



Investors ignored Standard and Poor's recent downgrade of U.S. government issued debt and increased buying of Treasury bonds moving yields to near record lows. U.S. Treasuries outperformed other investment-grade debt as return of principal became the primary investment goal. This was prompted by Europe's inability to stabilize their sovereign debt crisis and instill confidence that the crisis would not spread from Greece to other nations. Weak U.S. economic data further worried investors that Europe's problems would put some U.S. companies at risk and slow an already struggling economy. The 10-Year U.S. Treasury note returned a positive 1.91% at the end of the quarter after hitting a record low of 1.72% earlier in the month. The Bank of America Merrill Lynch 3-5 Year Treasury Index increased 2.78% for the quarter versus the Bank of America Merrill Lynch U.S. Corporate 3-to-5 Year Index which returned a negative 0.48%. Corporate bond issuance fell to the lowest level in several years in response to market volatility.

The Federal Reserve is concerned the economy is lagging behind desired targets and announced it will keep interest rates low to promote economic growth "at least through mid-2013." The Fed has tried many different programs from their magic bag of tricks, but it is difficult to gauge the success of these programs. Previous programs designed to maintain low interest rates to stimulate borrowing and investing were QE1 and QE2. Now a new program dubbed "Operation Twist" will be implemented. The goal is to support the economic recovery through stable longer-term interest rates through the purchase of Treasuries. The Fed will sell approximately \$400 billion of shorter maturity Treasuries from their current holdings to fund these purchases.

HISTORY OF INTEREST RATES

U.S. 10-YEAR TREASURY NOTE



Chart data reflects an ending date of September 30, 2011. Data is obtained from Bloomberg and is assumed to be reliable. Past performance is no guarantee of future results.

The Kayne Anderson Rudnick Intermediate Total Return portfolio trailed the Barclays Intermediate Government/Credit Index for the third quarter. The portfolio's underperformance was primarily driven by a lower allocation to U.S. Treasury bonds as Treasuries outperformed all other benchmark sectors. The benchmark currently maintains approximately 50%

of its allocation to Treasuries while the Intermediate Total Return Portfolio maintains less than a 10% allocation. The portfolio holds a higher allocation in callable agencies and industrial corporate debt than the benchmark.

Interest rates are expected to remain low due to the sluggish economy and weak

INVESTMENT OBJECTIVE

Preserve capital and generate a high level of income consistent with the current market environment

INVESTMENT STRATEGY

- ◆ High quality - Investment grade only
- ◆ Intermediate duration
- ◆ High liquidity
- ◆ Sector diversification

PORTFOLIO HIGHLIGHTS

Style: Intermediate high quality
Index: Barclays Intermediate Government/
Credit Index
Portfolio Inception: 1995
Portfolio Assets: \$191.7 M

