

Small Cap Sustainable Growth Portfolio

Managed Accounts
The “Next Generation of Blue Chips”

Fourth Quarter 2009

*A Focus on Quality Since 1984
Now Celebrating*



1800 Avenue of the Stars, Second Floor | Los Angeles, California 90067

T 800.231.7414 or 800.638.1496 in CA | kayne.com

Founded in 1984

- Los Angeles-based investment firm founded by John Anderson and Richard Kayne
- Quality at a Reasonable Price™ philosophy instituted in 1989 with the addition of Allan Rudnick
- Small Cap strategy introduced in 1992 by Robert Schwarzkopf, CFA
- Assets under management totaled \$4.1 billion as of December 31, 2009

Proprietary Fundamental Research is Our Lifeblood

- One of the industry's broadest and deepest research organizations focusing exclusively on high-quality companies
- Extensive (long only) U.S. small, mid, and large-cap equity resources

Entrepreneurial Culture and Cohesive Organization

- Senior management team averages 15 years experience with Kayne Anderson Rudnick
- Culture of meritocracy encourages and rewards investment idea generation and promotes a collegial environment

Independently Managed

- Independently operated subsidiary of Virtus Investment Partners (NASDAQ: VRTS)

Small and Mid Cap Team

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

Portfolio Manager/Analyst	Responsibility	Research Experience
Robert Schwarzkopf, CFA	Chief Investment Officer & Portfolio Manager	28 Years
Todd Beiley, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Health Care	10 Years
Jon Christensen, CFA	Portfolio Manager & Senior Research Analyst Sector Coverage: Consumer	14 Years
Julie Kutasov	Senior Research Analyst Sector Coverage: Financials	8 Years
Craig Stone	Senior Research Analyst Sector Coverage: Producer Durables and Energy	20 Years
Craig Thrasher, CFA	Research Analyst Sector Coverage: Consumer, Financials, and Utilities	4 Years
Gregory Toppe, CFA	Research Analyst Sector Coverage: Materials & Processing and Technology	9 Years
Brian Elliott	Chief Marketing Officer & Senior Portfolio Advisor	18 Years
Aaron Reed, CIMA & CIMC	Senior Portfolio Advisor	19 Years
Steven Weyland, CFA	Senior Portfolio Advisor	18 Years
Daniela Bailly	Portfolio Advisor	14 Years
Dan Park	Portfolio Advisor	14 Years

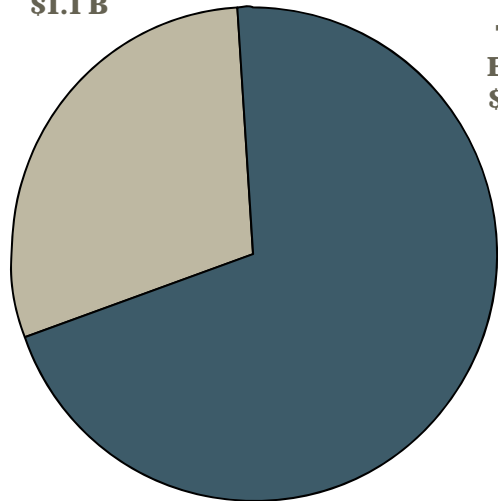
Representative Clients

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

\$4.1 Billion Assets Under Management

**Total Fixed
\$1.1 B**



**Total
Equity
\$3.0 B**

Corporate

Coffman Engineers
Lewitt, Hackman, et al.
Tennant Company
United States Sports Insurance Company, Inc.

Endowments & Foundations

American College of Trust and Estate
Dumont Foundation
Leon Jaworski Foundation
Nebraska Methodist Health System
William Hannon Foundation

Insurance

Dorchester Insurance Co., Ltd.
ING
Topa Insurance

Non-Profit

The Scripps Research Institute
United Friends of the Children

Public Funds & State Societies

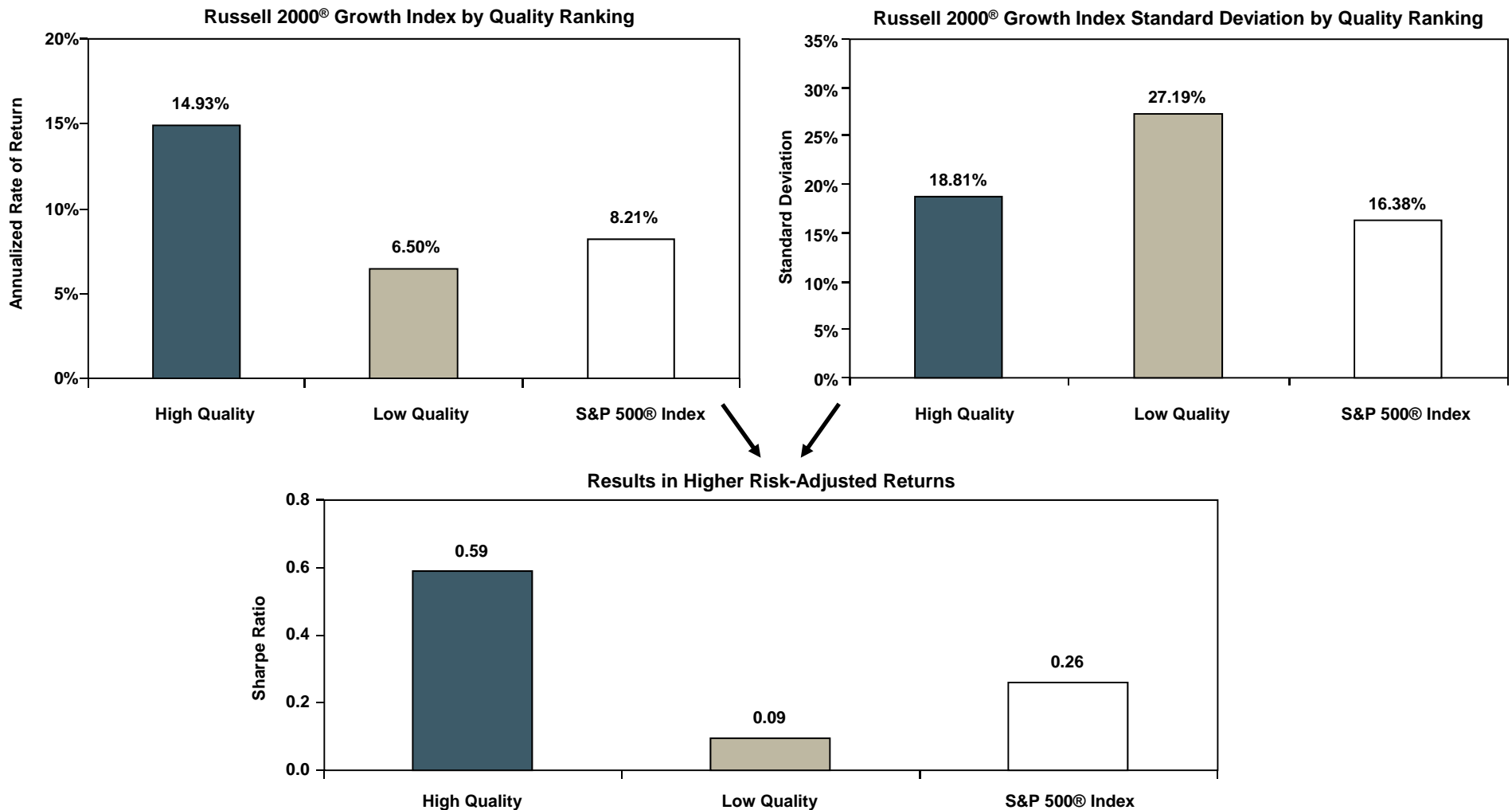
City of North Miami
City of Deerfield Beach

As of December 31, 2009. The above is a partial list of representative clients whose names have been chosen based on their universal name recognition only. It is not known whether the client approves or disapproves of Kayne Anderson Rudnick Investment Management, LLC or the investment advisory services provided. This list is provided for informational purposes only. It does not constitute an endorsement or testimonial by these clients.



Validation of Quality

Higher Quality Outperformed With Less Risk
20 Years Ending December 31, 2009



Returns are annualized for the 20 years ending December 31, 2009. Data is obtained from FactSet Research Systems and is assumed to be reliable.

Past performance is no guarantee of future results.

