



PORTFOLIO OVERVIEW

The Mid Cap Core Portfolio outperformed the Russell Midcap 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 Church & Dwight and Questar. Church & Dwight saw its shares increase in the quarter after posting solid organic growth rates in its latest fiscal quarter driven by volume gains and therefore taking market share. The company has provided earnings guidance for 2011 that implies 16% to 17% growth versus 2010. The company's multi-brand strategy and key role in the value segment in the consumer space have also produced tailwinds. Questar had a return on average equity for the trailing-12 months which was far superior to any standalone utility in the industry. This high return of capital should continue as the company's unique structure to earn a 20% after-tax return on average investment base for its production of cost-of-service gas continues.

The companies that contributed the least to performance during the quarter included Brown & Brown and Dresser-Rand Group. Brown & Brown's stock lagged following the company's reports of weaker-than-expected second quarter 2011 results driven by the ongoing softness in the P&C insurance market, difficult economic conditions in the company's core middle-market segment, and slow acquisition environment. Despite this challenging operating environment, the company continues to maintain its industry-leading profitability. Despite being one of the nation's largest P&C insurance brokers, Brown & Brown holds a modest single-digit share of its highly fragmented market. The company 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. Dresser-Rand reported a quarterly result that may have confused investors, one that was filled with many one-time items such as: Flood damages to manufacturing facilities, acquisition step-up of amortization of intangibles, early redemption of debt along with accelerated refinancing fees, and disruption of its Middle East business due to the recent uprising in that region.

PURCHASES AND SALES

In the Mid Cap Core Portfolio, we sold Dolby Laboratories. There were no new purchases during the quarter.

Dolby Laboratories announced on its earnings call that its compression codec is currently not being included in the upcoming Windows 8 version that will be released next year. Currently, Dolby gets roughly \$200 million of revenue from PCs (mostly from being embedded into Windows 7). Annual licensing revenue run rate is about \$700 million. While some of the \$200 million lost revenue could be recaptured through other licensing distribution methods over time, nonetheless, near-term revenues will decline. Depending on the recapture and the company's ability to lower its costs, earnings for next year could decline 20%.

OUTLOOK

Mid capitalization equity valuations are certainly lower now compared to just three months ago but remain elevated. However, high-quality mid capitalization companies are more reasonably priced and should therefore provide superior investment results over the next several years relative to the Russell Midcap Index. Our strategy is centered on investing in high-quality mid 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: Mid Cap

Sub-Style: Core

Index: Russell Midcap®

Portfolio Inception: 2000

Portfolio Assets: \$47.9 M

Portfolio Turnover: 25%–35%

INVESTMENT MANAGEMENT TEAM

NAMES	YEARS of research experience
Robert Schwarzkopf, CFA <i>CIO</i>	30
Doug Foreman, CFA <i>Director of Equities</i>	25
Jon Christensen, CFA <i>Portfolio Manager + Senior Research Analyst</i>	16
Craig Stone <i>Portfolio Manager + Senior Research Analyst</i>	22
Todd Beiley, CFA <i>Senior Research Analyst</i>	12
Julie Kutasov <i>Senior Research Analyst</i>	10
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 (%)
John Wiley & Sons	5.2
Ross Stores	5.0
Church & Dwight	4.5
C.R. Bard	4.5
Waters	4.2
Total	23.4

