



PORTFOLIO OVERVIEW

The Small Cap Quality Value Portfolio outperformed the Russell 2000 Value Index during the quarter. Our strategy of owning businesses with secure competitive positions produced good relative results in a difficult market. The ability to resist declines during times of stress is a cornerstone of our investment approach and the third quarter certainly tested this objective. The source of this trait lies in the nature of the businesses in which we invest. These businesses have created competitive protections in our view that provide them with more resilient earning power and greater discretionary cash flow.

The companies that contributed the most to performance during the quarter included RLI and WD-40. RLI's stock performed strongly following the company's reports of excellent second quarter 2011 results driven by solid top-line growth and positive operating leverage. These results were particularly impressive as they were achieved despite the company's highly challenging operating environment driven by the ongoing softness in the P&C insurance market and weak general economic conditions. In July 2011, RLI was named to Ward's 50th Top P&C performers group for the 21st consecutive year, one of only four P&C insurers to be recognized as Ward's 50th Top P&C performer every year since the list's inception in 1991. WD-40 saw its shares rise in the quarter after reporting sales growth through its first three fiscal quarters in 2011. The company has leveraged its WD-40 brand into new products including Blue Works and WD-40 Specialist, both of which serve markets not currently penetrated by the existing brand.

The companies that contributed the least to performance during the quarter included CARBO Ceramics and Graco. CARBO Ceramics' stock declined along with energy stocks and overall equity markets as investors' concern about a possible double-dip recession and its effects on energy demand drove the stock price down in the quarter. However, year to date CARBO's stock performance is still positive and is one of the portfolio's best performers. During the quarter, the FTC requested from Graco additional information on the finishing business that the company had agreed to purchase from ITW. Management indicated that they see this as a relatively normal request, however, this will delay the closing of the deal into the fourth quarter.

PURCHASES AND SALES

In the Small Cap Quality Value Portfolio, we purchased Badger Meter, The Corporate Executive Board, and John Wiley & Sons. There were no complete sales from the portfolio during the quarter.

Badger Meter manufactures and markets flow measurement and control products (primarily water metering systems) for water utilities, municipalities, and industrial customers worldwide. Within the water meter industry, the top five players account for nearly 90% of total meters sold with Badger's market share close to that of the market leader Neptune Technology Group, a subsidiary of Roper Industries.

The Corporate Executive Board provides best practices research, analysis, executive education and leadership development, and decision support tools to business executives and professionals worldwide. The company's business model provides high barriers to entry with its 5,200 member-strong "blue chip" client network (that includes 94% of Fortune 100, 85% of Fortune 500, 70% of Fortune 1000, and 70% of FTSE 100) providing synergies in compiling new studies that are then resold to participating members.

John Wiley & Sons is a global publisher of print and electronic products, specializing in (1) professional and consumer books; (2) scientific, technical, and medical (STM) books and subscription journals; and (3) textbooks and educational materials for undergraduate and graduate students. The company's strong family of titles includes the For Dummies series, CliffsNotes, and Frommer's to name a few. John Wiley & Sons' brands have leading positions in targeted segments of attractive markets. The company has a deep catalog of "must-have" content for uses in a wide breadth of businesses.

OUTLOOK

Small capitalization equity valuations are certainly lower now compared to just three months ago but remain elevated. However, high-quality small companies are more reasonably priced and should therefore provide superior investment results over the next several years relative to the Russell 2000 Value Index. Our strategy is centered on investing in high-quality small capitalization stocks and we therefore expect our relative results to compare favorably to the index over the intermediate and long term.

The best times to invest can often be those times when circumstances appear the worst. We do not know precisely how the current challenges will turn out, but we will continue to invest in businesses that have the greatest control over their markets with excellent business-level economics. We focus on purchasing these businesses at good prices with the expectation to own them for many years. This approach has historically produced healthy excess return with less risk and we expect that to continue in the future.

