



PORTFOLIO OVERVIEW

The Small Cap Sustainable Growth Portfolio outperformed the Russell 2000 Growth Index during the quarter helped primarily by strong outperformance in the consumer-discretionary, financial-services, and producer-durables 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 LoopNet and Aaron's. Loop Net's stock recovered strongly following reports of better-than-expected fourth quarter 2010 results driven by a higher-than-expected existing subscriber retention rate and improved new account activity helped by stabilizing commercial real estate market conditions. Importantly, LoopNet's balance sheet remains pristine with \$92 million in cash and cash equivalents and no debt. A solid free-cash-flow generator, the company has been consistently using excess cash for strategic acquisitions and opportunistic share repurchases. Aaron's had its shares move higher in the quarter after reporting solid financials that were driven by strong same-store sales growth as consumers that are having difficulty in securing credit by traditional means look to Aaron's for their household spending needs.

The companies that contributed the least to performance during the quarter included Omega Flex and National Research. Serving residential and non-residential construction, Omega Flex's stock lagged as a recovery has been slow to materialize in these end markets. Recent earnings were down as National Research increased spending on product development and sales expansion efforts. However, sales and new contract signings showed healthy gains. The shares of the company also saw a gain in 2010 and likely experienced some profit taking. We remain optimistic about the company's long-term prospects and continue to hold our position.

PURCHASES AND SALES

In the Small Cap Sustainable Growth Portfolio, there were no new purchases or complete sales from the portfolio during the quarter.

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: Growth
Index: Russell 2000® Growth
Portfolio Inception: 1998
Portfolio Assets: \$221.5 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 (%)
LoopNet	5.6
Hittite Microwave	5.4
Cohen & Steers	5.4
FLIR Systems	5.4
Copart	5.2
Total	27.0

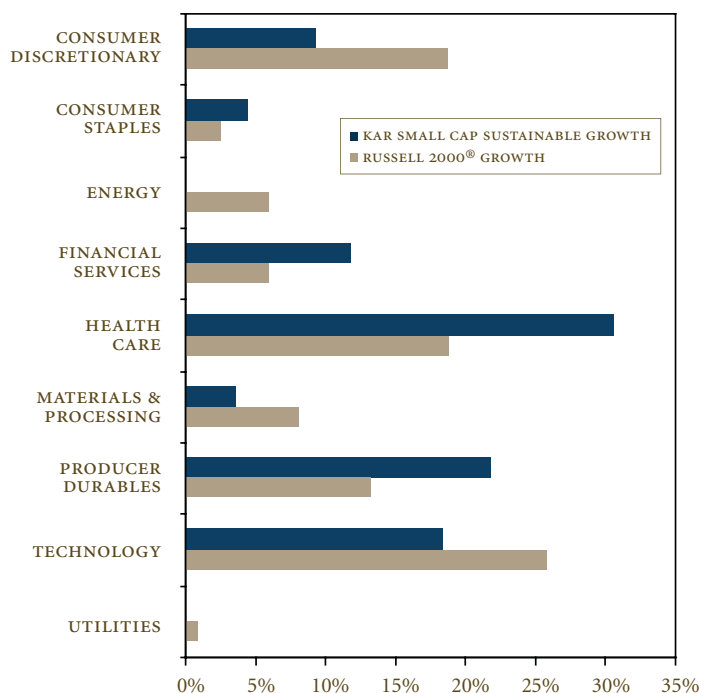
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Small Cap Sustainable Growth strategy. 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 Sustainable Growth	Russell 2000® Growth
QUALITY		
Return on Equity—Past 5 yrs.	23.1%	10.8%
Total Debt/EBITDA	0.2x	1.8x
Earnings Variance—Past 10 yrs.	22.8%	89.5%
S&P Stock Ranking (A+, A, A-, B+)	60.6%	17.7%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	11.8%	8.3%
Earnings Per Share Growth—Past 10 yrs.	18.4%	12.2%
Capital Generation—(ROE x {1-Payout})	17.1%	9.9%
VALUE		
P/E Ratio—Trailing 12 Months	25.7x	33.8x
Free Cash Flow Yield†	3.8%	2.1%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$1.9 B	\$1.3 B
Largest Market Cap—4 Qtr. Avg.	\$4.7 B	\$4.1 B
Annualized Standard Deviation—Since Inception*	22.0%	27.7%

