

Small Cap Core Portfolio

Fourth Quarter 2011 Review

*A Focus on Quality Since 1984
Now Celebrating*



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Portfolio Review

- Investment Objectives
- Performance and Attribution
- Purchases and Sales
- Portfolio Characteristics
- Performance

Market Outlook

How Are We Different?

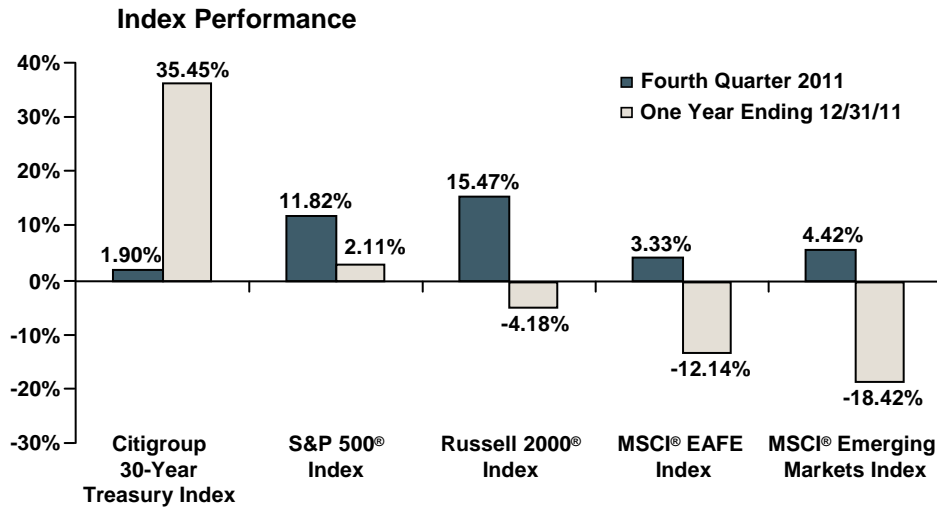
We Manage Risk and Generate Returns Differently

Investment Objective: Small Cap Returns, S&P 500® Risk	
RISK	
KAR Approach	Classic Approach
<ul style="list-style-type: none"> 25-35 stock portfolio <ul style="list-style-type: none"> 3% to 8% positions in high-quality companies Each company has: <ul style="list-style-type: none"> Minimal business risk Minimal balance sheet risk Minimal profit risk 2 years of negative returns since 1992 <ul style="list-style-type: none"> 82% downside capture 	<ul style="list-style-type: none"> 75 stock portfolio <ul style="list-style-type: none"> 1% to 2% positions No stock can hurt more than 2% 7 years of negative returns since 1992
RETURNS	
KAR Approach	Classic Approach
<ul style="list-style-type: none"> Exceptional companies producing exceptional returns on capital Buy at attractive price and let exceptional returns on capital drive exceptional growth and income over extended period of time 36 to 60 months average holding period Low frictional costs due to less trading Inherent tax efficiency 5% annual alpha (risk-adjusted excess return) 	<ul style="list-style-type: none"> Average companies producing average return on capital Buying cheap and selling dear required for above-average portfolio returns 6 months average holding period High frictional costs due to rapid trading Poor tax efficiency due to short holding periods
Results: Strong Risk-Adjusted Returns with Higher Alpha and Lower Beta	

Data as of December 31, 2011. Past performance is no guarantee of future results. Statistics provided are calculated from the portfolio inception date of April 1, 1992.

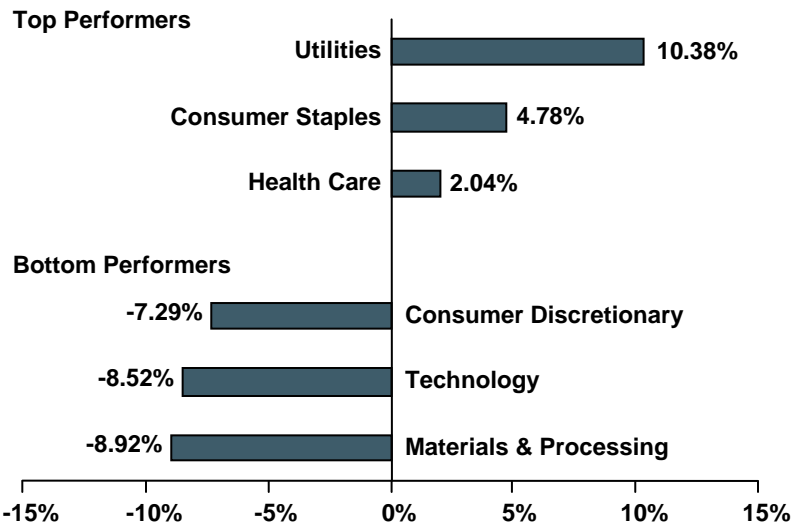
Market Review

One Year Ending December 31, 2011



- Equity markets generated positive returns in the fourth quarter but were flat to negative for the full year as markets remained volatile due to concerns regarding sovereign debt issues in Europe, slowing growth in emerging economies, domestic political polarization, and continued elevated unemployment levels.

Sector Performance – Russell 2000® Index



- For the full year, more defensive sectors outperformed more cyclical sectors further emphasizing investor concern regarding the economic outlook.

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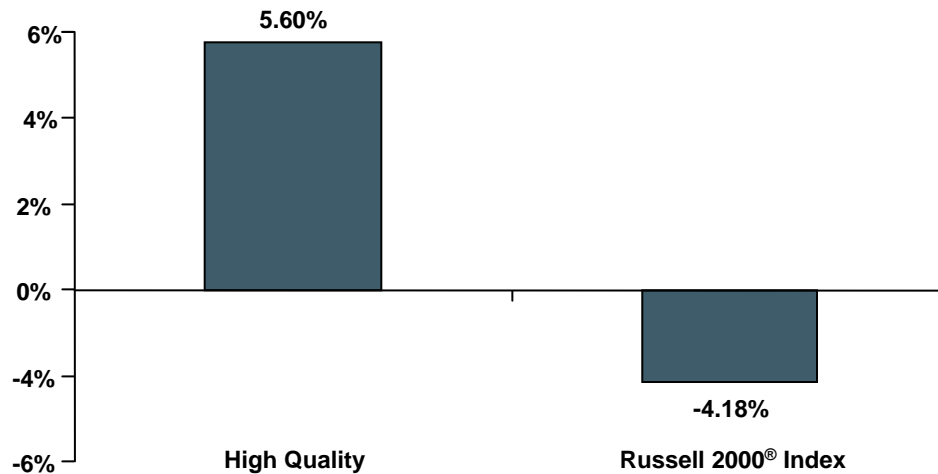
Market Review