INVESTMENT MANAGEMENT TEAM

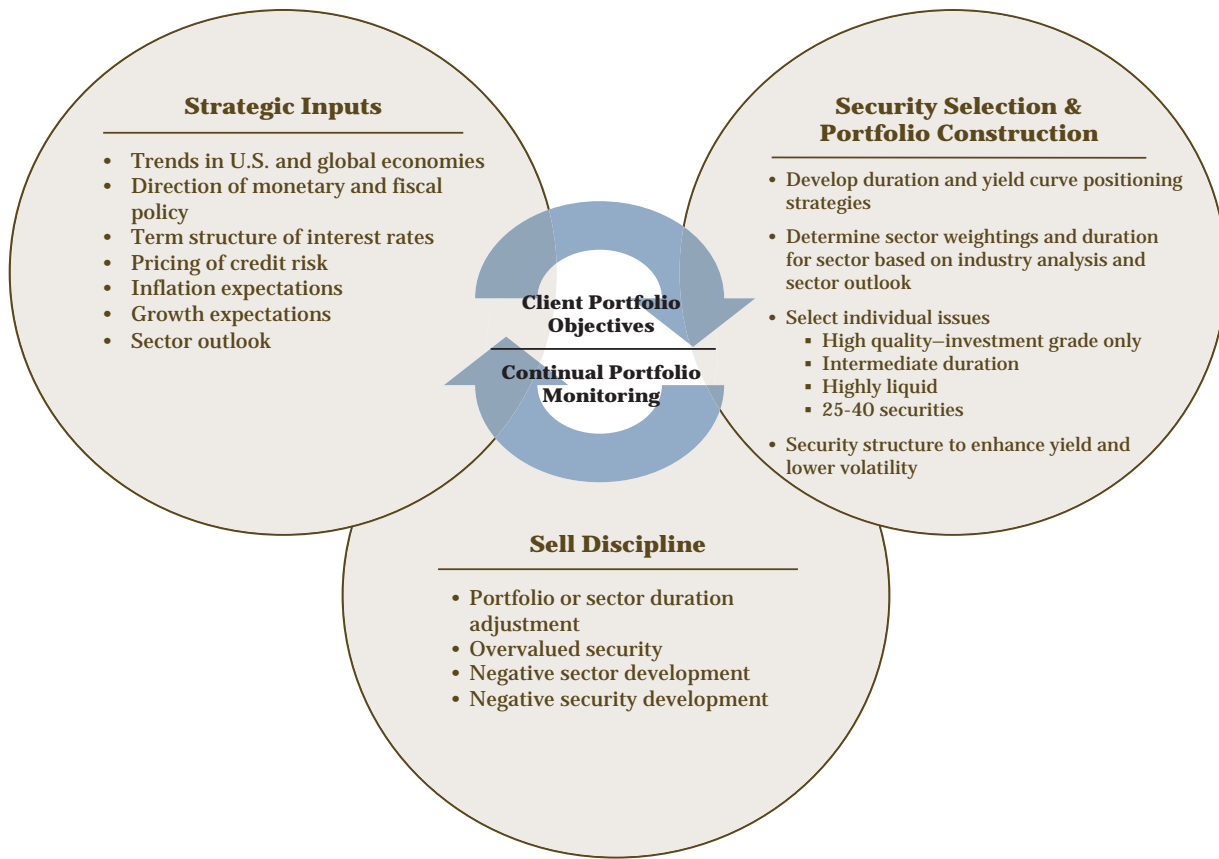
NAMES	YEARS of experience
Kimberly C. Friedrichs <i>Director of Fixed Income</i>	24
Lisa Holmes, CFP® <i>Vice President</i>	12

demand for borrowing. The unemployment rate has been stuck near 9% since 2009, housing values in many areas are still declining, consumer confidence is near a 2-year low, and there is little sign that economic growth will accelerate anytime soon. Some have even speculated about the possibility of another recession. With so much uncertainty in the economic landscape, investors will continue to seek safe, stable high-grade fixed-income investments as an important part of their asset allocation. Kayne Anderson Rudnick strives to understand investors' goals and we will continue to seek opportunities in the marketplace while focusing on investments which provide liquidity, income, and preservation of capital for our clients.

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.

