



PORTFOLIO OVERVIEW

For the fourth quarter, high-quality stocks, as measured by S&P Quality Rankings, outperformed low-quality stocks. Further, companies with high return on equity (ROE), another metric of quality measuring the proprietary nature and durability of a company's business model, outperformed companies with negative return on equity. The Small Cap Quality Value Portfolio outperformed the Russell 2000 Value Index in the fourth quarter. The companies held in the portfolio consistently have a five-year average ROE over 20% and this helped to drive the Small Cap Quality Value Portfolio's outperformance versus the Russell 2000 Value Index.

The companies that contributed the most to performance during the quarter included CARBO Ceramics and Chattem. CARBO Ceramics is still benefiting from its new product introduction last year of its lower strength proppants that are geared toward the newer shale plays, such as Haynesville. Along with the strong rebound in energy stocks, the company has outperformed rig activities with only a modest 3% decline in proppants sold in the quarter. Chattem saw its shares surge in the quarter as it announced in December 2009 that it was being acquired by France-based Sanofi-Aventis for a 34% premium to its previous day's close. The company will become a U.S. subsidiary of Sanofi and the deal should close in the first quarter of 2010.

The companies that contributed the least to performance during the quarter included Syntel and Cherokee. Syntel's stock lagged as investors expect margins to contract as the company will increase hiring in expectation of higher demand. Additionally, the stock has been selling at a relatively high valuation after posting strong results for the first nine months of the year. Cherokee saw its shares slump in the quarter as weaker sales results from Target and disappointing Asian results hurt the company's top line. Target's decline hurt overall growth as the retailer has diversified its merchandise offering and seen overall weakness in their own sales.

PURCHASES AND SALES

In the Small Cap Quality Value Portfolio, we purchased RLI Corporation. There were no sales in the portfolio during the quarter.

RLI Corporation designs, markets, and underwrites specialty commercial and personal property and casualty (P&C) insurance products incorporating value-added coverages and services for selected target markets and niches that are generally avoided by standard carriers. RLI operates in three segments: Casualty, Property, and Surety through three operating companies: RLI Insurance—an admitted specialty carrier, Mt. Hawley Insurance (a subsidiary of RLI Insurance)—an Excess & Surplus (E&S) carrier, and RLI Indemnity (a subsidiary of Mt. Hawley Insurance)—an admitted carrier. RLI distributes its products through a wide array of brokers, independent agents, and branch offices. With its disciplined underwriting culture and profit-based compensation, RLI has produced an outstanding combination of strong, consistent growth and superior profitability.

OUTLOOK

The global recovery is underway and the financial-system crisis seems to have stabilized. However, we continue to operate in a tentative environment where businesses are cautiously optimistic about future growth but are still hesitant about committing to increases in human and physical capital. High unemployment figures and restrained consumer spending diminish the likelihood of a sharp or swift economic recovery. We believe that the businesses in which we invest—those with significant control over their markets and do not depend on external financing—will prosper in such an environment. As always, we endeavor to manage your portfolio with the highest quality businesses, outgrowing their markets, and purchased at discount valuations.

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: Value
Index: Russell 2000® Value
Portfolio Inception: 1998
Portfolio Assets: \$880.5 M
Portfolio Turnover: 25%–35%

INVESTMENT MANAGEMENT TEAM

NAMES	YEARS of research experience
Robert Schwarzkopf, CFA <i>CIO + Portfolio Manager</i>	28
Julie Kutasov <i>Portfolio Manager + Senior Research Analyst</i>	8
Craig Stone <i>Portfolio Manager + Senior Research Analyst</i>	20
Todd Beiley, CFA <i>Senior Research Analyst</i>	10
Jon Christensen, CFA <i>Senior Research Analyst</i>	14
Craig Thrasher, CFA <i>Research Analyst</i>	4
Gregory Toppe, CFA <i>Research Analyst</i>	9
Brian Elliott <i>CMO + Senior Portfolio Advisor</i>	18
Aaron Reed, CIMA, CIMC <i>Senior Portfolio Advisor</i>	19
Steve Weyland, CFA <i>Senior Portfolio Advisor</i>	18