One Year Ending December 31, 2011

KAYNE ANDERSON RUDNICK

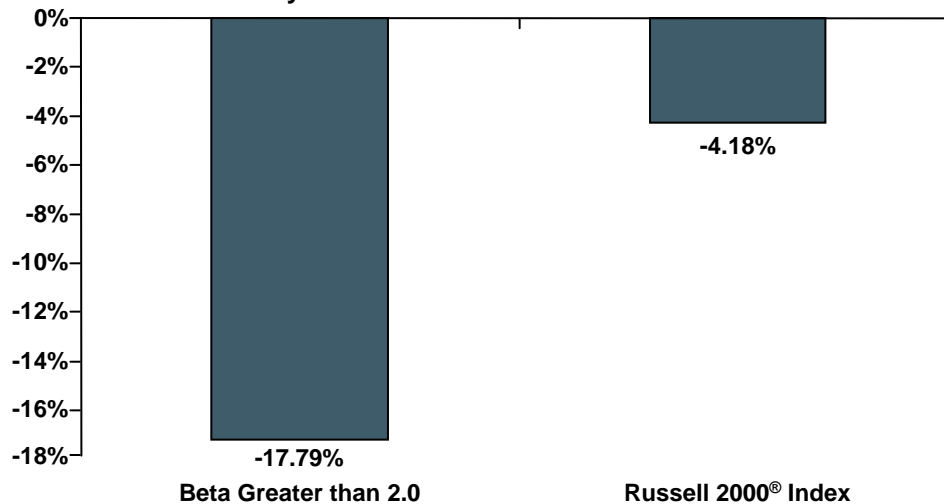
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Performance by Quality – Russell 2000® Index



- Higher quality companies, as measured by S&P Quality Rankings of B+ and above, outperformed the overall market in 2011.

Performance by Risk – Russell 2000® Index



- Riskier companies, as measured by beta, underperformed the overall market for the full year, indicating investor preference for removing risk from their portfolios.

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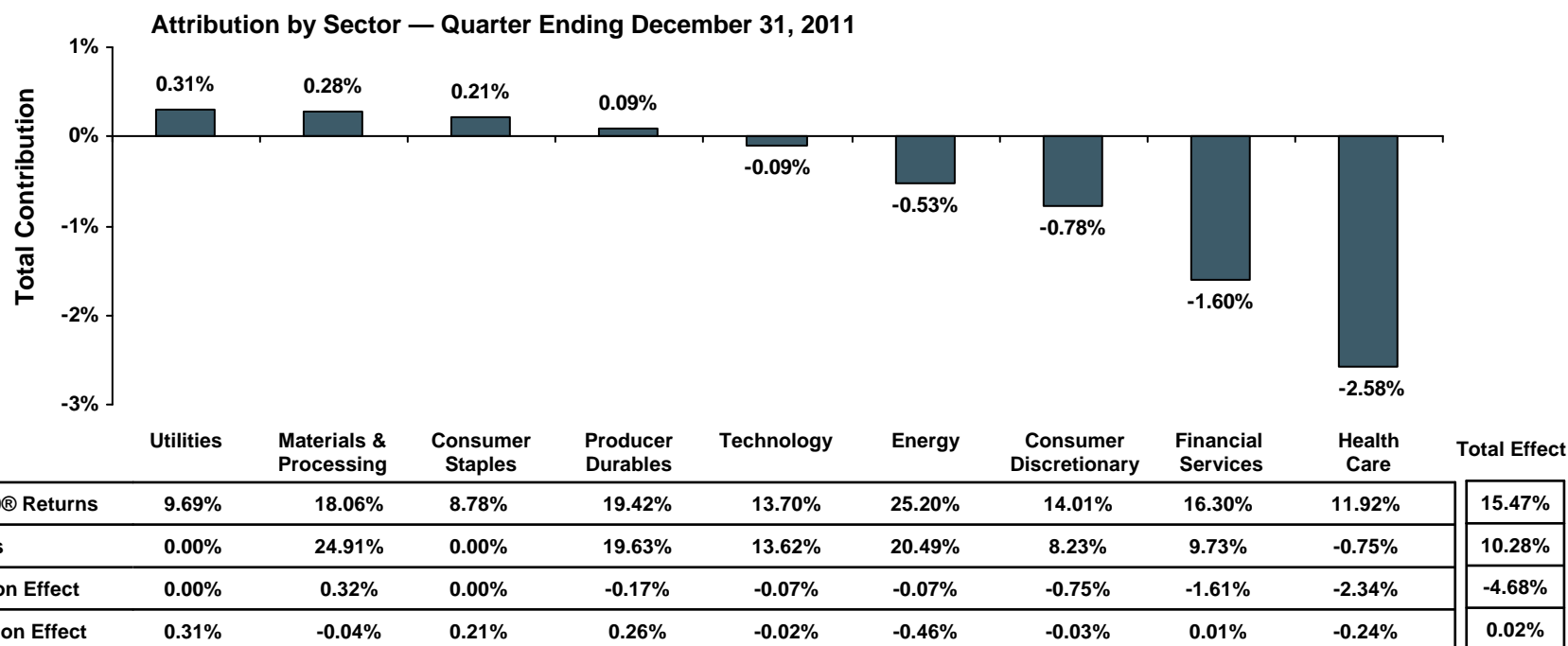
Quarterly Performance Overview

U.S. Small Cap Core Equity

Period Ending December 31, 2011

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Monthly and Quarterly Returns				
	October	November	December	Fourth Quarter
KAR Small Cap Core — Gross	10.65%	0.24%	-0.57%	10.28%
KAR Small Cap Core — Net	9.90%	0.24%	-0.57%	9.54%
Russell 2000® Index	15.14%	-0.36%	0.66%	15.47%

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Returns for the Kayne Anderson Rudnick composite are preliminary. For further details on the composite, please see the disclosure statement in this presentation.