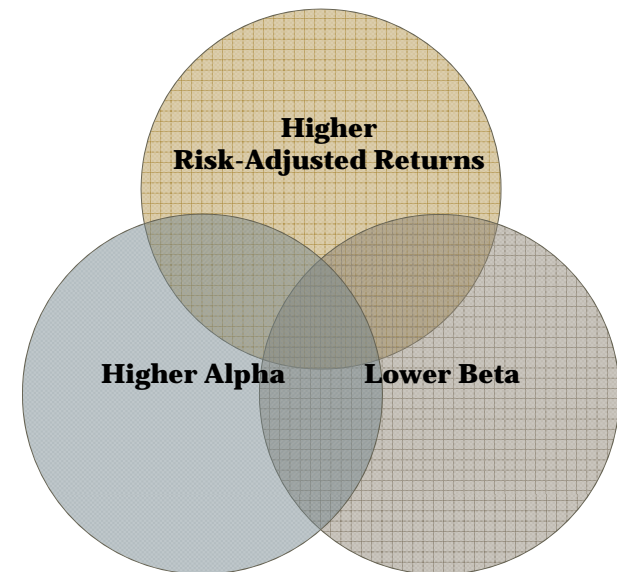
S&P High Quality – Stocks in the Russell 2000® Growth Index with an S&P quality ranking of B+ or higher.

S&P Low Quality – Stocks in the Russell 2000® Growth Index with an S&P quality ranking of B or less.

Investment Objectives

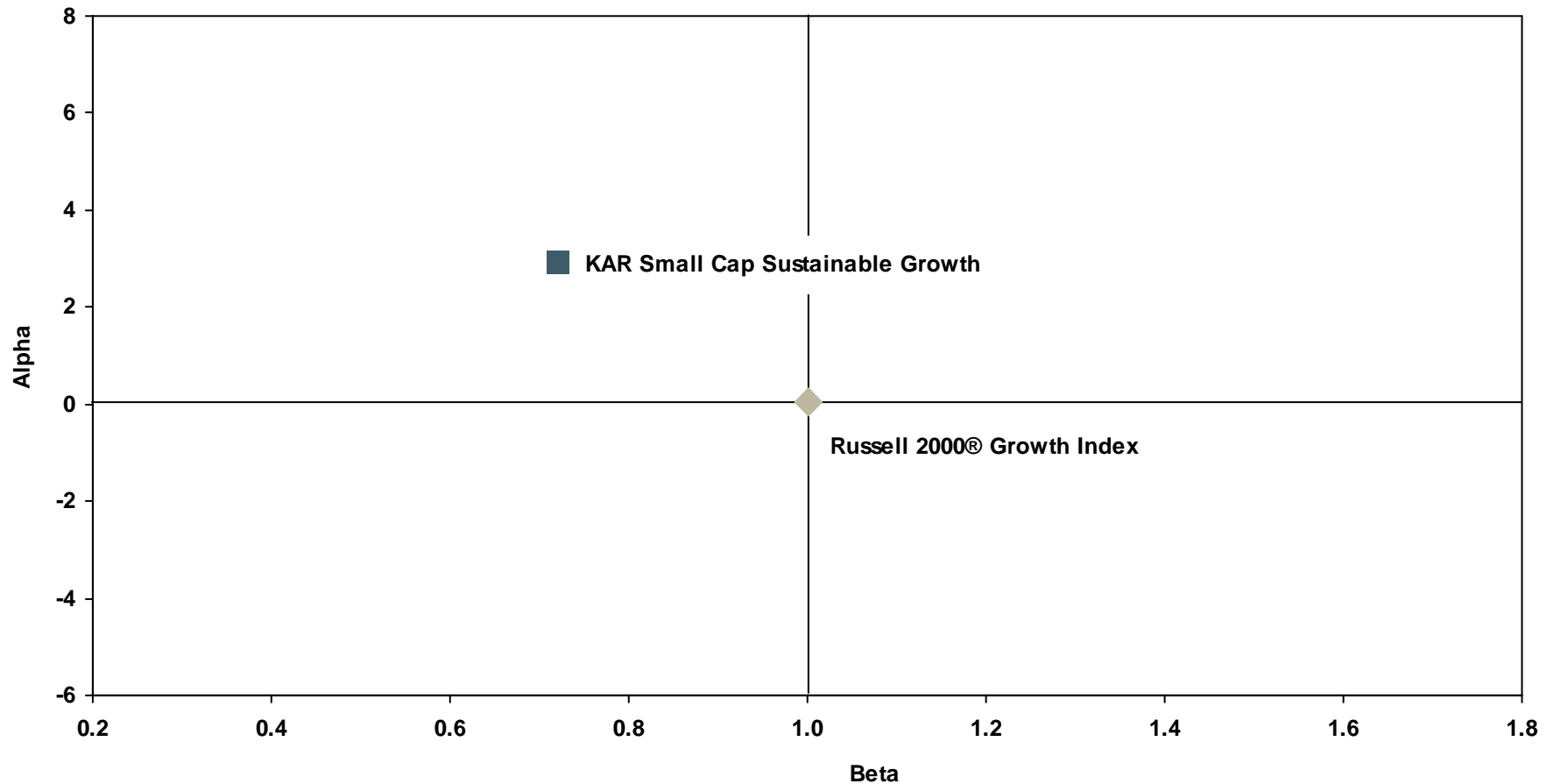
The “*Next Generation of Blue Chips*”
Quality at a Reasonable Price™

Small Cap Growth Returns, S&P 500® Risk



Proof Statement

U.S. Small Cap Sustainable Growth Equity
Inception* to December 31, 2009



*January 1, 1998

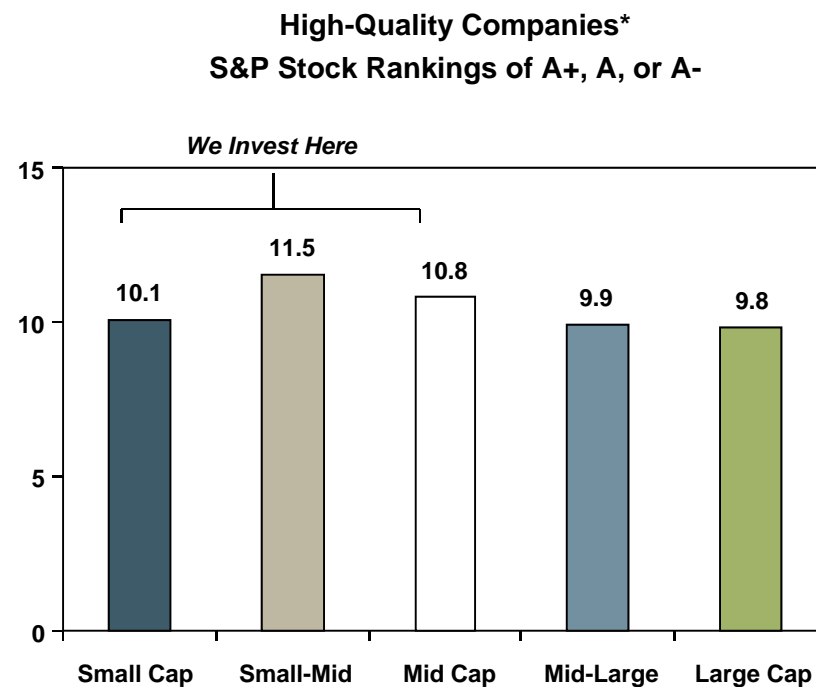
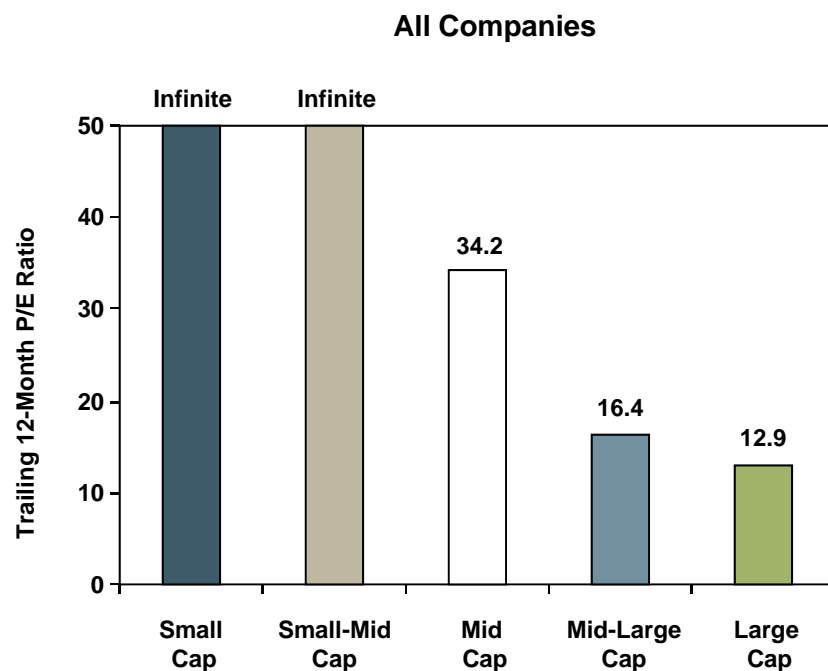
This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. For further details on the composite, please see the disclosure statement in this presentation. Past performance is no guarantee of future results. Data is obtained from FactSet Research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

Why High-Quality Small Cap?

