



PORTFOLIO OVERVIEW

The Small Cap Sustainable Growth Portfolio outperformed the Russell 2000 Growth 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 PriceSmart and Immucor. PriceSmart's shares were very strong in the quarter as same-stores sales in the company's stores have trended well into the upper teens over the first part of the year while competitors, such as Wal-Mart, have been barely positive in the same regions. Also, the company has opened its first store in Columbia, a new market for the company. The strength in its core business combined with positive prospects for Columbia have fueled the share gains. During the third quarter, Immucor announced it had agreed to be acquired by a private equity firm for a price equal to a 30% premium to the existing market valuation.

The companies that contributed the least to performance during the quarter included FLIR Systems and ScanSource. The shares of FLIR Systems lagged in the quarter due to concerns about defense spending and its potential impact on FLIR's sales to the military. ScanSource's shares lagged during the quarter largely due to economic concerns and the impact it would have on customers.

PURCHASES AND SALES

In the Small Cap Sustainable Growth Portfolio, we purchased Financial Engines, Hibbett Sports, NVE, and Sirona Dental Systems and we sold Hansen Natural and Immucor during the quarter.

Financial Engines provides financial advice and money management services to 401k plan participants through defined contribution programs available through corporate plan sponsors. Having signed up 131 of the top Fortune 500 companies, Financial Engines has established direct connections between corporate sponsors and 401k record keepers which are difficult for others to duplicate.

Hibbett Sports operates sporting goods stores in small-to-mid sized markets primarily in the southeast, southwest, Mid-Atlantic, and the Midwest regions of the United States. Hibbett Sports' business focuses on team sports with local and regional merchandise expertise. Larger players, such as Dick's and The Sports Authority, are more concentrated in urban areas that are much more competitive and costly to operate.

NVE develops, manufactures, and sells devices that use spintronics, a nanotechnology that relies on electron spin rather than electron charge to acquire, store, and transmit information. Existing products include sensors and couplers that are used to acquire and transmit data and magnetoresistive random access memory technology (MRAM).

Sirona Dental Systems develops, manufactures, and markets dental equipment. The company segments its business according to four product groups: Computer Aided Design (CAD)/Computer Aided Manufacturing (CAM) Systems which includes the company's CEREC equipment used for teeth restorations; Imaging Systems which includes digital X-ray equipment; Treatment Centers which includes dentist chair units; and Instruments which includes power-operated handheld devices.

We sold Hansen Natural as the shares were trading at the high end of their historical valuation range. We believed that the market had priced in the hyper-growth that Hansen's has seen over the last several years combined with market-share gains in the energy drink category against Red Bull.

During the quarter, Immucor announced it had agreed to be acquired by a private equity firm for a price equal to a 30% premium to the existing market valuation. With the stock trading at a less than 1.5% discount to the acquisition price, we sold our position.

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: Growth

Index: Russell 2000® Growth

Portfolio Inception: 1998

Portfolio Assets: \$173.2 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
Todd Bailey, 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

TOP FIVE HOLDINGS

as of September 30, 2011

COMPANY	PERCENT of equity (%)
ScanSource	5.4
Cohen & Steers	5.3
Sirona Dental Systems	5.3
POOLCORP	5.2
National Research	5.1
Total	26.3