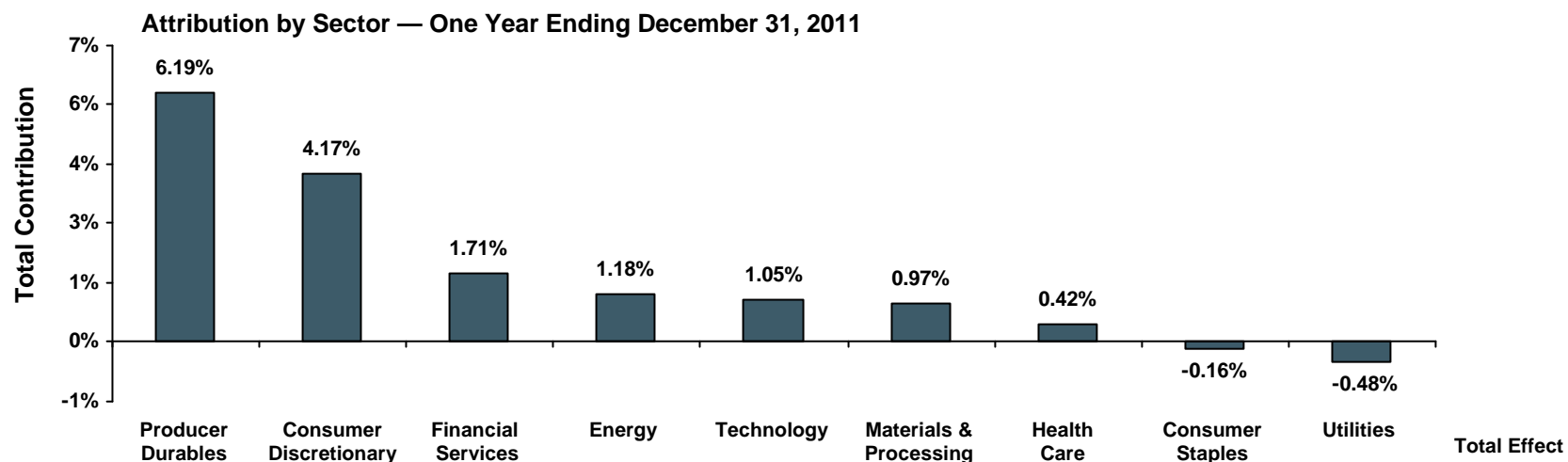
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Annual Performance Overview

U.S. Small Cap Core Equity
Period Ending December 31, 2011

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	Producer Durables	Consumer Discretionary	Financial Services	Energy	Technology	Materials & Processing	Health Care	Consumer Staples	Utilities	Total Effect
Russell 2000® Returns	-6.06%	-7.29%	-2.90%	-6.15%	-8.52%	-8.92%	2.04%	4.78%	10.38%	-4.18%
KAR Returns	28.07%	23.66%	3.64%	19.85%	-0.76%	3.41%	3.39%	0.00%	0.00%	9.46%
KAR Selection Effect	6.14%	4.12%	1.64%	0.86%	0.92%	0.85%	0.10%	0.00%	0.00%	14.62%
KAR Allocation Effect	0.05%	0.05%	0.07%	0.32%	0.13%	0.12%	0.32%	-0.16%	-0.48%	0.50%

Quarterly and Year to Date Returns					
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Year to Date
KAR Small Cap Core — Gross	10.70%	3.89%	-13.70%	10.28%	9.46%
KAR Small Cap Core — Net	10.29%	3.56%	-14.25%	9.54%	7.28%
Russell 2000® Index	7.94%	-1.61%	-21.87%	15.47%	-4.18%

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Highest Contributors

U.S. Small Cap Core Equity

Quarter Ending December 31, 2011

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

SECURITY	CONTRIBUTION	COMMENTS
Copart	+1.22%	The stock performed strongly following Copart's announcement of better-than-expected fiscal first quarter 2012 results driven primarily by robust volume growth and solid operating leverage. The company is a strong free-cash-flow generator with a history of prudent capital allocation and disciplined share repurchases (with \$44 million in share buybacks completed during the recent quarter).
Brown & Brown	+1.05%	The stock recovered from earlier weakness following the company's reports of better-than-expected third quarter 2011 results achieved despite the ongoing softness in the P&C insurance market and difficult economic conditions in the company's core middle market segment. The stock strengthened further following the company's December 15 announcement of a \$400 million acquisition of Arrowhead General Insurance Agency, one of the nation's largest P&C managing general agents. Despite this challenging operating environment, Brown & Brown continues to maintain its industry-leading profitability. Despite being one of the nation's largest P&C insurance brokers, the company holds a modest single-digit share of its highly fragmented market and is in an excellent position to maintain its profitable growth by continuing to win market share and execute on numerous consolidation opportunities leveraging the company's unique business culture and M&A expertise.
POOLCORP	+0.94%	POOLCORP saw its shares increase in the quarter after reporting solid financials that showed increased activity in both the construction and replacement segments of their business—which makes up most of their revenues. Despite new pool construction still hovering at 70% below peak levels, the maintenance of existing pools continues. The company has gained market share in the latest recession and are better positioned to grow as the overall economy recovers.

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Lowest Contributors

U.S. Small Cap Core Equity

Quarter Ending December 31, 2011

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

SECURITY	CONTRIBUTION	COMMENTS
Computer Programs & Systems	-0.75%	After producing exceptional growth in the first half of 2011 the company reported weak Q3 results and provided a soft Q4 outlook which raised investors' concern about the magnitude and duration of stimulus-related demand as well as Computer Programs & Systems' position as beneficiary of the program. We believe the business that was not booked is delayed, not lost, and that the company's competitive positioning and exceptional financial character remains intact.
Federated Investors	-0.38%	A portion of Federated Investors' money market business (prime money market) has significant exposure to the European debt crisis through short-term loans made to large European banks. As this crisis escalated, it negatively affected Federated's stock price. While we do not view this exposure favorably, we believe the valuation of Federated ascribes no value to this portion of their business and are therefore comfortable holding the shares.
Cohen & Steers	-0.08%	Cohen & Steers reported strong results in the quarter highlighted by net inflows representing annualized organic growth of 13%. While the stock traded down as the results were not quite as strong as those reported in recent quarters, our conviction in the underlying business remains strong.