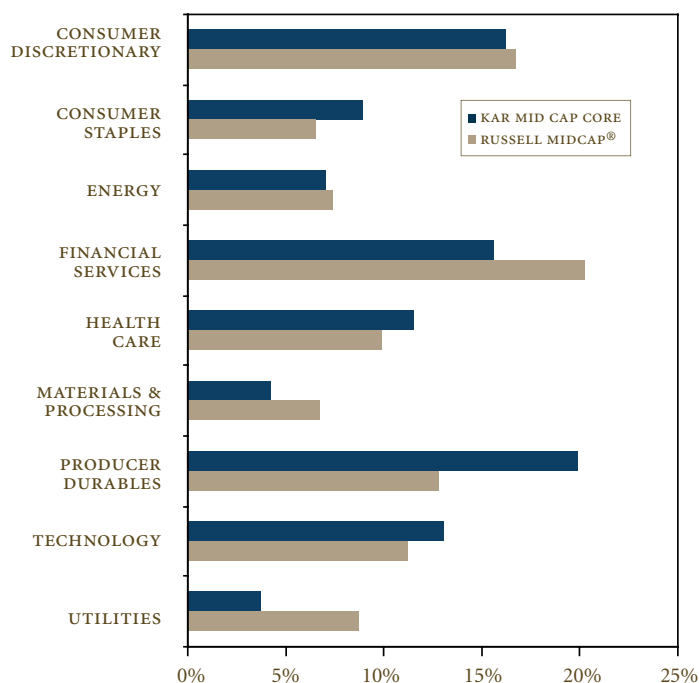
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Mid Cap Core strategy. Individual 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 Mid Cap Core Russell Midcap®

QUALITY	KAR Mid Cap Core	Russell Midcap®
Return on Equity—Past 5 yrs.	23.1%	14.4%
Total Debt/EBITDA	1.2x	3.1x
Earnings Variance—Past 10 yrs.	19.0%	66.8%
S&P Stock Ranking (A+, A, A-, B+)	89.4%	44.0%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	8.0%	5.8%
Earnings Per Share Growth—Past 10 yrs.	13.8%	9.5%
Dividend Per Share Growth—Past 5 yrs.	13.4%	4.8%
Dividend Per Share Growth—Past 10 yrs.	14.9%	6.6%
Capital Generation—(ROE x {1-Payout})	17.5%	11.2%
VALUE		
P/E Ratio—Trailing 12 Months	16.6x	15.4x
Dividend Yield	1.8%	1.9%
Free Cash Flow Yield [†]	6.1%	5.0%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$7.3 B	\$8.0 B
Largest Market Cap—4 Qtr. Avg.	\$17.0 B	\$29.9 B
Annualized Standard Deviation—Since Inception [*]	15.9%	21.4%