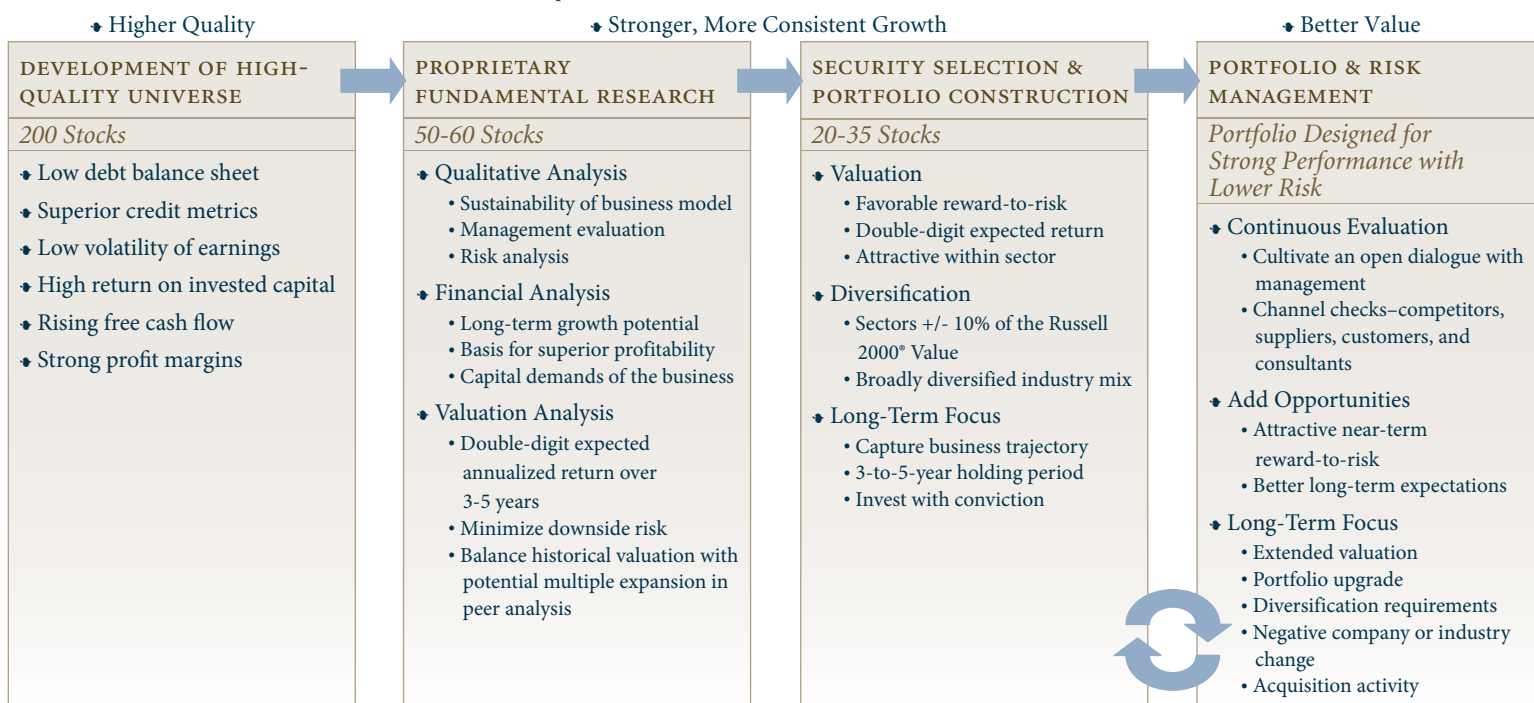
TOP FIVE HOLDINGS

as of December 31, 2009

COMPANY	PERCENT of equity (%)
Ares Capital	5.5
Chattem	5.4
World Fuel Services	5.1
CARBO Ceramics	5.1
ABM Industries	4.9
Total	26.0