Quality at Reasonable Price™

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT



Market Cap
(In \$Billions)

\$1.1 & Below \$1.1-2.8 \$2.8-9.3 \$9.3-33.0 \$33.0 & Above

\$1.1 & Below \$1.1-2.8 \$2.8-9.3 \$9.3-33.0 \$33.0 & Above

*Excludes negative earnings.

Source: FactSet Research Systems and a major consulting firm. Data as of March 31, 2009. P/E ratios are calculated as the sum of the total market values for all companies in that particular market cap range, divided by the sum of the total diluted EPS before extraordinary items for all companies in that particular market cap range. Only companies with market capitalizations greater than \$10 million are included. Past performance is no guarantee of future results.

Source of Quality

U.S. Small Cap Sustainable Growth Equity
Competitive Advantage

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT



Brand Franchise: *Morningstar*

- Brand name is synonymous with the company's mutual fund Star rating system and Style Box categories which are utilized by millions of investors
- Successfully leverages its strong brand to provide a wide range of investment related products



High Customer Switching Costs: *Hittite Microwave*

- Proprietary integrated circuits are designed-in to its customers' end products for use in technically-demanding radio frequency, microwave, and millimeter wave applications
- Sole source to customer for over 90% of its products creating high switching costs and long-lasting revenue stream as long as the product is produced



Network Effect: *National Research*

- Syndicated best practices research for health-care industry benefits each member as total membership grows
- Broad comparative database enables hospital customers to compare and benchmark their results with peers

The securities presented on this page are chosen based upon objective criteria. Companies are chosen to exemplify diversification. We typically select companies that operate in large, vast industries, but have overwhelming market share for their particular niches. All information is provided for informational purposes only and should not be deemed as a recommendation to purchase the securities mentioned. It should not be assumed that securities recommended in the future will be profitable. A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. Holdings are subject to change.

Investment Process

Discovering Quality

• **Higher Quality**

• **Stronger, More Consistent Growth**

• **Better Value**

Development of High-Quality Universe

Screen for Financial Characteristics:

- Low debt balance sheet
- Superior credit metrics
- Low volatility of earnings
- High return on invested capital
- Rising free cash flow
- Strong profit margins

200 Stocks

Proprietary Fundamental Research

Assessment of high-quality universe evaluated within industry:

- **Qualitative Analysis**
 - Sustainability of business model
 - Management evaluation
 - Risk analysis
- **Financial Analysis**
 - Long-term growth potential
 - Basis for superior profitability
 - Capital demands of the business
- **Valuation Analysis**
 - Double-digit expected annualized return over 3-5 years
 - Minimize downside risk
 - Balance historical valuation with potential multiple expansion in peer analysis

50-60 Stocks

Security Selection & Portfolio Construction

Securities chosen to create a portfolio of higher quality, stronger, more consistent growth, & better value relative to the benchmark:

- **Valuation**
 - Favorable reward-to-risk
 - Double-digit expected return
 - Attractive within sector
- **Diversification**
 - Sectors +/- 10% of the Russell 2000® Growth Index
 - Broadly diversified industry mix
- **Long-Term Focus**
 - Capture business trajectory
 - 3-to-5-year holding period
 - Invest with conviction

**Diversified Stock Portfolio
20-35 Stocks**

Portfolio & Risk Management

Continuous Evaluation

- Cultivate an open dialogue with management
- Channel checks—competitors, suppliers, customers, and consultants

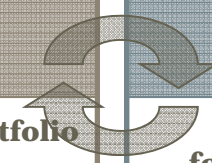
Add Opportunities

- Attractive near-term reward-to-risk
- Better long-term expectations

Sell Discipline

- Extended valuation
- Portfolio upgrade
- Diversification requirements
- Negative company or industry change
- Acquisition activity

Portfolio Designed for Strong Performance with Lower Risk



Extended Valuation

- Significant premium to intrinsic value
- Expected annual return provides insufficient equity risk premium

Portfolio Upgrade

- Enhance quality characteristics
- Accelerate growth profile
- Improve value metrics

Diversification Requirements

- Rebalance within sector controls
- Improve industry mix

Negative Company or Industry Changes

- Position review research report written for any of the following conditions:
 - Stock price declines 20% or more in a short time period absent a broad market decline
 - Validity deteriorates for one or more of the reasons for purchase
 - Credit-quality profile deteriorates
- Quality parameters reviewed quarterly by the Chief Investment Officer with the Portfolio Managers

Acquisition Activity

- Change in business model
- Attractive premium to pre-acquisition price
- Limited upside potential post acquisition

Portfolio Characteristics

U.S. Small Cap Sustainable Growth Equity
As of December 31, 2009

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index	Russell 2000® Index	S&P 500® Index	Description†
Quality					
Return on Equity—Past 5 Years	23.4%	12.5%	9.9%	20.8%	More Profitable
Total Debt/EBITDA	0.3 x	2.2 x	4.4 x	3.4 x	Less Balance Sheet Risk
Interest Expense Coverage	19.2 x	10.7 x	7.8 x	8.1 x	Less Balance Sheet Risk
Earnings Variance—Past 10 Years	29.7%	88.5%	92.3%	54.1%	Less Earnings Risk
S&P Stock Ranking (A+, A, A-, B+)	58.2%	16.5%	20.6%	67.9%	Better Quality
Growth					
Earnings Per Share Growth—Past 5 Years	17.2%	12.7%	6.4%	8.2%	Higher Earnings Growth
Earnings Per Share Growth—Past 10 Years	20.6%	11.7%	6.7%	10.5%	Higher Earnings Growth
Capital Generation—{ROE x (1-Payout)}	18.8%	11.5%	8.5%	14.2%	Faster Business Growth
Value					
P/E Ratio—Trailing 12 Months	25.1 x	89.9 x	301.9 x	30.3 x	Better Value
P/E-to-10-Year Growth	1.2 x	7.6 x	4.5 x	2.9 x	Better Value
Free Cash Flow Yield‡	6.9%	-3.7%	-3.2%	8.4%	Better Value
Market Characteristics					
\$ Weighted Average Market Cap—4 Qtr. Average	\$1.5 B	\$0.9 B	\$0.9 B	\$74.5 B	Comparable Size
Largest Market Cap—4 Qtr. Average	\$3.7 B	\$3.9 B	\$3.9 B	\$336.9 B	Comparable Size
Annualized Standard Deviation—Since Inception*	22.8%	28.3%	23.5%	18.8%	Less Market Risk

*January 1, 1998. Gross of fees.