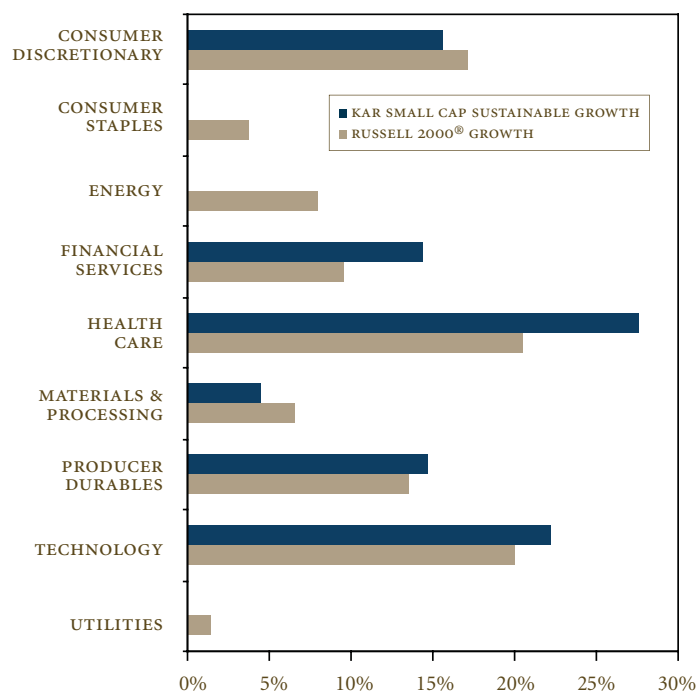
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Small Cap Sustainable Growth strategy.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

INVESTMENT PROCESS—DISCOVERING QUALITY



SECTOR DIVERSIFICATION

as of 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 Cap Sustainable Growth Russell 2000® Growth

QUALITY	KAR Small Cap Sustainable Growth	Russell 2000® Growth
Return on Equity—Past 5 yrs.	20.2%	11.7%
Total Debt/EBITDA	0.4x	2.2x
Earnings Variance—Past 10 yrs.	29.6%	81.6%
S&P Stock Ranking (A+, A, A-, B+)	56.5%	16.8%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	12.1%	8.9%
Earnings Per Share Growth—Past 10 yrs.	16.0%	12.5%
Capital Generation—(ROE x {1-Payout})	15.1%	10.5%
VALUE		
P/E Ratio—Trailing 12 Months	19.5x	24.8x
Free Cash Flow Yield†	4.1%	1.3%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$2.0 B	\$1.4 B
Largest Market Cap—4 Qtr. Avg.	\$5.4 B	\$4.3 B
Annualized Standard Deviation—Since Inception *	22.0%	28.0%

*January 1, 1998

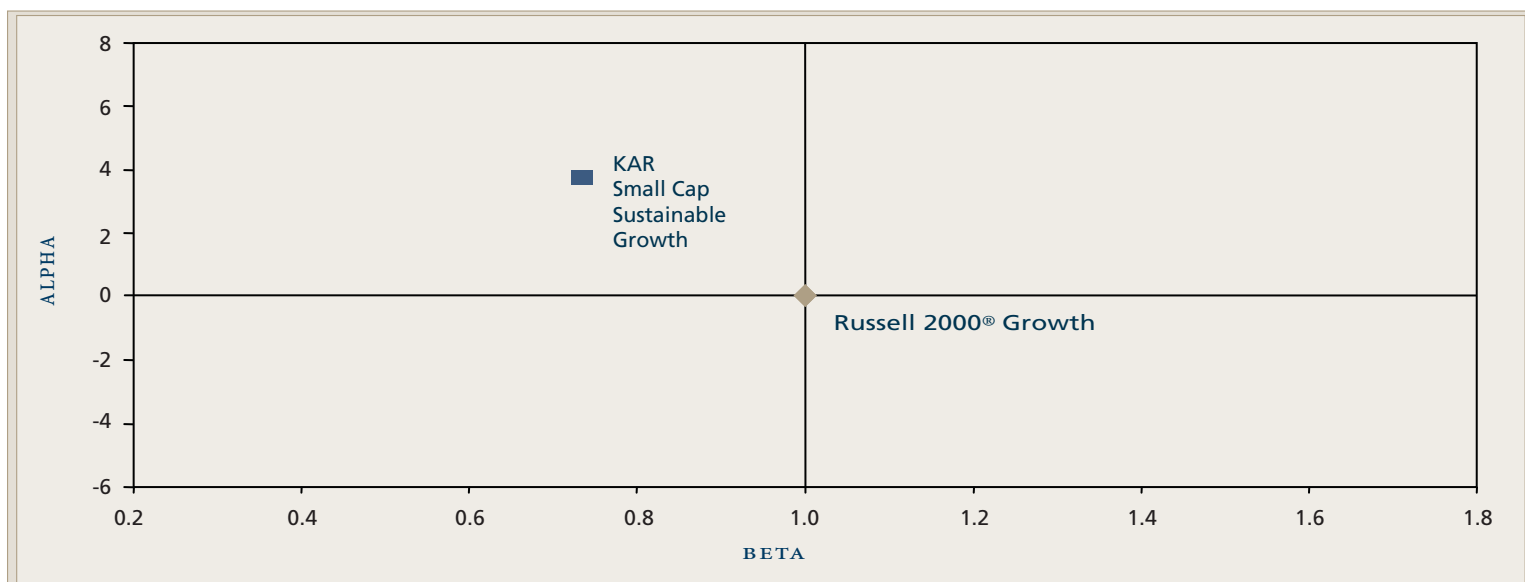
†Free cash flow data is as of June 30, 2011. Prices are as of September 30, 2011. Excludes financials.