INVESTMENT PROCESS

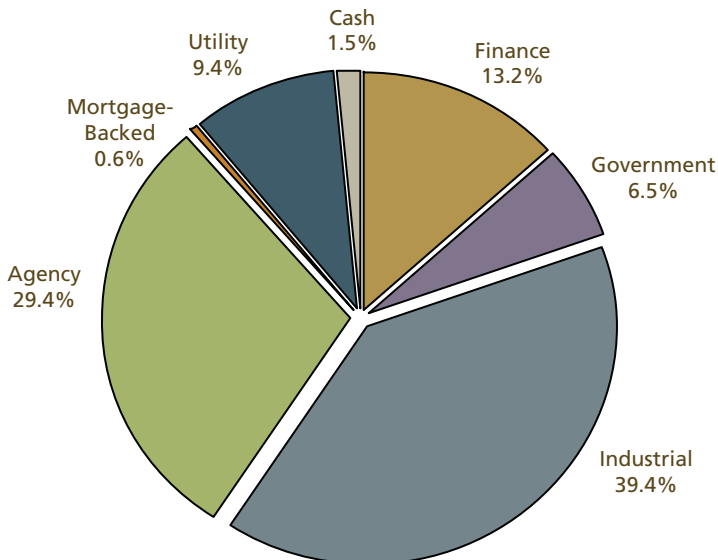
An Active Fixed Income Strategy



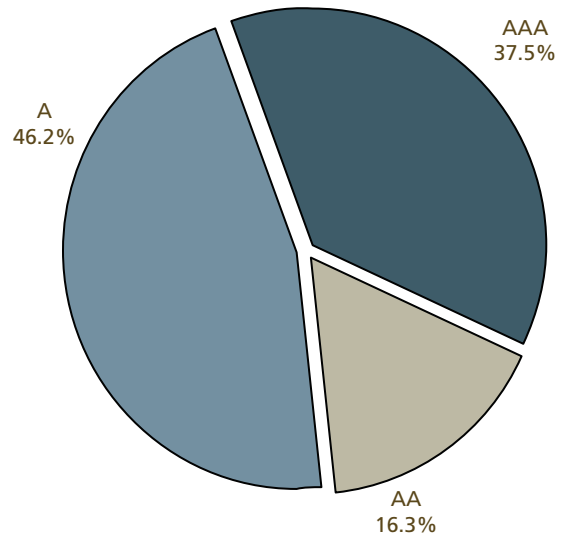
SECTOR AND RATING ANALYSIS

As of September 30, 2011

Sector Analysis



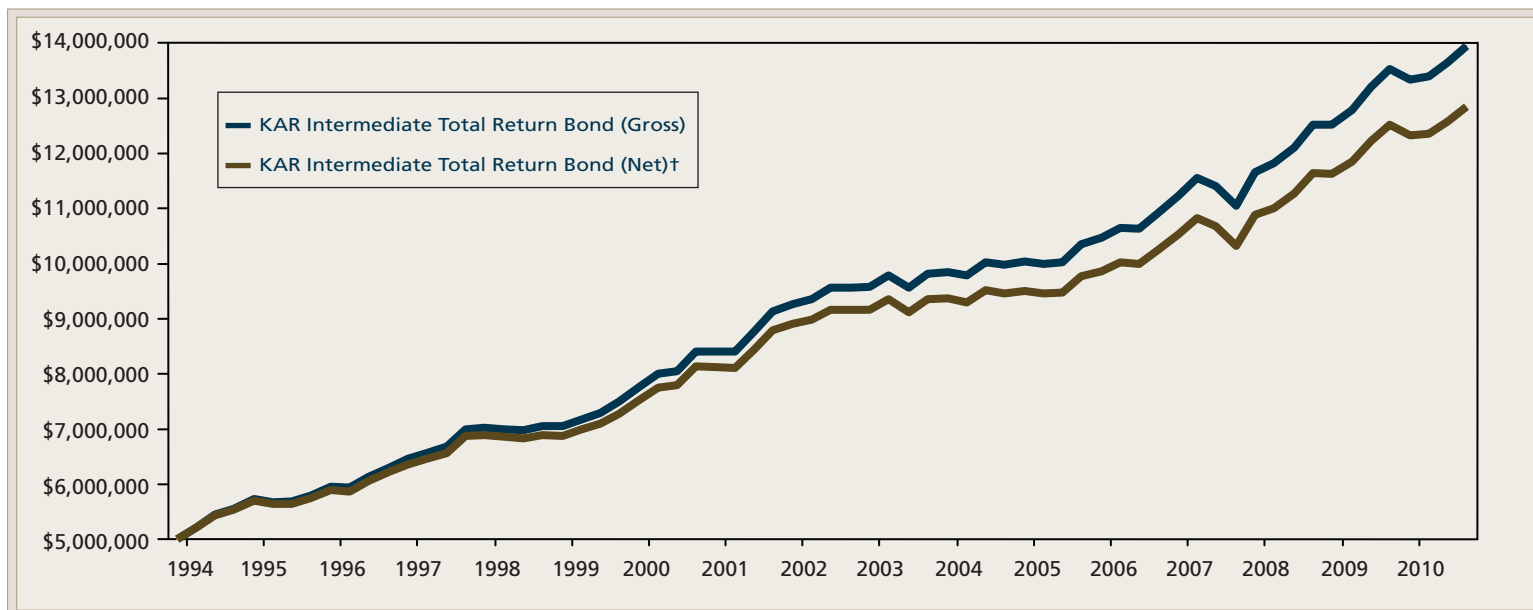
Rating Analysis



This material is deemed supplemental and complements the performance and disclosure at the end of this presentation. Data is obtained from a major consulting firm and is assumed to be reliable. Data is based on the average of the accounts in the Kayne Anderson Rudnick Intermediate Total Return Bond Composite. Individual client portfolios may vary. A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. Holdings are subject to change.

GROWTH OF \$5,000,000

Inception* to September 30, 2011



* January 1, 1995

† Net of all fees and expenses. Assumes a maximum 0.50% annual investment management fee. Other fees may apply for additional wealth management services.

HISTORICAL RETURNS

	KAR Intermediate Total Return Bond (gross)	KAR Intermediate Total Return Bond (net)†	Barclays Intermediate Government/Credit
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ANNUALIZED RETURNS (%)^{*}
as of September 30, 2011

3rd Quarter	2.22	2.10	2.39
Year to Date	4.57	4.18	4.92
One Year	3.05	2.54	3.40
Three Years	8.09	7.56	7.02
Five Years	6.14	5.62	5.92
Seven Years	5.15	4.63	4.93
Ten Years	5.19	4.67	5.12
Inception‡	6.32	5.79	6.30

ANNUAL RETURNS (%)

2010	6.50	5.97	5.89
2009	7.37	6.85	5.24
2008	3.95	3.43	5.08
2007	7.25	6.73	7.39
2006	4.22	3.70	4.07
2005	1.92	1.41	1.58
2004	2.86	2.34	3.04
2003	3.27	2.75	4.31
2002	10.25	9.70	9.84
2001	8.36	7.83	8.96
2000	10.13	9.60	10.12
1999	0.34	-0.18	0.38
1998	8.87	8.29	8.42
1997	8.37	7.79	7.87
1996	3.88	3.37	4.06

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

† Net of all fees and expenses. Assumes a maximum 0.50% annual investment management fee. Other fees may apply for additional wealth management services.