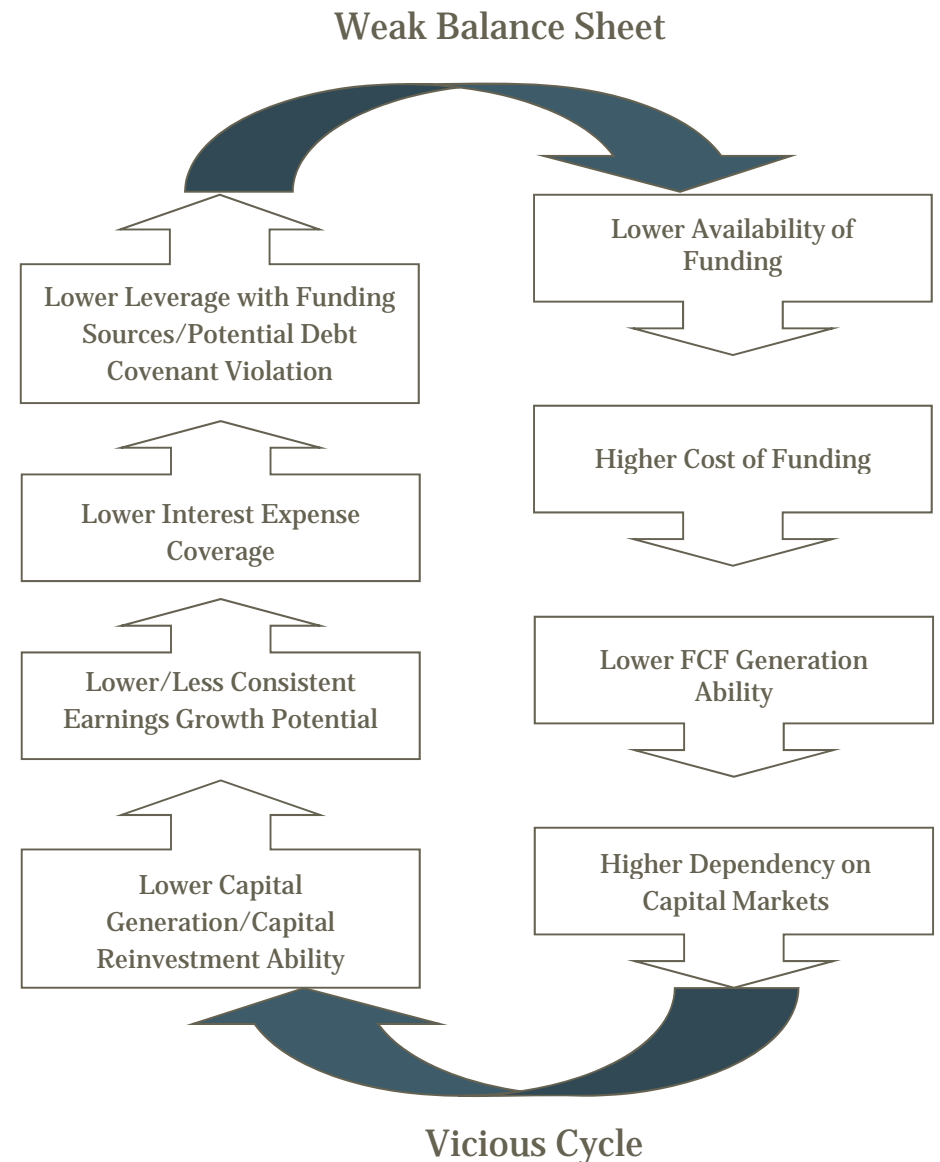
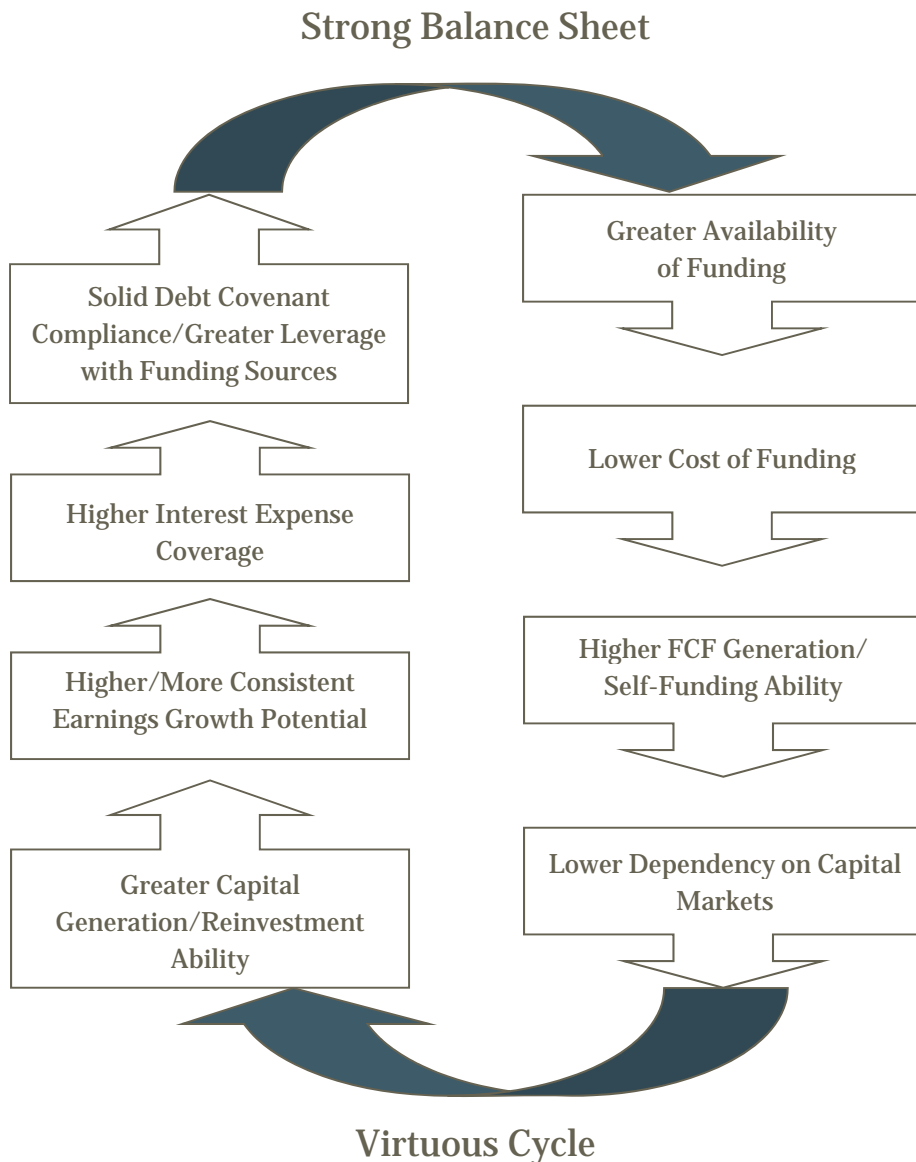
†Description reflects past results and is not an indicator of future performance results.

‡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.

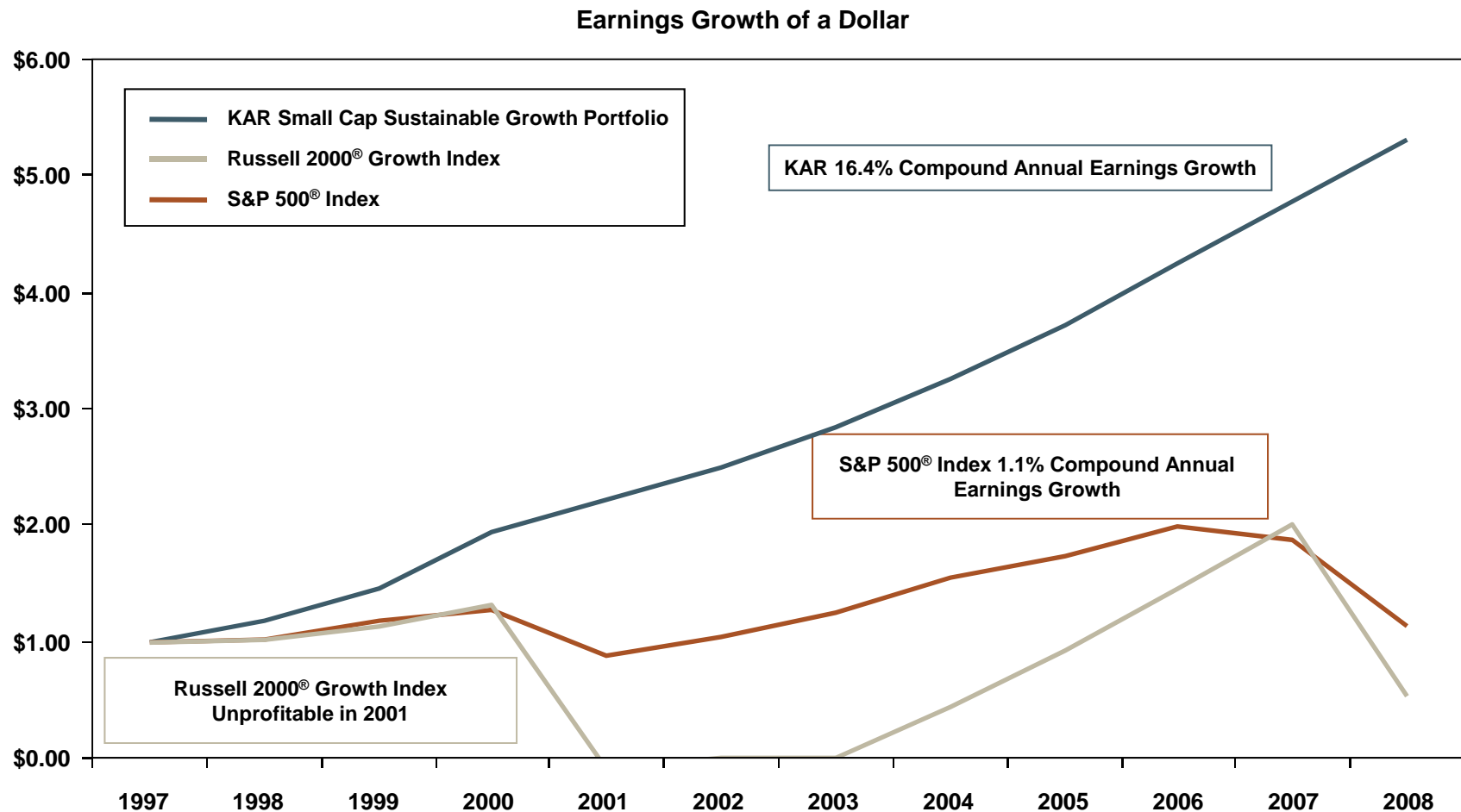
Data is obtained from Bloomberg, FactSet Research Systems, and a major consulting firm, and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information.