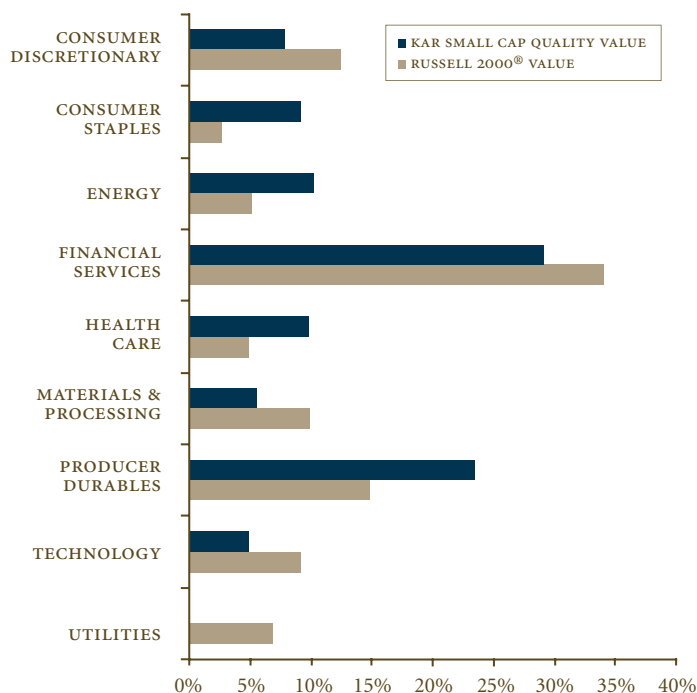
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Small Cap Quality Value strategy.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

INVESTMENT PROCESS—DISCOVERING QUALITY



SECTOR DIVERSIFICATION

as of December 31, 2009



*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 December 31, 2009

KAR Small Quality Value Russell 2000® Value

QUALITY	KAR Small Quality Value	Russell 2000® Value
Return on Equity—Past 5 yrs.	22.7%	7.9%
Total Debt/EBITDA	3.4x	6.7x
Interest Expense Coverage	5.9x	6.2x
Earnings Variance—Past 10 yrs.	25.4%	95.7%
S&P Stock Ranking (A+, A, A-, B+)	82.0%	32.3%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	7.7%	1.2%
Earnings Per Share Growth—Past 10 yrs.	11.1%	3.7%
Dividend Per Share Growth—Past 5 yrs.	12.2%	3.3%
Dividend Per Share Growth—Past 10 yrs.	11.9%	5.0%
Capital Generation—(ROE x {1-Payout})	16.2%	6.4%
VALUE		
P/E Ratio—Trailing 12 Months	20.8x	-220.9x
Dividend Yield	2.5%	1.9%
Free Cash Flow Yield†	12.2%	-2.5%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$1.2 B	\$0.8 B
Largest Market Cap—4 Qtr. Avg.	\$4.3 B	\$3.2 B
Annualized Standard Deviation—Since Inception*	17.1%	19.3%

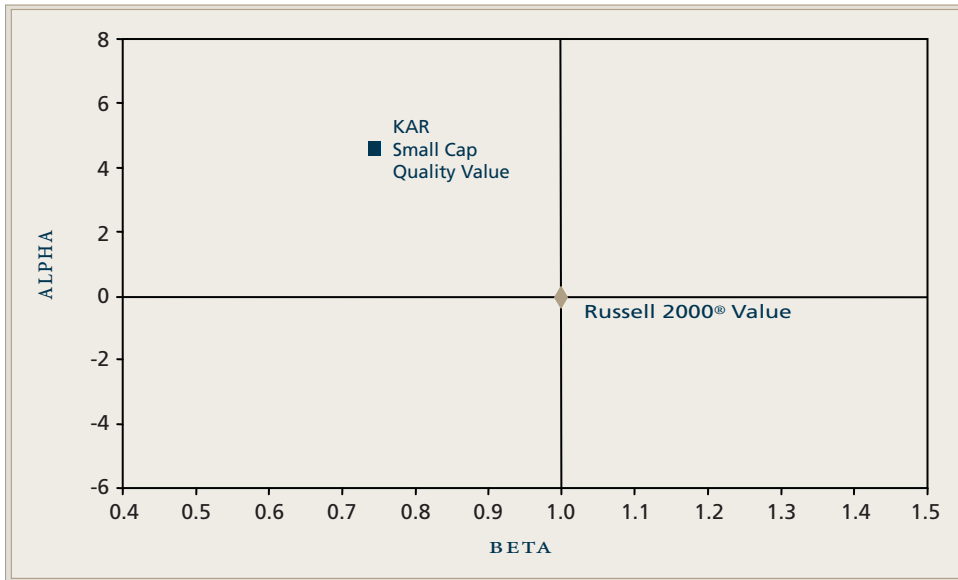
*June 1, 1998

†Free cash flow data is as of September 30, 2009. Prices are as of December 31, 2009. Excludes financials.

