under the Investment Advisors Act of 1940. 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. Additional information regarding the firm's policies and procedures for calculating and reporting performance is available upon request. The firm maintains a complete list and description of composites, which is available upon request.

The composite is defined as all non-taxable, fully discretionary, non-wrap fee Small Cap Core Portfolios (including cash) under management for at least one full quarter. The minimum account size for this composite is \$250,000. For comparison purposes, the composite is measured against the Russell 2000® Index. The Russell 2000® Index is a market capitalization-weighted index of the 2,000 smallest companies in

the Russell Universe, which comprises the 3,000 largest U.S. companies. The index is calculated on a total-return basis with dividends reinvested. The composite was created in April 1992. There was a change in personnel in January 1998, April 2008, and February 2009. No alteration of the composite as presented here has occurred because of this change.

Prior to July 1, 2000, performance results represent all taxable and non-taxable, fully discretionary Small Cap Core Portfolios (including cash) under management for at least one full quarter. Beginning on July 1, 2000, only non-taxable portfolios are included in the composite.

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 management fees and net of transaction fees and include the reinvestment of all income. Trade date accounting is used. Performance has been calculated by geometrically linking monthly returns with accounts entering and exiting the composite quarterly.

Gross annual returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Net annual returns have been calculated after the deduction of an assumed maximum annual fee of 1%. The effect on performance would grow at a compounded rate. Over a five-year period, if a \$250,000 portfolio had an annual return of 10%, it would grow to \$402,628. The net compounded effect of a 1% annual investment management fee would total \$17,972 and result in a portfolio value of \$384,656. A fee schedule is available upon request and is described in Part II of the firm's ADV.

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	% of Non Fee-Paying Accounts	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Annual Return	Annual Standard Deviation
2001	8,384	252	39	0	6.16	5.13	2.49	1.10
2002	8,612	172	46	0	(12.74)	(13.62)	(20.48)	0.68
2003	10,262	219	46	0	34.34	33.06	47.25	0.63
2004	10,320	222	48	0	23.37	22.14	18.33	0.52
2005	8,533	269	43	0	7.78	6.70	4.55	0.29
2006	6,523	175	47	0	13.43	12.30	18.37	0.33
2007	5,392	138	41	0	3.16	2.14	(1.57)	0.48
2008	3,445	69	31	0	(27.64)	(28.40)	(33.79)	0.54
2009	4,069	75	23	0	32.09	30.80	27.17	0.55
2010	4,811	63	22	0	24.98	23.77	26.85	0.76

If applicable, the annual standard deviation presented is an asset-weighted calculation of performance dispersion for accounts in the composite for the entire year.

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