*January 1, 1998

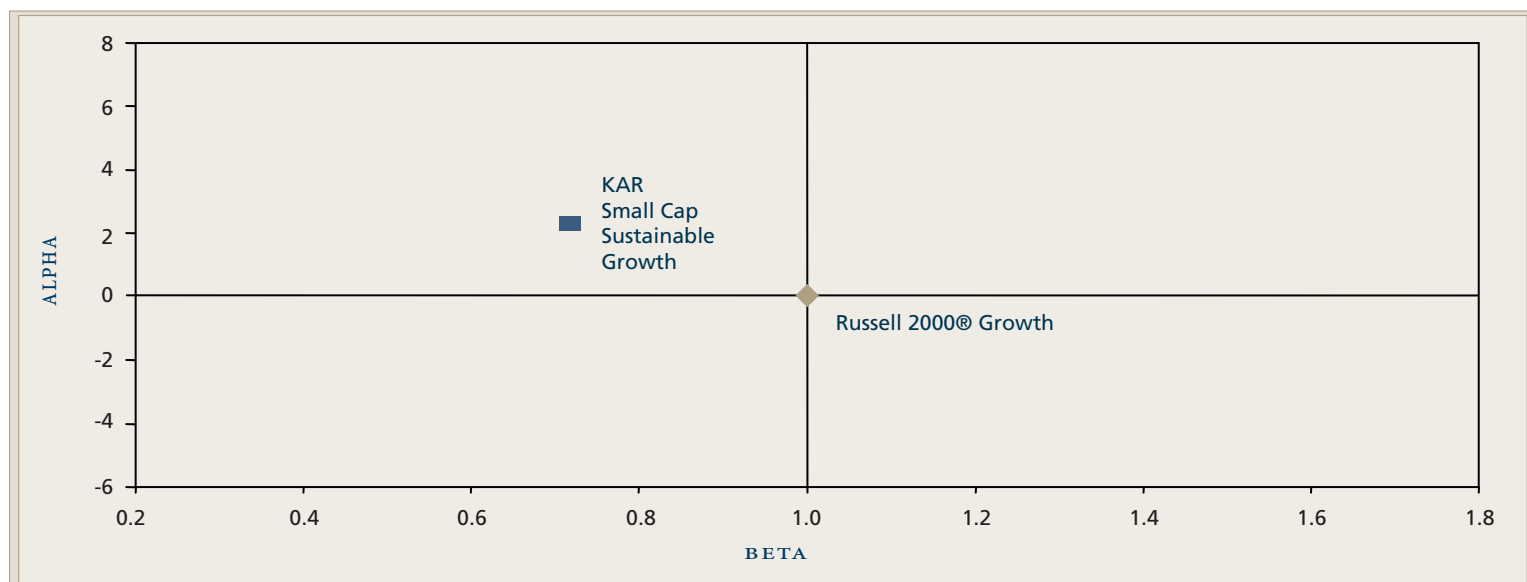
†Free cash flow data is as of December 31, 2010. Prices are as of March 31, 2011. Excludes financials.

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

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 March 31, 2011



*January 1, 1998

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HISTORICAL RETURNS

	KAR Small Cap Sustainable Growth (gross)	KAR Small Cap Sustainable Growth (net)†	Russell 2000® Growth
ANNUALIZED RETURNS (%)* as of March 31, 2011			
1st Quarter	10.43	10.16	9.24
One Year	20.72	19.55	31.04
Three Years	8.64	7.55	10.16
Five Years	3.40	2.36	4.34
Seven Years	6.62	5.55	6.89
Ten Years	5.79	4.73	6.44
Inception‡	6.68	5.62	4.44
ANNUAL RETURNS (%)			
2010	14.81	13.68	29.09
2009	38.53	37.18	34.47
2008	-33.61	-34.32	-38.54
2007	-0.59	-1.59	7.05
2006	15.80	14.66	13.35
2005	1.88	0.85	4.15
2004	12.82	11.68	14.31
2003	38.44	37.10	48.54
2002	-23.82	-24.60	-30.26
2001	0.48	-0.49	-9.23
2000	6.28	5.22	-22.43
1999	31.19	29.92	43.09
1998	3.33	2.28	1.23

*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.

‡January 1, 1998

PERFORMANCE STATISTICS

Inception* to March 31, 2011

	KAR Small Cap Sustainable Growth	Russell 2000® Growth
ANNUALIZED RETURN	6.68	4.44
ANNUALIZED STANDARD DEVIATION	22.04	27.70
ALPHA	2.33	0.00
BETA	0.71	1.00
SHARPE RATIO	0.17	0.06
R-SQUARED	80.45	100.00

*January 1, 1998

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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 Sustainable Growth 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® Growth Index. The Russell 2000® Growth Index is

a market capitalization-weighted index of growth-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 January 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® Growth Annual Return	Annual Standard Deviation
2001	8,384	2	<5	0	0.48	(0.49)	(9.23)	0.00
2002	8,612	1	<5	0	(23.82)	(24.60)	(30.26)	0.00
2003	10,262	4	<5	0	38.44	37.10	48.54	0.00
2004	10,320	28	25	0	12.82	11.68	14.31	0.60
2005	8,533	29	30	0	1.88	0.85	4.15	0.28
2006	6,523	31	30	0	15.80	14.66	13.35	0.31
2007	5,392	21	25	0	(0.59)	(1.59)	7.05	0.53
2008	3,445	12	14	0	(33.61)	(34.32)	(38.54)	1.04
2009	4,069	11	11	0	38.53	37.18	34.47	0.94
2010	4,811	12	12	0	14.81	13.68	29.09	0.22

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