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Highest Contributors

U.S. Small Cap Core Equity

One Year Ending December 31, 2011

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

SECURITY	CONTRIBUTION	COMMENTS
POOLCORP	+1.83%	POOLCORP saw its shares increase in the year after showing increased activity in both the construction and replacement segments of their business—which makes up most of their revenues. Despite new pool construction still hovering at 70% below peak levels, the maintenance of existing pools continues. The company has gained market share in the latest recession and are better positioned to grow as the overall economy recovers.
Copart	+1.52%	The stock performed strongly following Copart's announcement of better-than-expected results driven primarily by robust volume growth and solid operating leverage. The company is a strong free-cash-flow generator with a history of prudent capital allocation and disciplined share repurchases (with \$44 million in share buybacks completed during the recent quarter).
The Advisory Board	+1.31%	The stock performed strongly following the company's reports of excellent operating results with improved member renewal and new client acquisition environment providing the foundation for the calendar 2011 guidance increase. Importantly, the company's balance sheet remains pristine and with no debt. With the nation's health-care industry facing an environment of an unprecedented degree of complexity and uncertainty further exacerbated by the recently adopted health-care reform's provisions, the company's value proposition to both existing and prospective clients is becoming more evident than ever. The Advisory Board is in an excellent position to maintain its profitable growth by continuing to win market share and execute on numerous product development and tuck-in acquisition opportunities leveraging the company's dominant positioning and expertise in the health-care segment. With the company's valuation attractive we trimmed our position in the stock.

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Lowest Contributors

U.S. Small Cap Core Equity

One Year Ending December 31, 2011

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

SECURITY	CONTRIBUTION	COMMENTS
Federated Investors	-1.75%	The money market business was negatively impacted by a number of factors during 2011, including the current low level of interest rates as the company has been waiving management fees to maintain positive or zero yields for investors. In the third quarter, the Federal Reserve indicated plans to keep interest rates at this exceptionally low level until mid-2013. In addition to this disappointing development, the money market business faces regulatory uncertainty and risks due to exposure to debt issued by European banks. While collectively these issues have diminished our assessment of Federated Investors, the valuation places little if any value on their money market business. Given the discounted valuation and our belief that the business is still fundamentally sound, we continue to hold the shares.
Hittite Microwave	-0.90%	Hittite Microwave's stock lagged during the year as it had been trading at a premium valuation and as investors began to worry about their ability to sustain their robust growth.
Owens & Minor	-0.40%	Despite outperforming the benchmark during the year, the shares of Owens & Minor declined modestly and were among the lowest contributors to the portfolio's return due to higher-than-expected costs incurred to convert a significant new customer to its service as well as a tempered near term outlook provided by management. We believe the business' long-term prospects remain attractive and continue to hold our position.

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Purchases

U.S. Small Cap Core Equity

Quarter Ending December 31, 2011

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

PURCHASES	DESCRIPTION/REASONS
Haemonetics—Increased Position	Haemonetics has been able to achieve top-line organic growth over time despite volatility in the blood plasma sales market and a recent voluntary product recall. The company has continued to develop new markets and gain market share for its equipment to improve blood collection and surgical blood salvage. Chronic blood shortages and new standards requiring additional testing of donated blood should maintain demand for the company's products. Despite a recent product recall of its OrthoPAT systems, its new impact blood management product (used by hospitals for management of blood inventories, improving donor retention, and reducing waste) sales have accelerated due to the hospitals more closely managing costs.

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Sales

U.S. Small Cap Core Equity
Quarter Ending December 31, 2011

SALES	REASONS
The Advisory Board—Trimmed Position	The Advisory Board has continued to produce strong financial results as contract values have increased 21% in the latest quarter and member hospitals have added the company's products as their costs are being scrutinized. However, the company has sacrificed margins for growth as it has acquired companies to penetrate more markets in its data analytics segment. Data analytics also have a much higher price than the company's traditional research products which could prove to be a much harder sell in this current cycle. The shares have performed very well. This combined with the shares trading well above its historical range, lead us to trim our position to reallocate funds to other positions that we believe offer more compelling reward-to-risk metrics.

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Portfolio Characteristics

Higher Quality, Stronger, More Consistent Growth, & Better Value
U.S. Small Cap Core Equity — As of December 31, 2011

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

	KAR Small Cap Core	Russell 2000® Index
Quality		
Return on Equity—Past 5 Years	20.7%	8.6%
Total Debt/EBITDA	0.5x	4.3x
Earnings Variance—Past 10 Years	22.4%	91.7%
S&P Stock Ranking (A+, A, A-, B+)	66.5%	20.1%
Growth		
Earnings Per Share Growth—Past 5 Years	8.5%	3.7%
Earnings Per Share Growth—Past 10 Years	12.5%	7.1%
Dividend Per Share Growth—Past 5 Years	11.7%	0.4%
Dividend Per Share Growth—Past 10 Years	19.2%	4.4%
Capital Generation—{ROE x (1-Payout)}	15.2%	7.3%
Value		
P/E Ratio—Trailing 12 Months	19.9x	23.0x
Dividend Yield	1.1%	1.5%
Free Cash Flow Yield [‡]	4.6%	0.9%
Market Characteristics		
\$ Weighted Average Market Cap—4 Qtr. Average	\$2.2 B	\$1.3 B
Largest Market Cap—4 Qtr. Average	\$4.9 B	\$3.9 B
Annualized Standard Deviation—Since Inception*	16.9%	21.2%

In a market of commodity businesses, we own protected proprietary businesses that generate exceptional returns on shareholders' capital without employing significant debt.

In a market of cyclical businesses requiring growth capital from fickle markets, we own companies producing self-funded strong, consistent growth sustainable into the future.

And we are able to get this high quality and strong growth at a discount valuation to the market.

*April 1, 1992

[‡]Description reflects past results and is not an indicator of future performance results.

[‡]Free cash flow data is as of September 30, 2011. Prices are as of December 31, 2011. Excludes financials.