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: \$1,172.5 M

Portfolio Turnover: 25%–35%

INVESTMENT MANAGEMENT TEAM

NAMES	YEARS of research experience
Robert Schwarzkopf, CFA <i>CIO + Portfolio Manager</i>	30
Doug Foreman, CFA <i>Director of Equities</i>	25
Julie Kutasov <i>Portfolio Manager + Senior Research Analyst</i>	10
Craig Stone <i>Portfolio Manager + Senior Research Analyst</i>	22
Todd Bailey, CFA <i>Senior Research Analyst</i>	12
Jon Christensen, CFA <i>Senior Research Analyst</i>	16
Craig Thrasher, CFA <i>Research Analyst</i>	6
Gregory Toppe, CFA <i>Research Analyst</i>	11

TOP FIVE HOLDINGS

as of September 30, 2011

COMPANY	PERCENT of equity (%)
WD-40	5.6
First Cash Financial Services	5.4
John Wiley & Sons	5.4
World Fuel Services	5.3
Owens & Minor	5.3
Total	27.0

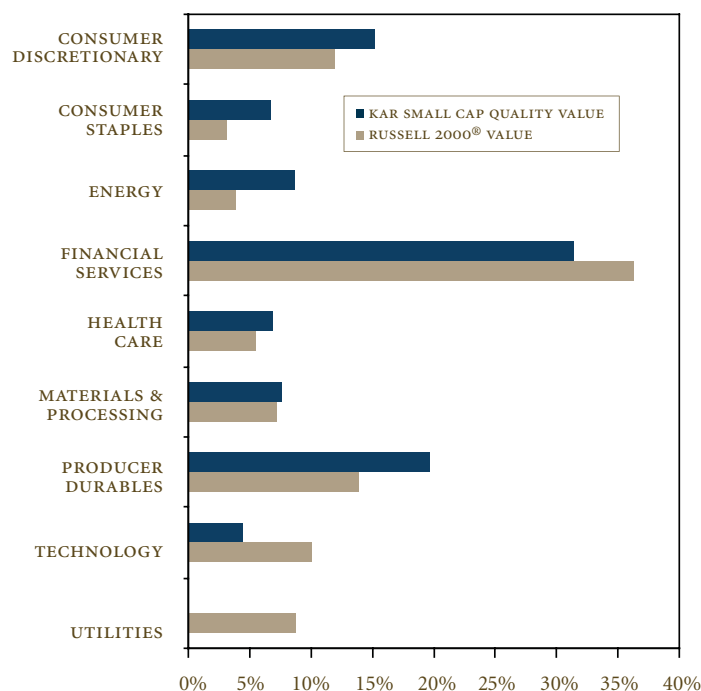
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Small Cap Quality Value strategy.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

INVESTMENT PROCESS—DISCOVERING QUALITY



SECTOR DIVERSIFICATION

as of September 30, 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 September 30, 2011

KAR Small Quality Value Russell 2000® Value

QUALITY	KAR Small Quality Value	Russell 2000® Value
Return on Equity—Past 5 yrs.	21.8%	6.9%
Total Debt/EBITDA	0.8x	6.4x
Earnings Variance—Past 10 yrs.	22.4%	96.6%
S&P Stock Ranking (A+, A, A-, B+)	80.4%	23.2%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	7.7%	-0.3%
Earnings Per Share Growth—Past 10 yrs.	11.7%	3.6%
Dividend Per Share Growth—Past 5 yrs.	9.5%	-2.5%
Dividend Per Share Growth—Past 5 yrs.	12.6%	2.6%
Capital Generation—(ROE x {1-Payout})	15.3%	5.5%
VALUE		
P/E Ratio—Trailing 12 Months	14.7x	16.6x
Dividend Yield	2.3%	2.5%
Free Cash Flow Yield [†]	4.6%	1.8%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$2.0 B	\$1.1 B
Largest Market Cap—4 Qtr. Avg.	\$3.7 B	\$3.7 B
Annualized Standard Deviation—Since Inception [*]	20.3%	22.3%