‡ January 1, 1995

PORTFOLIO CHARACTERISTICS

Average Credit Quality	AA-
Average Maturity	4.0 Years
Average Duration	3.4 Years
Average Coupon	5.0%
Current Yield	4.6%
Average Yield to Maturity	2.9%

MATURITY PERCENT (%)

<1 Year	23.0
1-3 Years	20.0
3-5 Years	19.6
5-7 Years	21.5
7-10 Years	14.2
10-15 Years	1.7
Total	100.0

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DISCLOSURE

Kayne Anderson Rudnick Investment Management, LLC has prepared and presented this report in compliance with the Global Investment Performance Standards (GIPS®).

Kayne Anderson Rudnick Investment Management, LLC, a wholly owned subsidiary of Virtus Investment Partners, Ltd., is a registered investment advisor under the Investment Advisors Act of 1940. Kayne Anderson Rudnick Investment Management, LLC manages a variety of equity and fixed-income strategies focusing exclusively on securities the firm defines as high quality. Additional information regarding the firm's policies and procedures for calculating and reporting performance is available upon request. The firm maintains a complete list and description of composites, which is available upon request.

The composite is defined as all non-commissionable, fully discretionary, non-wrap fee Intermediate Total Return Portfolios (including cash) that are under management for at least one full quarter. The minimum account size for this composite is \$1,000,000. For comparison purposes, the composite is measured against the Barclays Intermediate Government/Credit Bond Index. The Barclays Intermediate Government/Credit Bond Index is a market capitalization-weighted index of government and investment-grade corporate fixed-rate debt issues with

maturities between one and 10 years. The composite was created in January 1995. There was a change of personnel in October 2000, April 2003, and December 2004. No alteration of the composite as presented here has occurred because of these changes.

Prior to January 1, 2000, results include only eligible portfolios of at least \$750,000. Prior to July 1, 1995, wrap-fee portfolios were included in such composite results and presented on a gross basis. Since July 1, 1995, only non-wrap-fee portfolios are included in the Intermediate Total Return composite. Prior to October 1, 2000, composite results include the fixed-income component of the firm's Balanced Portfolio composite. All cash balances were allocated to the equity and fixed-income components of the Balanced Portfolio composite at the beginning of each month based upon each component's target asset allocation.

The performance information is supplied for reference. Past performance is no guarantee of future results. Results will vary among accounts. The U.S. dollar is the currency used to express performance. Returns are presented gross of management fees and net of transaction fees and include the reinvestment of all income. Trade date accounting is used. Performance has been calculated by geometrically linking monthly returns with accounts entering and exiting the composite quarterly.

Gross annual returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Net annual returns have been calculated after the deduction of an assumed maximum annual fee of 0.50%. The effect on performance would grow at a compounded rate. Over a five-year period, if a \$1,000,000 portfolio had an annual return of 10%, it would grow to \$1,610,510. The net compounded effect of a 0.50% annual investment management fee would total \$36,271 and result in a portfolio value of \$1,574,239. A fee schedule is available upon request and is described in Part II of the firm's ADV.

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	% of Non Fee-Paying Accounts	Gross Annual Return (%)	Net Annual Return (%)	Barclays Intermediate Govt./Credit Annual Return	Annual Standard Deviation
2001	8,384	18	< 5	0	8.36	7.83	8.96	0.14
2002	8,612	19	6	0	10.25	9.70	9.84	0.08
2003	10,262	15	6	0	3.27	2.75	4.31	0.15
2004	10,320	17	10	0	2.86	2.34	3.04	0.08
2005	8,533	17	10	0	1.92	1.41	1.58	0.09
2006	6,523	34	8	0	4.22	3.70	4.07	0.10
2007	5,392	26	7	0	7.25	6.73	7.39	0.07
2008	3,445	25	5	0	3.95	3.43	5.08	0.49
2009	4,069	32	9	0	7.37	6.85	5.24	0.24
2010	4,811	32	10	0	6.50	5.97	5.89	0.16