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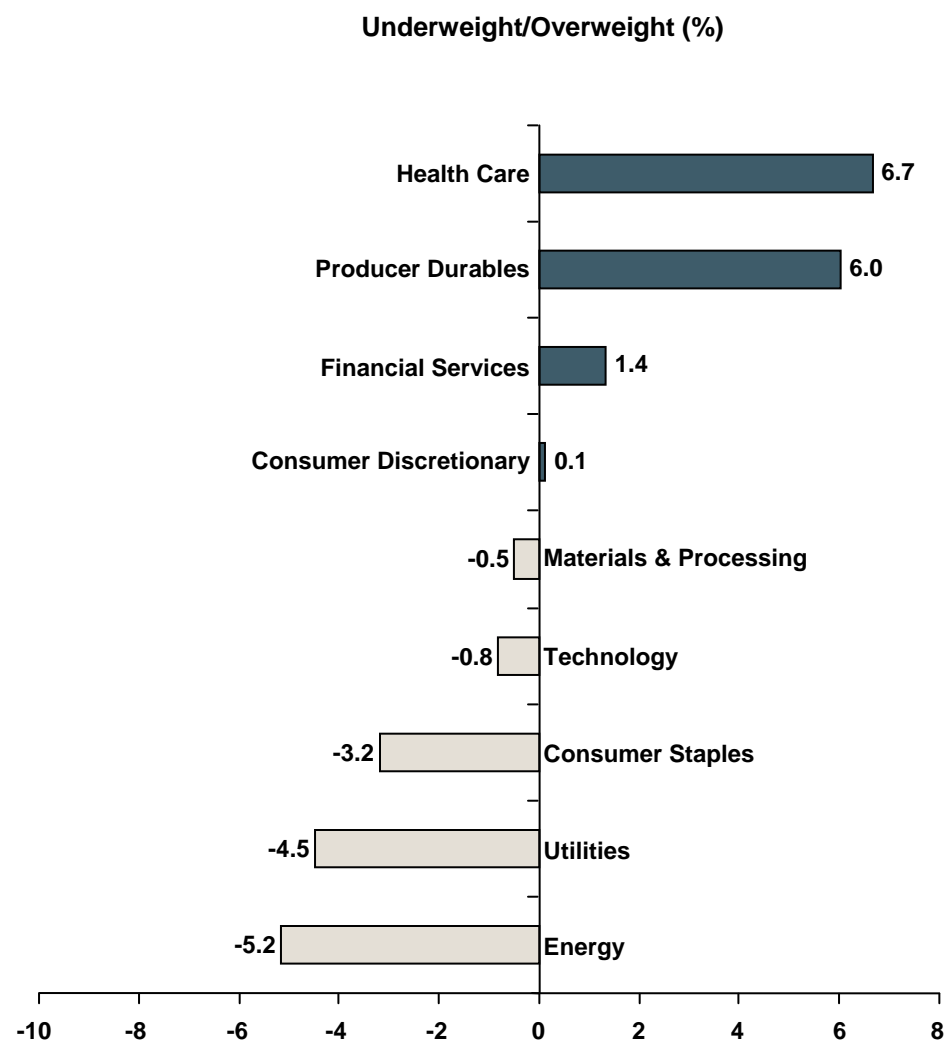
Data is obtained from Bloomberg, FactSet Research Systems, and a major consulting firm and is assumed to be reliable. Other principal consultant firms may use different algorithms to calculate selected statistics. Estimates are based on certain assumptions and historical information.

Sector Weights

U.S. Small Cap Core Equity

As of December 31, 2011

	Portfolio (%)	Russell 2000® Index (%)
Health Care	19.4	12.7
Producer Durables	20.1	14.1
Financial Services	24.6	23.2
Consumer Discretionary	14.4	14.3
Materials & Processing	6.3	6.8
Technology	13.9	14.7
Consumer Staples	—	3.2
Utilities	—	4.5
Energy	1.3	6.5



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Conviction-Driven Investing Provides Opportunities for Excess Return

U.S. Small Cap Core Equity — As of December 31, 2011

KAYNE ANDERSON RUDNICK

INVESTMENT MANAGEMENT

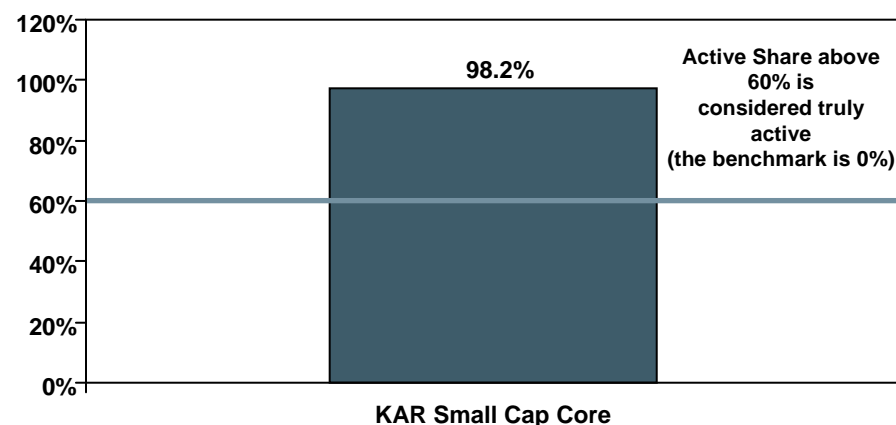
Research confidence leads to large active weights

Top 10 Holdings	Russell Sector	% of Portfolio
Copart	Producer Durables	6.2
POOLCORP	Consumer Discretionary	5.9
ANSYS	Technology	5.8
Jack Henry & Associates	Financial Services	5.5
Tempur-Pedic International	Consumer Discretionary	5.5
Cohen & Steers	Financial Services	5.2
Techne	Health Care	4.9
Brown & Brown	Financial Services	4.6
Haemonetics	Health Care	4.3
Exponent	Producer Durables	4.3

The strategy benefits from diversification while still taking significant active positions

	KAR Small Cap Core	Russell 2000® Index
# of Holdings	27	1966
Average Position Size (%)	3.7	0.1
Weight of Top Ten Holdings (%)	52.2	2.8

Investment research drives portfolio construction, which results in high active share