In an Environment where Capital is both more Expensive and Less Available, Balance Sheet Strength Becomes Vital



Portfolio Character

Rather than the fastest growing or the cheapest stocks, we focus on the most *consistently* growing companies



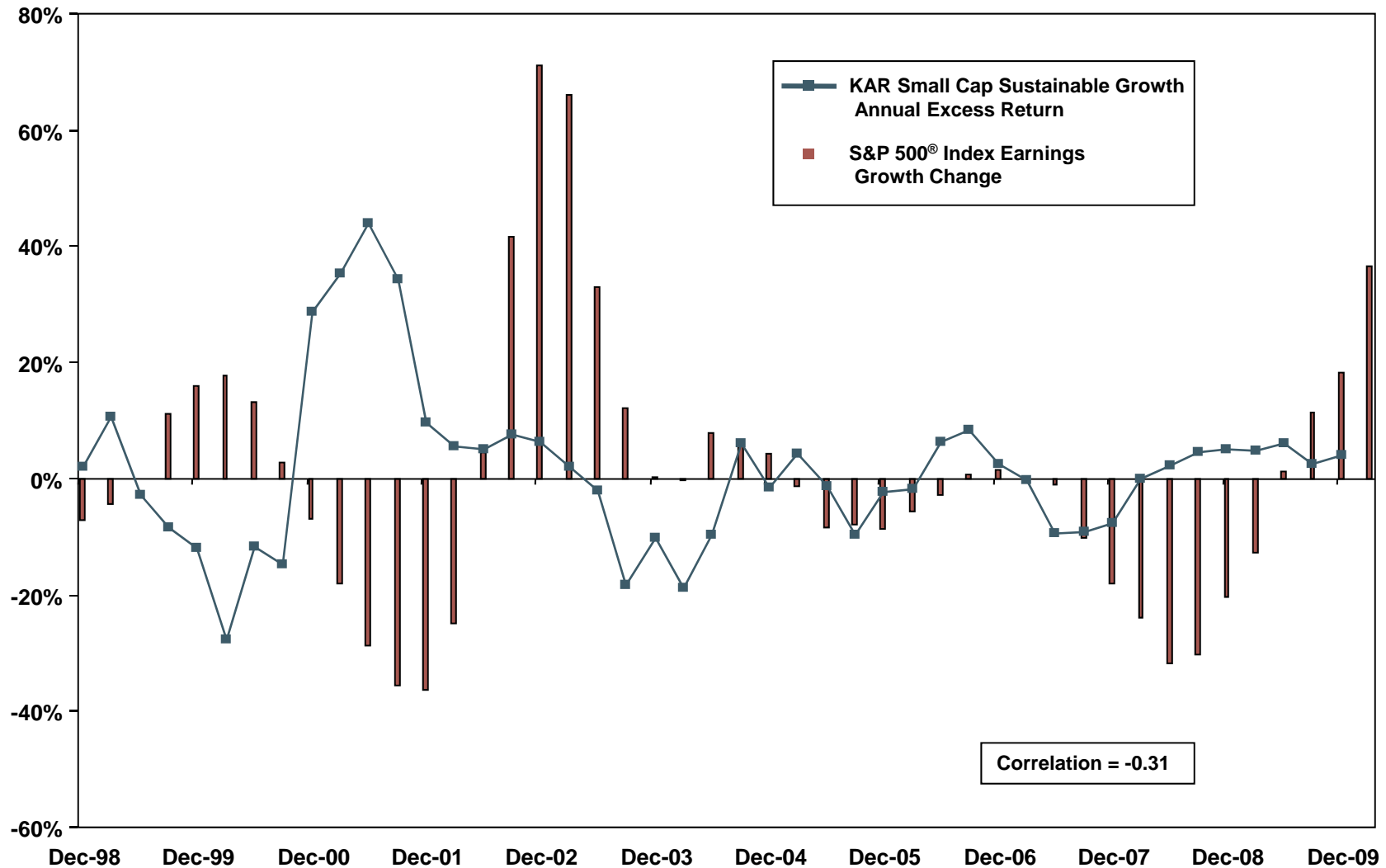
*This material is deemed supplemental and complements the performance and disclosure at the end of this presentation.
Data is obtained from Bloomberg, FactSet Research Systems, First Call, and a major consulting firm and is assumed to be reliable.
Earnings are estimated by First Call. Past performance is no guarantee of future results.*

Relative Performance and the Profit Cycle

Small Cap Sustainable Growth Excess Return
Versus S&P 500® Index Earnings Cycle

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT



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

Data is obtained from First Call Earnings Estimates Summary for S&P 500® Index. Earnings from the fourth quarter 2009 through March 2010 are estimates. For further details on the composite, please see the disclosure statement in this presentation. Past performance is no guarantee of future results.

Portfolio Holdings

U.S. Small Cap Sustainable Growth Equity

As of December 31, 2009

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

Underweight
 Overweight

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Consumer Discretionary	10.5%	18.1%
Aaron's POOLCORP Strayer Education		
Consumer Staples	4.3%	3.6%
Hansen Natural		
Energy	2.8%	4.0%
Tesco		
Financial Services	16.0%	7.6%
Cohen & Steers FactSet Research Systems Morningstar World Acceptance		
Health Care	23.0%	24.1%
Abaxis Meridian Bioscience National Research Quality Systems Techne		

	KAR Small Cap Sustainable Growth	Russell 2000® Growth Index
Materials & Processing	1.5%	4.3%
Omega Flex		
Producer Durables	18.5%	13.2%
Copart Flir Systems Forward Air HEICO		
Technology	23.4%	23.5%
ANSYS Blackbaud Hittite Microwave ScanSource		
Utilities	0.0%	1.6%