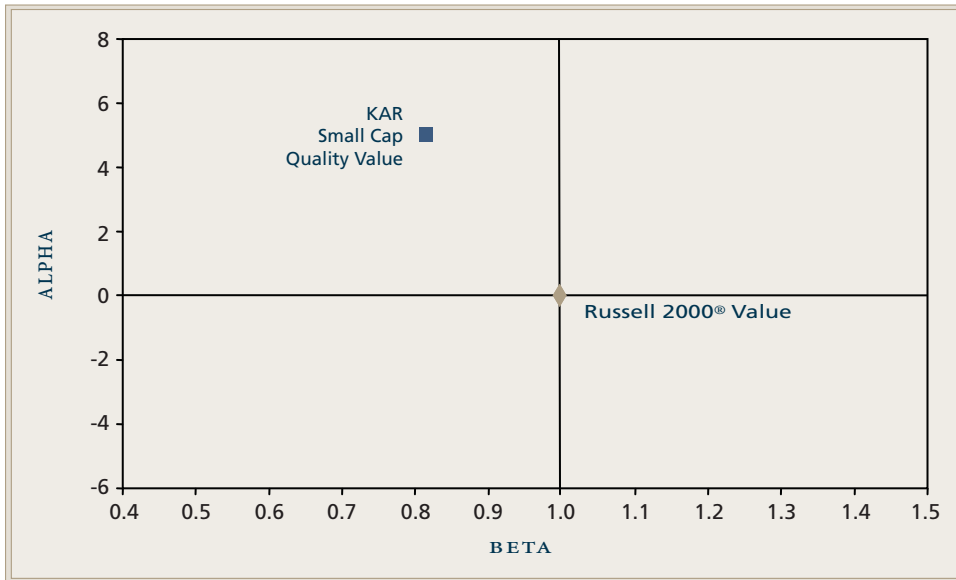
* Actual inception date is June 1, 1998. July 1, 1998 used for calculation purposes of quarterly information.

† Free cash flow data is as of June 30, 2011. Prices are as of September 30, 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 September 30, 2011



*Actual inception date is June 1, 1998. July 1, 1998 used for calculation purposes of quarterly information. This material is deemed supplemental and complements the performance and disclosure 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.

HISTORICAL RETURNS

	KAR Small Cap Quality Value (gross)	KAR Small Cap Quality Value (net)†	Russell 2000® Value
ANNUALIZED RETURNS (%)* as of September 30, 2011			
3rd Quarter	-15.50	-16.25	-21.47
Year to Date	-4.46	-6.19	-18.51
One Year	7.09	4.72	-5.99
Three Years	7.33	5.40	-2.78
Five Years	4.31	2.48	-3.08
Seven Years	7.89	5.79	1.99
Ten Years	10.56	8.08	6.47
Inception‡	9.76	7.17	5.22
ANNUAL RETURNS (%)			
2010	24.76	22.81	24.50
2009	27.82	25.92	20.58
2008	-28.62	-29.99	-28.92
2007	1.93	0.27	-9.78
2006	23.72	21.87	23.48
2005	8.53	5.31	4.71
2004	27.59	23.80	22.25
2003	22.12	18.59	46.03
2002	0.48	-2.52	-11.43
2001	19.42	16.06	14.03
2000	24.92	21.28	22.83
1999	-7.69	-10.39	-1.49

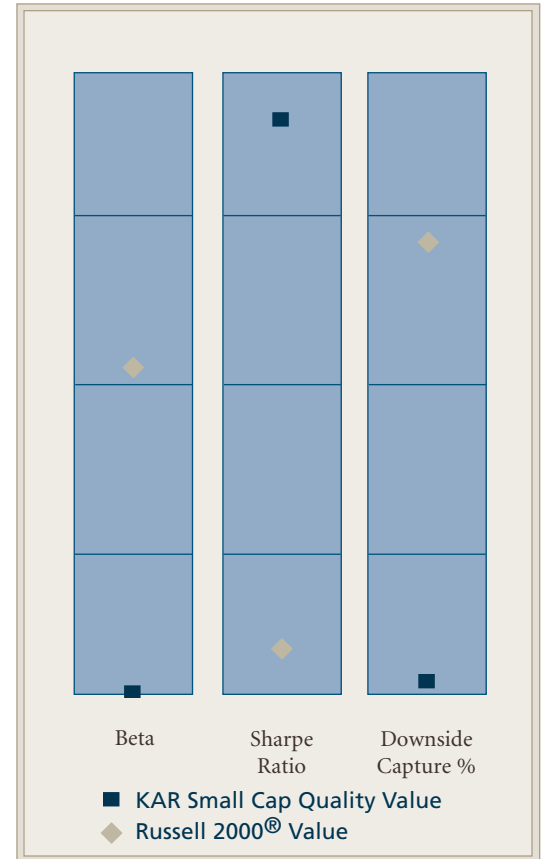
*All periods less than one year are total returns and are not annualized. Returns are preliminary.