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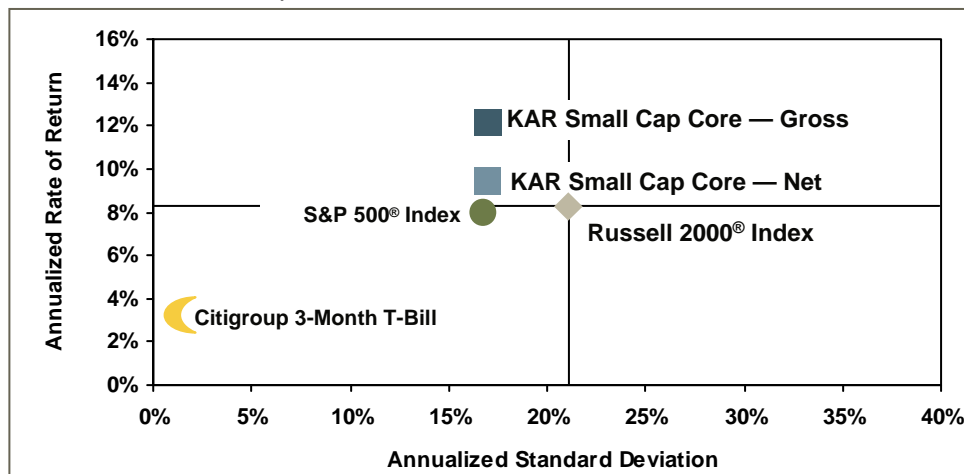
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Strong Risk-Adjusted Returns Driven by Strong Stock Selection

U.S. Small Cap Core Equity — Periods Ending December 31, 2011

Meaningful Returns with Lower Volatility

Annualized Since Inception*

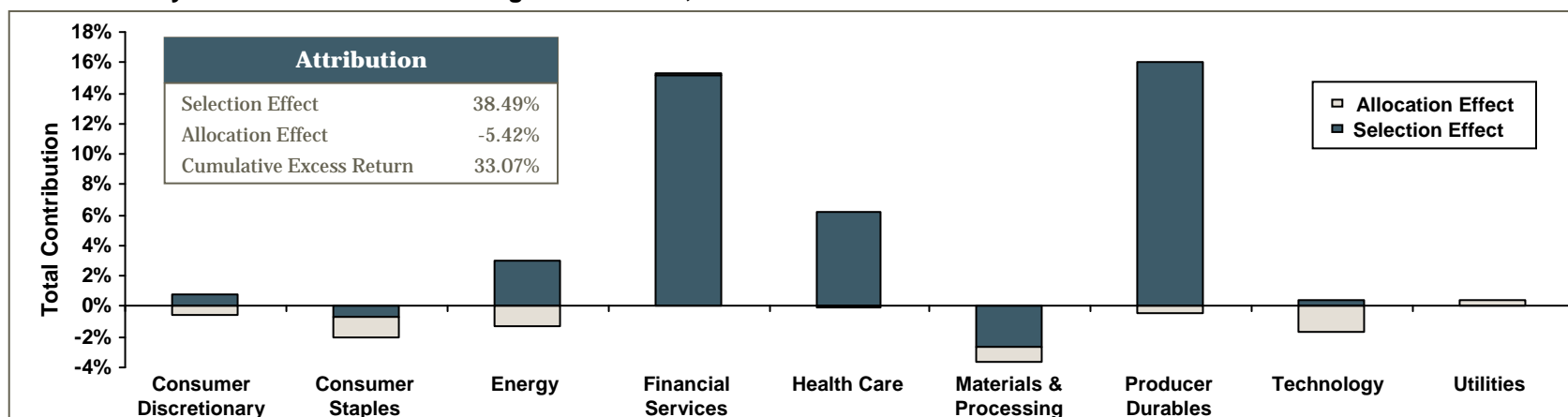


Strong Risk-Adjusted Performance Metrics

Annualized Since Inception*

Summary Statistics	KAR Small Cap Core	Russell 2000® Index
Alpha	4.85	0.00
Sharpe Ratio	0.53	0.24
Standard Deviation	16.94	21.15
Semi-Standard Deviation	12.55	15.60
Beta	0.72	1.00
Tracking Error	9.26	0.00

Attribution by Sector — Five Years Ending December 31, 2011



*April 1, 1992

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Returns

U.S. Small Cap Core Equity

Annualized Performance

Periods Ending 12/31/11	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
1 Year	9.46	7.28	-4.18	1364
3 Years	21.66	19.47	15.63	603
5 Years	5.96	4.14	0.15	581
7 Years	7.27	5.28	3.20	407
10 Years	8.89	6.51	5.62	327
Since Inception*	12.17	9.31	8.24	393

Calendar Year Performance

Periods Ending 12/31	Gross (%)	Net (%)	Index (%)	Excess Return (bps)
2011	9.46	7.28	-4.18	1364
2010	24.83	22.52	26.85	-202
2009	31.80	29.72	27.17	463
2008	-28.15	-29.36	-33.79	564
2007	3.25	1.71	-1.57	482
2006	13.46	11.87	18.37	-491
2005	7.87	4.63	4.55	332
2004	23.07	19.42	18.33	474
2003	35.02	31.19	47.25	-1223
2002	-13.73	-16.34	-20.48	675
2001	6.82	3.74	2.49	433
2000	20.98	17.42	-3.02	2400
1999	7.02	3.93	21.26	-1424
1998	20.98	17.42	-2.55	2353
1997	21.00	17.45	22.36	-136
1996	26.98	23.22	16.49	1049
1995	18.57	15.07	28.44	-987
1994	2.75	-0.26	-1.82	457
1993	20.00	16.54	18.90	110
1992†	9.65	7.25	10.16	-51

*April 1, 1992.

†Performance for 1992 is for nine months only.

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

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We believe that economic growth for 2012 will be positive, although not robust by historical standards, as excessive fiscal leverage is worked off around the globe.