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

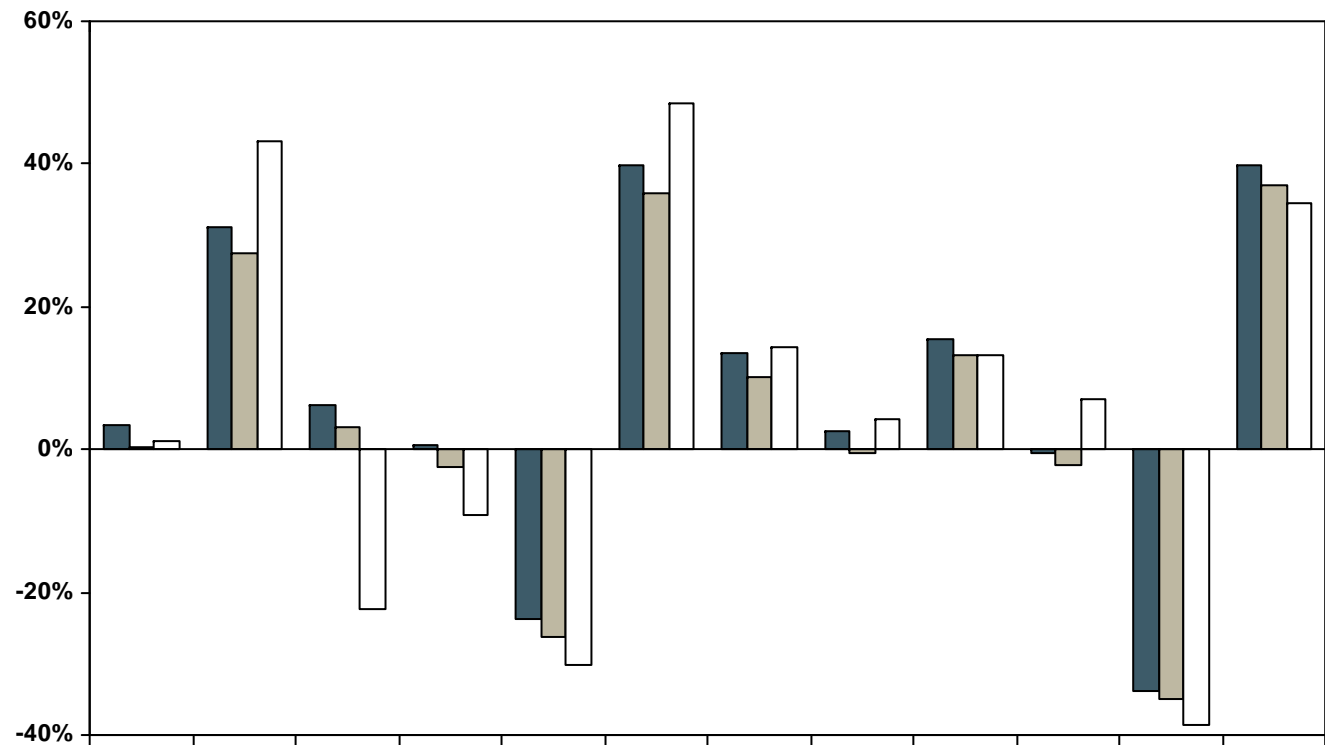
Data is obtained from FactSet Research Systems and is assumed to be reliable. A complete list of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Portfolio holdings are subject to change. The sector information represented above is based on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

Annual Returns

U.S. Small Cap Sustainable Growth Equity
Periods Ending December 31

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT



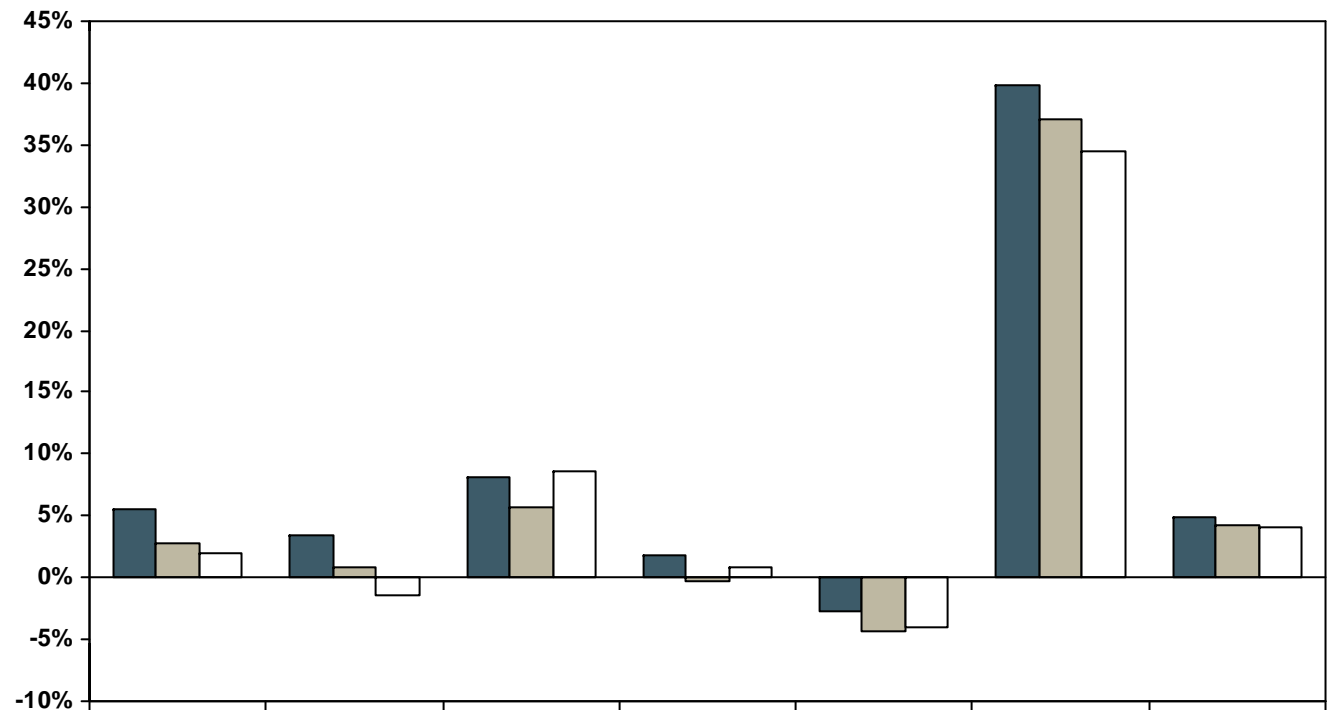
	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009
■ KAR Small Cap Sustainable Growth — Gross	3.33%	31.19%	6.28%	0.48%	-23.82%	39.90%	13.42%	2.71%	15.47%	-0.61%	-33.73%	39.82%
■ KAR Small Cap Sustainable Growth — Net	0.20%	27.42%	3.13%	-2.42%	-26.14%	35.88%	10.02%	-0.39%	13.12%	-2.14%	-34.93%	37.14%
□ Russell 2000® Growth Index	1.23%	43.09%	-22.43%	-9.23%	-30.26%	48.54%	14.31%	4.15%	13.35%	7.05%	-38.54%	34.47%

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 in this presentation. Past performance is no guarantee of future results.

Annualized Returns

U.S. Small Cap Sustainable Growth Equity
 Periods Ending December 31, 2009



	Inception*	Ten Years	Seven Years	Five Years	Three Years	One Year	Fourth Quarter
■ KAR Small Cap Sustainable Growth — Gross	5.55%	3.50%	8.17%	1.78%	-2.70%	39.82%	4.96%
■ KAR Small Cap Sustainable Growth — Net	2.82%	0.90%	5.67%	-0.32%	-4.42%	37.14%	4.21%
□ Russell 2000® Growth Index	1.95%	-1.37%	8.53%	0.87%	-4.00%	34.47%	4.14%

*January 1, 1998

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

All periods less than one year are total returns and are not annualized. Returns for the Kayne Anderson Rudnick composite are preliminary.