This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Results shown reflect past performance and are not indicative of future results. 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 December 31, 2009



*June 1, 1998

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HISTORICAL RETURNS

	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net)†	Russell 2000® Value
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ANNUALIZED RETURNS (%)*
as of December 31, 2009

4th Quarter	7.22	6.95	3.63
One Year	26.97	25.73	20.58
Three Years	-2.48	-3.45	-8.22
Five Years	4.68	3.64	-0.01
Seven Years	10.11	9.02	8.63
Ten Years	11.46	10.36	8.27
Inception‡	9.93	8.86	5.90

ANNUAL RETURNS (%)

2009	26.97	25.73	20.58
2008	-28.51	-29.26	-28.92
2007	2.19	1.18	-9.78
2006	24.45	23.25	23.48
2005	8.88	7.79	4.71
2004	28.10	26.83	22.25
2003	21.88	20.69	46.03
2002	1.11	0.10	-11.43
2001	19.42	18.29	14.03
2000	24.92	23.70	22.83
1999	-7.69	-8.60	-1.49

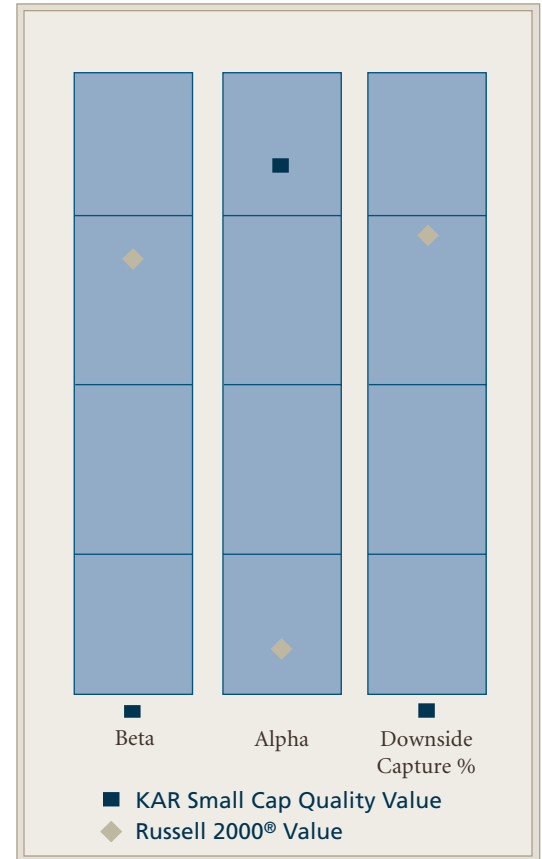
*All periods less than one year are total returns and are not annualized. Returns are preliminary.

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

‡June 1, 1998

PEER COMPARISON CHART

Inception* to September 30, 2009



PERFORMANCE STATISTICS

Inception* to December 31, 2009

	KAR Small Cap Quality Value	Russell 2000® Value
ANNUALIZED RETURN	9.93	5.90
ANNUALIZED STANDARD DEVIATION	17.06	19.29
ALPHA	4.59	0.00
BETA	0.74	1.00
SHARPE RATIO	0.40	0.15
R-SQUARED	70.68	100.00

*June 1, 1998

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 fully discretionary, non-wrap fee Small Cap Quality Value 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® Value Index. The Russell 2000® Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,000 smallest companies in the Russell

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

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® Value Annual Return	Annual Standard Deviation
1999	5,381	3	1	0	(7.69)	(8.60)	(1.49)	0
2000	6,686	3	1	0	24.92	23.70	22.83	0
2001	8,384	LESS THAN 1	1	0	19.42	18.29	14.03	0
2002	8,612	4	4	0	1.11	0.10	(11.43)	0
2003	10,262	5	3	0	21.88	20.69	46.03	0.08
2004	10,320	7	7	0	28.10	26.83	22.25	0.41
2005	8,533	37	23	0	8.88	7.79	4.71	0.19
2006	6,523	62	56	0	24.45	23.25	23.48	0.47
2007	5,392	107	62	0	2.19	1.18	(9.78)	0.56
2008	3,445	64	68	0	(28.51)	(29.26)	(28.92)	0.56

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