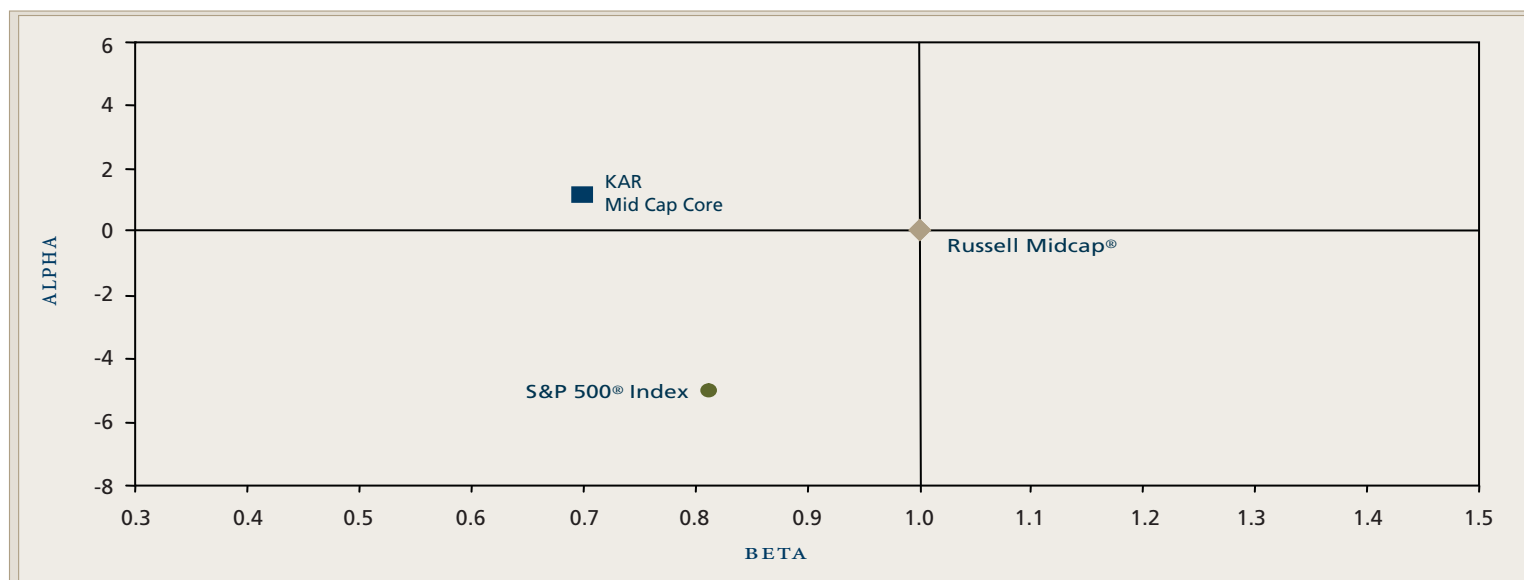
*January 1, 2000

[†]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, 2000

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HISTORICAL RETURNS

	KAR Mid Cap Core (gross)	KAR Mid Cap Core (net) [†]	Russell Midcap [®]
ANNUALIZED RETURNS (%)[*]			
<i>as of September 30, 2011</i>			
3rd Quarter	-15.21	-15.96	-18.90
Year to Date	-6.86	-8.28	-12.34
One Year	4.93	3.02	-0.88
Three Years	2.17	0.51	3.96
Five Years	1.80	0.04	0.56
Seven Years	4.42	2.36	5.03
Ten Years	5.57	3.17	7.45
Inception [‡]	5.59	3.08	5.07
ANNUAL RETURNS (%)			
2010	19.30	17.83	25.48
2009	21.47	19.74	40.48
2008	-28.78	-30.29	-41.46
2007	6.19	4.20	5.60
2006	13.10	10.91	15.26
2005	8.79	5.56	12.65
2004	15.29	11.86	20.22
2003	26.67	23.03	40.06
2002	-12.62	-15.26	-16.18
2001	-2.76	-5.59	-5.62
2000	21.54	17.94	8.25

*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, 2000

PERFORMANCE STATISTICS

Inception* to September 30, 2011

	KAR Mid Cap Core	Russell Midcap [®]
ANNUALIZED RETURN	5.59	5.07
ANNUALIZED STANDARD DEVIATION	15.92	21.44
ALPHA	1.00	16.21
BETA	0.69	1.00
SHARPE RATIO	0.20	0.12
R-SQUARED	85.58	100.00

*January 1, 2000

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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 Mid Cap Core portfolios (including cash) under management for at least one full quarter. Mid Cap Core portfolios are invested in equity securities with market capitalizations consistent with the Russell Midcap® 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 Midcap® Index. The Russell Midcap® Index is a market capitalization-weighted index of the 800 smallest companies in the Russell 1000® Index, which comprises the 1,000 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 Mid Cap Core actual historical non-wrap fee composite performance. The minimum account size for the Mid Cap Core 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, 2000 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 Midcap® Annual Return	Annual Standard Deviation
2001	8,384	1	0%	<5	(2.76)	(5.59)	(5.62)	N/A
2002	8,612	2	0%	5	(12.62)	(15.26)	(16.18)	N/A
2003	10,262	5	100%	<5	26.67	23.03	40.06	N/A
2004	10,320	2	100%	<5	15.29	11.86	20.22	N/A
2005	8,533	5	100%	14	8.79	5.56	12.65	N/A
2006	6,523	34	100%	14	13.10	10.91	15.26	0.10
2007	5,392	25	100%	7	6.19	4.20	5.60	0.06
2008	3,445	18	100%	9	(28.78)	(30.29)	(41.46)	0.15
2009	4,010	23	100%	8	21.47	19.74	40.48	0.35
2010	4,729	28	100%	8	19.30	17.83	25.48	0.87

*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 Midcap® is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.