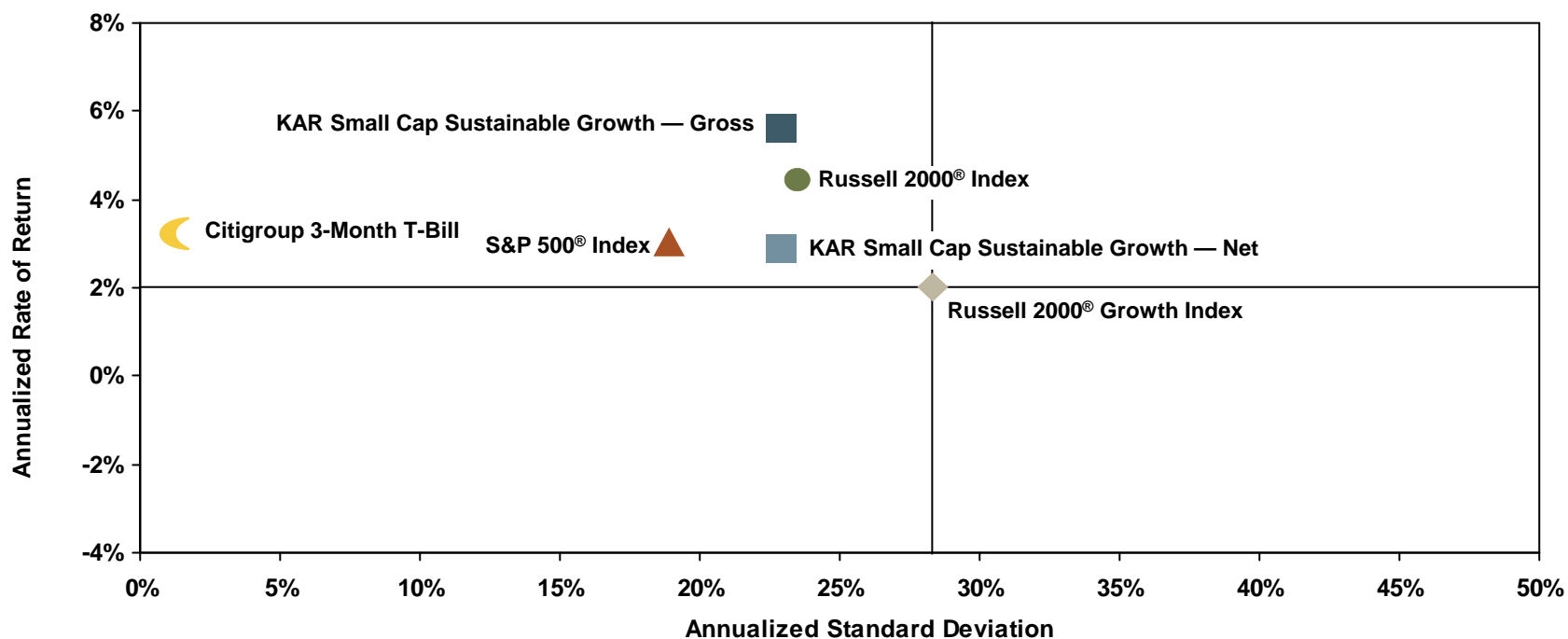
For further details on the composite, please see the disclosure statement in this presentation. Past performance is no guarantee of future results.

Risk-Return Analysis

U.S. Small Cap Sustainable Growth Equity
Inception* to December 31, 2009

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT



Annualized Summary Statistics	Geometric Mean Return %	Standard Deviation %	Semi-Standard Deviation (Downside Risk) %	Beta	Alpha %	R-Squared %	Sharpe Ratio	Number of Observations
KAR Small Cap Sustainable Growth — Gross	5.55	22.80	16.47	0.72	2.94	80.26	0.11	48
KAR Small Cap Sustainable Growth — Net	2.82	22.69	16.39	0.72	0.27	80.27	-0.02	48
Russell 2000® Growth Index	1.95	28.30	19.86	1.00	0.00	100.00	-0.04	48
Russell 2000® Index	4.36	23.46	16.80	0.79	1.71	91.66	0.05	48
S&P 500® Index	2.93	18.75	13.59	0.61	-0.17	83.69	-0.01	48
Citigroup 3-Month T-Bill	3.18	0.94	0.67	0.00	0.00	0.77	0.00	48

*January 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 in this presentation. Past performance is no guarantee of future results. Data is obtained from FactSet Research Systems and is assumed to be reliable. The portfolio statistics and those of the indexes are presented as compared to the primary benchmark for the portfolio, the Russell 2000® Growth Index.

- Consistent philosophy, approach, and team since inception
- Exclusive focus on high quality
- Highly disciplined fundamental research process
- Portfolios structured for higher quality, stronger, more consistent growth, and better value
- Historically strong performance

The Small Cap Sustainable Growth Portfolio is also available as a mutual fund. We are the sub-advisor to the Virtus Small-Cap Sustainable Growth Fund — PSGAX (A-Shares); PSGCX (C-Shares). For more information on this fund, please visit www.virtus.com.

Biographies

Executive Management

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT



Robert A. Schwarzkopf, CFA, is Chief Investment Officer, a Portfolio Manager for the Small and Mid Cap Equity Portfolios, and a member of the Executive Management Committee. He has approximately 28 years of equity research experience. Before joining Kayne Anderson Rudnick in 1991, Mr. Schwarzkopf was a member of the Investment Policy Committee at the Pilgrim Group of Mutual Funds and Portfolio Manager for Pilgrim Regional Bankshares. He earned a B.S. and an M.S. in Mathematics from the University of Miami. Mr. Schwarzkopf is a Chartered Financial Analyst charterholder and a member of the CFA Society of Los Angeles, Inc.



Stephen A. Rigali, CFA, is Executive Vice President and a member of the Executive Management Committee. He has approximately 28 years of experience in the investment management industry. Before joining Kayne Anderson Rudnick in 1991, Mr. Rigali was a Vice President at Shearson Lehman Brothers. Mr. Rigali earned a B.S. in Business and Economics from Loyola Marymount University. He is a Chartered Financial Analyst charterholder and a member of the CFA Society of Los Angeles, Inc.



Jeannine G. Vanian is Chief Operating Officer and a member of the Executive Management Committee. Ms. Vanian has approximately 22 years of experience in the investment management industry, including 20 years with Kayne Anderson Rudnick. Ms. Vanian attended The American University in Cairo, Egypt.



Brian Elliott is Chief Marketing Officer, a Senior Portfolio Advisor, an Investment Specialist who is a member of the domestic equity research and portfolio management group, and a member of the Executive Management Committee. He has approximately 18 years of experience in the investment management industry. Before rejoining Kayne Anderson Rudnick in 2004, Mr. Elliott was Vice President at AllianceBernstein Investment Research and Management. Before that position, he was Vice President, Advisory Services for Kayne Anderson Rudnick. Mr. Elliott earned a B.A. in Economics from Southern Methodist University and an M.B.A. from the University of California, Irvine.

Biographies

Small and Mid Cap Team



Robert A. Schwarzkopf, CFA, is Chief Investment Officer, a Portfolio Manager for the Small and Mid Cap Equity Portfolios, and a member of the Executive Management Committee. He has approximately 28 years of equity research experience. Before joining Kayne Anderson Rudnick in 1991, Mr. Schwarzkopf was a member of the Investment Policy Committee at the Pilgrim Group of Mutual Funds and Portfolio Manager for Pilgrim Regional Bankshares. He earned a B.S. and an M.S. in Mathematics from the University of Miami. Mr. Schwarzkopf is a Chartered Financial Analyst charterholder and a member of the CFA Society of Los Angeles, Inc.



Todd Beiley, CFA, is a Portfolio Manager and a Senior Research Analyst with primary research responsibilities for the small and mid-capitalization health-care sector. Before joining Kayne Anderson Rudnick in 2002, he worked as an Associate Analyst in equity research at Prudential Securities and before that was an Equity Research Associate at RNC Capital Management. He has over 10 years of equity research experience. Mr. Beiley earned a B.S. in Finance from Northern Arizona University and an M.B.A. from the University of Southern California. Mr. Beiley is a Chartered Financial Analyst charterholder.



Jon K. Christensen, CFA, is a Portfolio Manager and a Senior Research Analyst with primary research responsibilities for the small and mid-capitalization consumer sector. Before joining Kayne Anderson Rudnick in 2001, Mr. Christensen was a Portfolio Manager and Senior Research Analyst for Doheny Asset Management and has approximately 14 years of equity research experience. He earned a B.S. in Mathematics/Applied Science from the University of California, Los Angeles, and an M.B.A. from the California State University, Long Beach. Mr. Christensen is a Chartered Financial Analyst charterholder.



Julie Kutasov is a Senior Research Analyst with primary research responsibilities for the small and mid-capitalization financials sector. Before joining Kayne Anderson Rudnick in 2001, she worked at Goldman Sachs in a program focused on investment management for high-net worth individuals and at Arthur Andersen as a Senior Associate leading teams that provided financial-audit and business-advisory services to a variety of clients in service-related industries. Ms. Kutasov holds a Certified Public Accountant license (currently inactive) in the state of California. She has approximately eight years of equity research experience. Ms. Kutasov earned a B.A. in Business Economics from the University of California, Los Angeles, where she graduated summa cum laude, and an M.B.A. from Harvard Business School.



Craig Stone is a Senior Research Analyst with primary research responsibilities for the small and mid-capitalization producer durables and energy sectors. He has approximately 20 years of equity research experience. Before joining Kayne Anderson Rudnick in 2000, Mr. Stone was a Portfolio Manager at Doheny Asset Management. He earned a B.S. in International Business from San Francisco State University and an M.B.A. from the University of Southern California.