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



*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 (%)*			
<i>as of September 30, 2011</i>			
3rd Quarter	-10.19	-10.94	-22.25
Year to Date	6.57	4.22	-15.57
One Year	19.29	15.91	-1.12
Three Years	7.57	5.19	2.07
Five Years	3.62	1.59	0.96
Seven Years	5.82	3.52	3.93
Ten Years	6.97	4.39	5.45
Inception‡	6.39	3.67	2.34
ANNUAL RETURNS (%)			
2010	15.43	13.07	29.09
2009	39.32	36.77	34.47
2008	-33.73	-34.93	-38.54
2007	-0.61	-2.14	7.05
2006	15.47	13.12	13.35
2005	2.71	-0.39	4.15
2004	13.42	10.02	14.31
2003	39.90	35.88	48.54
2002	-23.82	-26.14	-30.26
2001	0.48	-2.42	-9.23
2000	6.28	3.13	-22.43
1999	31.19	27.42	43.09
1998	3.33	0.20	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 3% annual fee.

‡January 1, 1998

PERFORMANCE STATISTICS

Inception* to September 30, 2011

	KAR Small Cap Sustainable Growth	Russell 2000® Growth
ANNUALIZED RETURN	6.39	2.34
ANNUALIZED STANDARD DEVIATION	22.03	27.97
ALPHA	3.53	0.00
BETA	0.70	1.00
SHARPE RATIO	0.17	-0.02
R-SQUARED	79.94	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 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 Sustainable Growth portfolios (including cash) under management for at least one full quarter. Small Cap Sustainable Growth portfolios are invested in equity securities with market capitalizations consistent with the Russell 2000® Growth 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® 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. Benchmark returns are not covered by the report of the independent verifiers. The composite was created in July 2003. 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 July 1, 2003, the composite calculations have been linked to the firm's Small Cap Sustainable Growth actual historical non-wrap fee composite performance. The minimum account size for the Small Cap Sustainable Growth non-wrap fee composite was \$250,000. These non-wrap fee portfolios are presented net of commissions on portfolio transactions. Beginning on July 1, 2003, 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 July 1, 2003, pure gross returns do not reflect the deduction of any expenses, including trading costs. 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 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® Growth Annual Return	Annual Standard Deviation
2001	8,384	2	0%	<5	0.48	(2.42)	(9.23)	N/A
2002	8,612	1	0%	<5	(23.82)	(26.14)	(30.26)	N/A
2003	10,262	4	100%	<5	39.90	35.88	48.54	N/A
2004	10,320	3	100%	<5	13.42	10.02	14.31	N/A
2005	8,533	8	100%	<5	2.71	(0.39)	4.15	N/A
2006	6,523	230	100%	10	15.47	13.12	13.35	0.49
2007	5,392	147	100%	9	(0.61)	(2.14)	7.05	0.20
2008	3,445	74	100%	12	(33.73)	(34.93)	(38.54)	0.99
2009	4,010	77	100%	13	39.32	36.77	34.47	1.11
2010	4,729	63	100%	12	15.43	13.07	29.09	0.55

*Beginning July 1, 2003, 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® Growth Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.