†Net of all fees and expenses. Assumes a 3% annual fee.

‡June 1, 1998

PEER COMPARISON CHART

Inception* to June 30, 2011



PERFORMANCE STATISTICS

Inception* to September 30, 2011

	KAR Small Cap Quality Value	Russell 2000® Value
ANNUALIZED RETURN	9.79	5.30
ANNUALIZED STANDARD DEVIATION	20.26	22.29
ALPHA	4.72	0.00
BETA	0.82	1.00
SHARPE RATIO	0.35	0.12
R-SQUARED	81.34	100.00

*Actual inception date is June 1, 1998. July 1, 1998 used for calculation purposes of quarterly information. 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 Advisers 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.

The composite is defined as all fully discretionary, wrap fee Small Cap Quality Value portfolios (including cash) under management for at least one full quarter. Small Cap Quality Value portfolios are invested in equity securities with market capitalizations consistent with the Russell 2000® Value Index, that have market control, rising free cash flow, shareholder oriented management, strong consistent profit growth, and low debt balance sheets. The minimum account size for this composite is \$100,000. 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. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in January 2002. The firm maintains a complete list and description of composites, which is available upon request.

Accounts that experience a significant cash flow, defined as aggregate flows that exceed 25% of the beginning of period market value, are removed from the composite for the quarter the significant cash flow occurs. The account remains excluded until it has been invested without further significant cash flows for one full calendar quarter. Additional information regarding the firm's policies and procedures for calculating and reporting performance and for the treatment of significant cash flows is available upon request.

For periods prior to January 1, 2002, the composite calculations have been linked to the firm's Small Cap Quality Value actual historical non-wrap fee composite performance. The minimum account size for the Small Cap Quality Value non-wrap fee composite was \$250,000. These non-wrap fee portfolios are presented net of commissions on portfolio transactions. Beginning on January 1, 2002, only eligible wrap fee portfolios are included in composite results. The standard wrap fee schedule in effect is

3.00% on total assets. Actual management fees charged may vary depending on applicable fee schedules and portfolio size, among other things. Additional information may be found in Part IIA 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. Performance results include the reinvestment of all income. As of January 1, 2002, pure gross returns do not reflect the deduction of any expenses, including trading costs. From June 1, 1998 to December 31, 2005, net annual returns are calculated after the deduction of an assumed maximum annual wrap fee of 3%. Beginning January 1, 2006, net annual returns are calculated using actual fees incurred. If no fee data is provided by wrap sponsors, the maximum annual wrap fee of 3% is used to calculate net of fee performance. The historical non-wrap fee composite gross annual performance, as presented, is after commissions on portfolio transactions, which under a wrap fee agreement are included in such wrap fees. Wrap fees include all charges for trading costs, portfolio management, custody, and other administrative expenses.

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

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Wrap Accounts as % of Composite Assets	Accounts at Year End	Pure Gross Annual Return (%)*	Net Annual Return (%)	Russell 2000® Value Annual Return	Annual Standard Deviation
2001	8,384	< 1	0	<5	19.42	16.06	14.03	N/A
2002	8,612	< 1	0	<5	0.48	(2.52)	(11.43)	N/A
2003	10,262	5	100%	<5	22.12	18.59	46.03	N/A
2004	10,320	6	100%	5	27.59	23.80	22.25	0.27
2005	8,533	6	100%	10	8.53	5.31	4.71	0.09
2006	6,523	571	100%	25	23.72	21.87	23.48	0.42
2007	5,392	765	100%	28	1.93	0.27	(9.78)	0.33
2008	3,445	441	100%	33	(28.62)	(29.99)	(28.92)	0.73
2009	4,010	531	100%	34	27.82	25.92	20.58	0.55
2010	4,729	651	100%	34	24.76	22.81	24.50	0.75

*Beginning January 1, 2002, pure gross returns are supplemental to net returns.

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.