Biographies

Small and Mid Cap Team



Craig Thrasher, CFA, is a Research Analyst with primary research responsibilities for the consumer, financials, and utilities sectors. Before joining Kayne Anderson Rudnick in 2008, Mr. Thrasher worked at Kirr, Marbach & Company as an Equity Analyst and at Wedbush Morgan Securities in correspondent credit. He has approximately four years of equity research experience. Mr. Thrasher earned a B.S. in Business and Public Administration, concentration in Finance, from the University of Arizona, and an M.B.A. from the University of Chicago, Graduate School of Business. Mr. Thrasher is a Chartered Financial Analyst charterholder.



Gregory Toppe, CFA, is a Research Analyst with primary research responsibilities for the materials & processing and technology sectors. Before joining Kayne Anderson Rudnick in 2008, Mr. Toppe worked at Mt. Eden Investment Advisors as an Equity Analyst and at Fisher Investments as a Research Analyst and Portfolio Specialist for the institutional group. He has approximately nine years of equity research experience. Mr. Toppe earned a B.A. in History from Marquette University, a B.B.A. in Finance from the University of Wisconsin, Milwaukee, and an M.B.A. from the University of Wisconsin, Madison where he participated in the Applied Security Analysis Program. Mr. Toppe is a Chartered Financial Analyst charterholder.

Biographies

Small and Mid Cap Team



Brian Elliott is Chief Marketing Officer, a Senior Portfolio Advisor, an Investment Specialist who is a member of the domestic equity research and portfolio management group, and a member of the Executive Management Committee. He has approximately 18 years of experience in the investment management industry. Before rejoining Kayne Anderson Rudnick in 2004, Mr. Elliott was Vice President at AllianceBernstein Investment Research and Management. Before that position, he was Vice President, Advisory Services for Kayne Anderson Rudnick. Mr. Elliott earned a B.A. in Economics from Southern Methodist University, an M.B.A. from the University of California, Irvine.



Aaron A. Reed, CIMA, CIMC, is a Senior Portfolio Advisor, an Investment Specialist who is a member of the domestic equity research and portfolio management group. He has approximately 19 years of experience in the investment management industry. Before joining Kayne Anderson Rudnick in 2007, Mr. Reed was a Vice President covering several investment solutions for Nuveen Investments in the Midwest. Before that position, he was Vice President for Nicholas Applegate responsible for marketing managed money and mutual funds. Mr. Reed earned a B.S. in Economics, with a minor in Business Finance, from Oklahoma City University. He is a member of the Investment Management Consultants Association. Mr. Reed earned the Certified Investment Management Analyst (CIMA) designation from the Wharton School at the University of Pennsylvania and the Certified Investment Management Consultant (CIMC) designation from George Washington University.



Steven G. Weyland, CFA, is a Senior Portfolio Advisor, an Investment Specialist who is a member of the domestic equity research and portfolio management group. He has approximately 18 years of experience in the investment management industry. Before joining Kayne Anderson Rudnick in 2008, Mr. Weyland was an Investment Advisor and Vice President for JPMorgan Chase, overseeing high-net-worth and institutional assets. Before that position, he was a Regional Consultant for Placemark Investments and the Director of Consulting Services for Hilliard Lyons. Mr. Weyland earned a B.B.A. in Finance and Marketing from the University of Kentucky and he is a Chartered Financial Analyst charterholder.

Daniela Bailly is a Portfolio Advisor, an Investment Specialist who is a member of the domestic equity research and portfolio management group. She has approximately 14 years of experience in the investment management industry. Before rejoining Kayne Anderson Rudnick in 2009, Ms. Bailly was Vice President of Marketing at Bjurman, Barry & Associates, where she covered the central territories as well as National Sales, working closely with Portfolio Managers and Management. Before that position, she was an internal wholesaler for Advisory Services for Kayne Anderson Rudnick.



Dan Park is a Portfolio Advisor, an Investment Specialist who is a member of the domestic equity research and portfolio management group. He has approximately 14 years of experience in the investment management industry. Before joining Kayne Anderson Rudnick in 1999, Mr. Park was a Senior Analyst in the Performance and Asset Management Divisions of Wilshire Associates, Inc. Mr. Park earned a B.S. in Business Administration from California State University, Northridge.

- **Correlation:** A statistical measure of how two securities move in relation to each other.
- **Excess Return:** Returns in excess of the risk-free rate or in excess of a market measure.
- **S&P Quality Ranking:** A stock ranking system developed by Standard and Poor's. Growth and stability of earnings and dividends are deemed key elements in establishing S&P's rankings for common stocks, which are designed to capsule the nature of this record in a single symbol. The ladder of rankings is as follows: A+ Highest; A High; A- Above Average; B+ Average; B Below Average; B- Lower; C Lowest; D In Reorganization.
- **Semi-Standard Deviation:** A characterization of the downside risk of a distribution. Essentially it represents the standard deviation of all returns falling below the mean.
- **Sharpe Ratio:** A ratio developed by Nobel Laureate Bill Sharpe to measure risk-adjusted performance. It is calculated by subtracting the risk-free rate from the rate of return for a portfolio and dividing the result by the standard deviation of the portfolio returns.
- **Standard Deviation:** A measure of the dispersion of a set of data from its mean. The more spread apart the data is, the higher the deviation.

Disclosure

U.S. Small Cap Sustainable Growth Equity

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 Small Cap Sustainable Growth Wrap Portfolios (including cash) under management for at least one full quarter. The minimum account size for this composite is \$100,000. 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 July 2003. There was a change in personnel in April 2008 and February 2009.

For periods prior to July 1, 2003, the composite calculations have been linked to the firm's Small Cap Sustainable Growth actual historical non-wrap fee composite performance. These non-wrap-fee portfolios are presented net of commissions on portfolio transactions. Beginning on July 1, 2003, only eligible advisory wrap fee portfolios are included in composite results. Beginning on January 1, 2006, sub-advisory wrap fee portfolios are also included in composite results. Each sub-advisory relationship is included in the composite as one account.

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. Trade date accounting is used. From January 1, 1998 to December 31, 2005 composite returns are calculated by geometrically linking monthly returns. Beginning January 1, 2006, composite returns are calculated on a quarterly basis by asset weighting individual account returns using beginning of period values. Accounts enter and exit the composite on a quarterly basis.

Gross annual returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. From January 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 effect of fees on performance would grow at a compounded rate. Over a five year period, if a \$100,000 portfolio had an annual return of 10%, it would grow to \$161,051. The net compounded effect of a 3% annual investment management fee would total \$20,796 and result in a portfolio value of \$140,255. 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.

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)	Accounts at Year End	Percentage of Non-Fee Paying Accounts	Gross Annual Return (%)	Net Annual Return (%)	Russell 2000® Growth Index Annual Return (%)	Annual Standard Deviation (%)
1999	5,381	1	1	0	31.19	27.42	43.09	0
2000	6,686	1	1	0	6.28	3.13	(22.43)	0
2001	8,384	2	2	0	0.48	(2.42)	(9.23)	0
2002	8,612	1	3	0	(23.82)	(26.14)	(30.26)	0
2003	10,262	4	4	0	39.90	35.88	48.54	0
2004	10,320	3	2	0	13.42	10.02	14.31	0.16
2005	8,533	8	3	0	2.71	(0.39)	4.15	0
2006	6,523	230	10	0	15.47	13.12	13.35	0.49
2007	5,392	147	5	0	-0.61	-2.14	7.05	0.20
2008	3,445	74	12	0	-33.73	-34.93	-38.54	0.68

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

Kayne Anderson Rudnick Investment Management, LLC collects nonpublic information about you from the following sources:

- *Information we receive about you on applications or other forms;*
- *Information you give us orally; and*
- *Information about your transactions with us or others.*

We do not disclose any nonpublic personal information about our customers or former customers without the customer's authorization, except as permitted by law or in response to inquires from governmental authorities. We restrict access to your personal and account information to those personnel who need to know that information to provide products and services to you. We also may disclose that information to unaffiliated third parties (such as to brokers or custodians) only as permitted by law and only as needed for us to provide agreed services to you. We maintain physical, electronic, and procedural safeguards to guard your nonpublic personal information.