Overhanging Economic Issues:

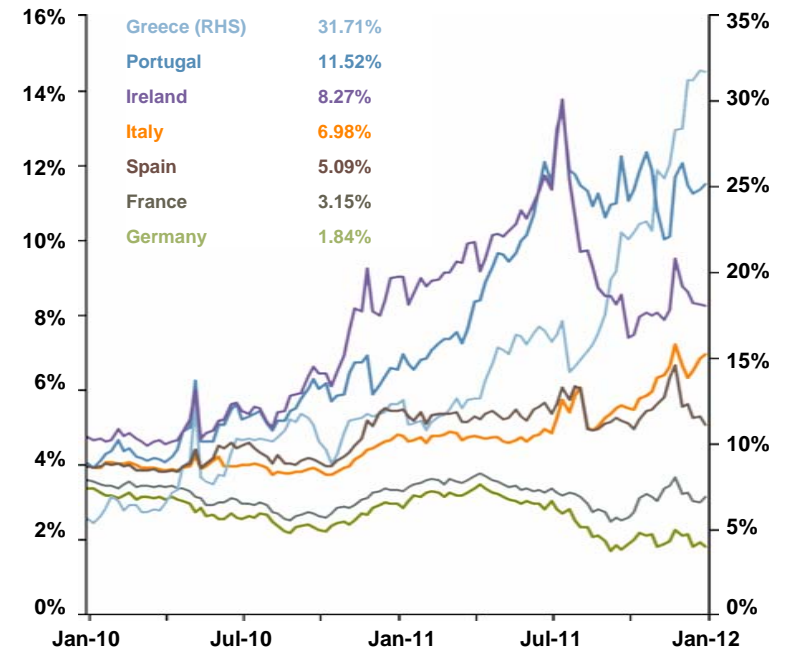
- Sovereign debt issues expanding beyond Greece, Ireland, and Portugal to Spain and Italy and the recognition that European banks need to be recapitalized
- Political polarization in the U.S. creating an uncertain planning environment for small businesses and consumers
- Growth slowdown concerns materializing in emerging markets
- The need for budget deficit reduction, fiscal de-stimulus

Positives for Economic Growth:

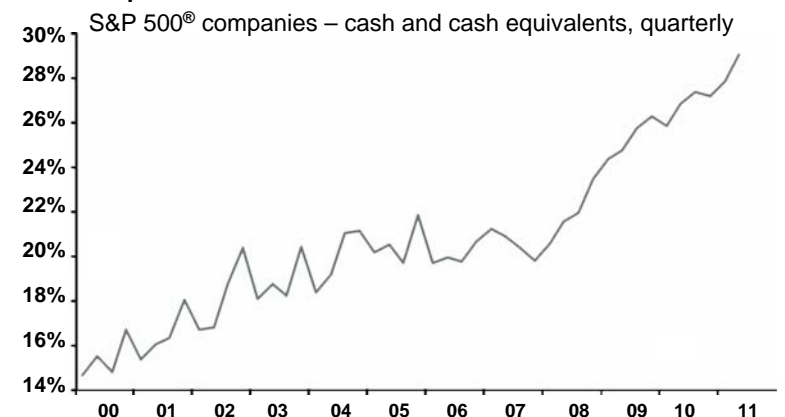
- Corporate cash at all-time highs and looking for investment opportunities
- Consumer balance sheets improved
- Unemployment remains at elevated levels but is improving
- Housing seems to be bottoming or slightly improving
- Capital markets may force European governments to take more significant action to stem the current crisis

Source: FactSet Research Systems, BIS, Bloomberg, Standard & Poor's, J.P. Morgan Asset Management. Data is assumed to be reliable. Past performance is no guarantee of future results.

European Sovereign Funding Costs
10-year benchmark bond yields, weekly



Corporate Cash as a % of Current Assets

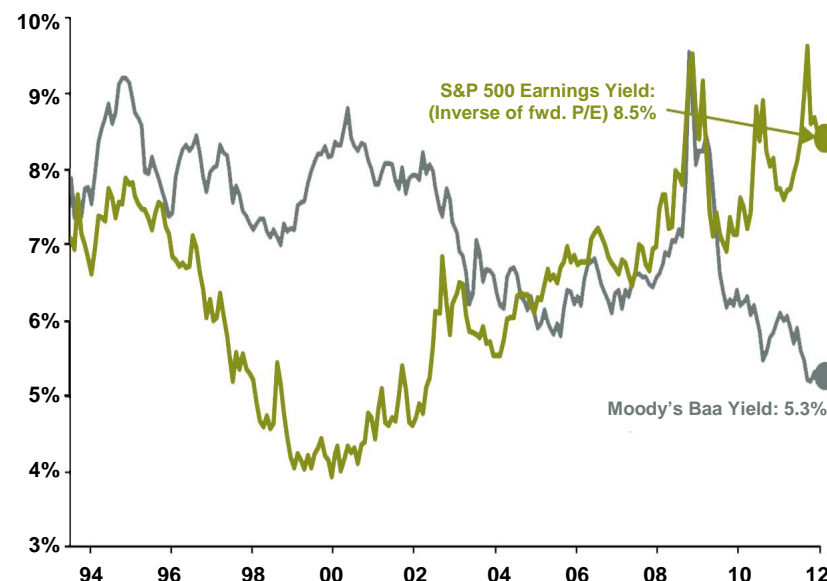


Despite the near-term volatility, we continue to believe that the risk/reward ratio for equities over the long term is favorable on an absolute basis and relative to fixed income.

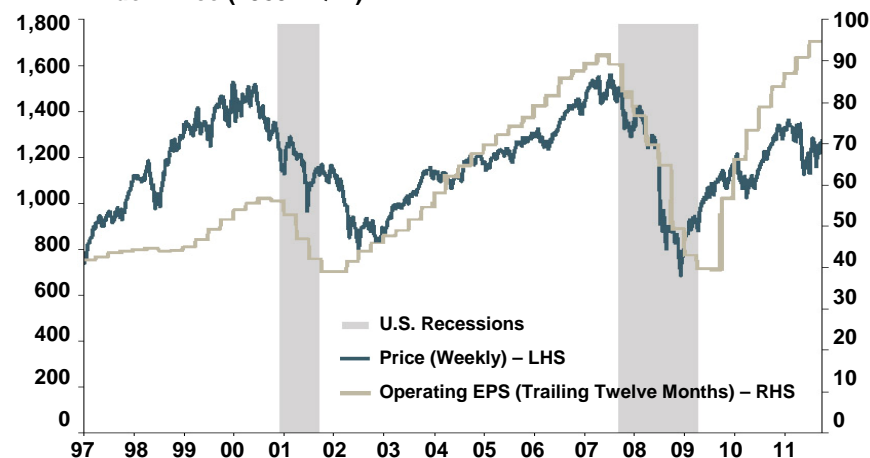
- Equity valuations remain attractive by historic measures both at absolute levels and relative to interest rates
- With S&P 500 earnings hitting a new record in Q3, the S&P 500 Index remains approximately 12% below peak
- With high corporate cash, increased M&A activity creates value for both acquirors and acquirees
- Slack labor and a softening in commodities create profit margin opportunity
- In the modest growth economy we foresee, we believe high-quality businesses with protected markets are a better place to invest than lower quality companies operating in more competitive markets

Source: Investment Strategy Group, Goldman Sachs Global Investment Research, FactSet Research Systems, Standard & Poor's, J.P. Morgan Asset Management, and Moody's. Data is assumed to be reliable. Past performance is no guarantee of future results.

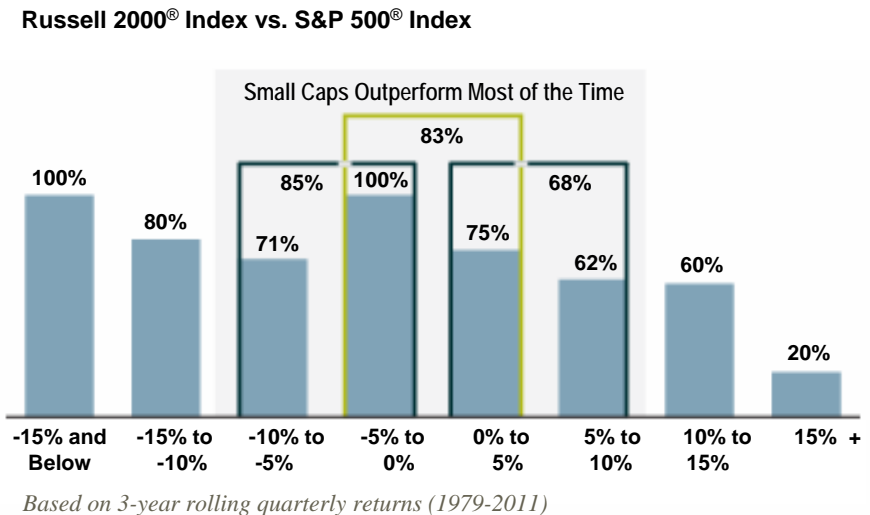
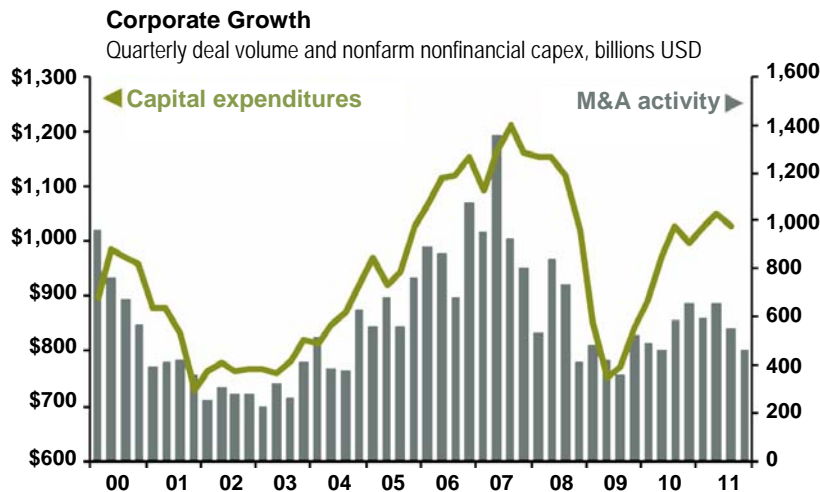
S&P 500® Earnings Yield vs. Baa Bond Yield



S&P 500®: Operating Earnings (Trailing 12 Months) vs. Index Price (1989-4Q11)



- Small companies have historically provided the bulk of the nation’s growth
- With corporate cash at record levels, we expect robust M&A activity as businesses “buy growth” through acquisitions
- Low-to-moderate growth environments have been beneficial for small caps with small caps outperforming large caps in 83% of markets experiencing low to moderate gains and losses (-5% to +5%) over the last 30 years
- Despite valuations that are higher than their historical average relative to large-cap stocks, we are able to find attractively valued companies based upon our internal fundamental research



Source: M&A Activity is quarterly number of deals of any value and capital expenditures are for nonfarm nonfinancial corporate business. Virtus Performance Analytics. Data is assumed to be reliable. Past performance is no guarantee of future results.

Disclosure

U.S. Small Cap Core 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 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 Core portfolios (including cash) under management for at least one full quarter. Small Cap Core portfolios are invested in equity securities with market capitalizations consistent with the Russell 2000® 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® Index. The Russell 2000® Index is a market capitalization-weighted index 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 October 1995. 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 October 1, 1995, the composite calculations have been linked to the firm's Small Cap Core actual historical non-wrap fee composite performance. The minimum account size for the Small Cap Core non-wrap fee composite was \$250,000. Beginning on October 1, 1995, 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 October 1, 1995, pure gross returns do not reflect the deduction of any expenses, including trading costs. From April 1, 1992 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® Index Annual Return (%)	Annual Standard Deviation (%)
2002	8,612	7	100%	7	(13.73)	(16.34)	(20.48)	0.58
2003	10,262	4	100%	Less than 5	35.02	31.19	47.25	N/A
2004	10,320	30	100%	16	23.07	19.42	18.33	N/A
2005	8,533	79	100%	34	7.87	4.63	4.55	0.40
2006	6,523	1,011	100%	51	13.46	11.87	18.37	0.46
2007	5,392	847	100%	39	3.25	1.71	(1.57)	0.21
2008	3,445	469	100%	49	(28.15)	(29.36)	(33.79)	0.42
2009	4,010	565	100%	54	31.80	29.72	27.17	0.71
2010	4,729	659	100%	67	24.83	22.52	26.85	0.71
2011	5,505	184†	100%	61	9.46	7.28	-4.18	0.41

*Beginning October 1, 1995, pure gross returns are supplemental to net returns.

†Data is preliminary pending subadvisory data.

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