



PORTFOLIO OVERVIEW

The Small-Mid Cap Value Portfolio outperformed the Russell 2500 Value 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 World Fuel Services and Computer Programs & Systems. World Fuel Services reported its highest level of quarterly profit in the company's history. Volume and profitability were robust across all three business segments. Counterparty risk, fuel quality, access to credit, and price volatility remain key concerns for the industry and these issues play right into World Fuel's competitive advantages. Computer Programs & Systems' shares have advanced in 2011 as the company has experienced healthy earnings growth due to higher demand from its hospital clients as part of the federal government's efforts to spur electronic medical record adoption in the health-care industry through government subsidies.

The companies that contributed the least to performance during the quarter included CARBO Ceramics and Hillenbrand. CARBO Ceramics' stock declined along with energy stocks and overall equity markets as investors' concern about a possible double-dip recession and its effects on energy demand drove the stock price down in the quarter. However, year-to-date CARBO's stock performance is still positive and is one of the portfolio's best performers. Hillenbrand saw its shares decline in the quarter after outperforming the market nicely in the first two quarters of 2011. Despite the death-care division falling due to lower burials, the company's processing equipment group saw strong revenue growth year-over-year. The company continues to generate strong free cash and sustained operating margins in the high teens.

PURCHASES AND SALES

In the Small-Mid Cap Value Portfolio, we purchased Dentsply, Dresser-Rand, MSC Industrial Direct, and Questar and we sold Landauer, World Fuel Services, and Young Innovations.

Dentsply is the largest manufacturer and supplier of dental products in the world. Principal product categories include specialty (46% of sales) including implant products and endodontic instruments and materials, consumable sundry (35% of sales) that are routinely used in dental offices for the treatment of patients such as anesthetics, cleaning paste, dental sealants, and impression materials, and laboratory (16% of sales) such as dental prosthetics and equipment.

Dresser-Rand is the world's largest supplier of custom-engineered rotating equipment solutions for long-life, critical applications in the oil, gas, petrochemical, and process industries. The products include centrifugal and reciprocating gas compressors, gas and steam turbines, and gas expanders which are sold to oil and gas distributors, national oil companies, chemical, and industrial companies in more than 140 countries.

MSC Industrial Direct is a leading distributor of Metalworking and Maintenance Repair and Operation (MRO) supplies to industrial customers throughout the United States. MSC distributes approximately 600,000 stock-keeping units (SKUs) through catalogs from approximately 3,000 suppliers to approximately 320,000 active customers. MSC's four distribution centers are set up to ship high volume shipments directly to customers allowing for a fast turnaround.

Questar is a vertically-integrated natural-gas utility headquartered in Salt Lake City, Utah with three complementary lines of business: Questar Gas Company which provides retail natural-gas distribution in Utah, Wyoming, and Idaho with services to over 900,000 homes and businesses; Questar Pipeline Company which operates interstate natural-gas pipelines (about 2,500 miles) and storage facilities (around 50 Bcf capacity) in the western U.S.; and Wexpro Company which develops and produces natural gas from cost-of-service reserves for Questar Gas.

We sold Landauer as we believe that the future profitability of Landauer is likely to be impacted by the company's ongoing acquisitions in the potentially higher growth, but significantly less profitable, medical physics segment.

World Fuel Services has significantly outperformed the Russell 2500 Index since our purchase back in 2007. We utilized the proceeds from the sale to buy Questar which we believe has slightly better long-term potential given the two tough economic years it has faced.

Since our initial purchase, Young Innovations has outperformed. We sold the holding to help fund the purchase of Dentsply which is larger in market capitalization but has a similar return on capital profile.

OUTLOOK

Small and mid capitalization equity valuations are certainly lower now compared to just three months ago but remain elevated. However, high-quality small and mid capitalization companies are more reasonably priced and should therefore provide superior investment results over the next several years relative to the Russell 2500 Value Index. Our strategy is centered on investing in high-quality small and 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: Small-Mid Cap Value

Sub-Style: Value

Index: Russell 2500™ Value

Portfolio Inception: 2008

Portfolio Assets: \$2.2 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
Julie Kutasov <i>Portfolio Manager + Senior Research Analyst</i>	10
Craig Stone <i>Portfolio Manager + Senior Research Analyst</i>	22
Todd Bailey, CFA <i>Senior Research Analyst</i>	12
Jon Christensen, CFA <i>Senior Research Analyst</i>	16
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 (%)
Ross Stores	5.4
John Wiley & Sons	4.9
Landstar System	4.7
Questar	4.6
First Cash Financial Services	4.3
Total	23.9

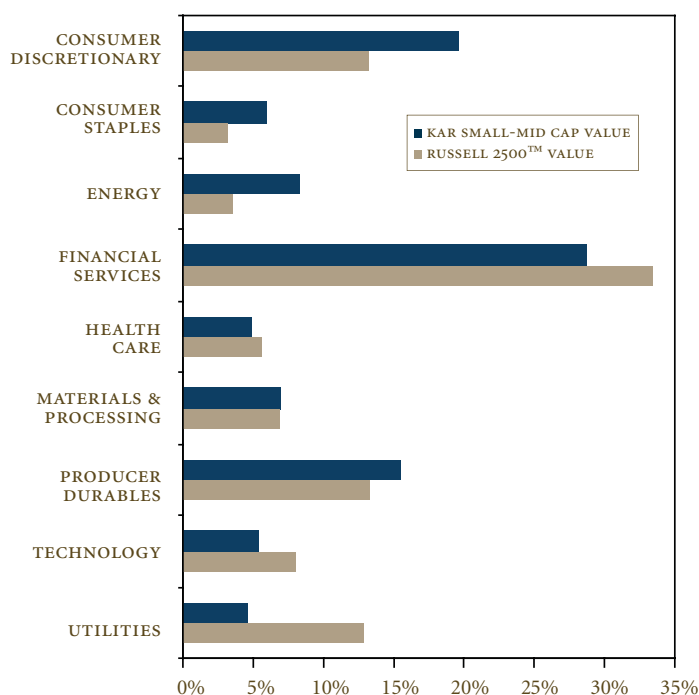
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Small-Mid Cap Value strategy. Individual 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 financial 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-Mid Cap Value	Russell 2500™ Value
QUALITY		
Return on Equity—Past 5 yrs.	18.5%	8.4%
Total Debt/EBITDA	1.2x	4.9x
Earnings Variance—Past 10 yrs.	25.2%	90.2%
S&P Stock Ranking (A+, A, A-, B+)	73.7%	29.1%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	6.9%	-0.4%
Earnings Per Share Growth—Past 10 yrs.	7.2%	4.8%
Dividend Per Share Growth—Past 5 yrs.	7.5%	-1.5%
Dividend Per Share Growth—Past 10 yrs.	10.9%	3.9%
Capital Generation—(ROE x {1-Payout})	10.7%	6.5%
VALUE		
P/E Ratio—Trailing 12 Months	15.1x	14.8x
Dividend Yield	2.8%	2.5%
Free Cash Flow Yield†	5.9%	3.6%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$3.6 B	\$2.6 B
Largest Market Cap—4 Qtr. Avg.	\$7.5 B	\$8.2 B
Annualized Standard Deviation—Since Inception*	23.5%	28.6%

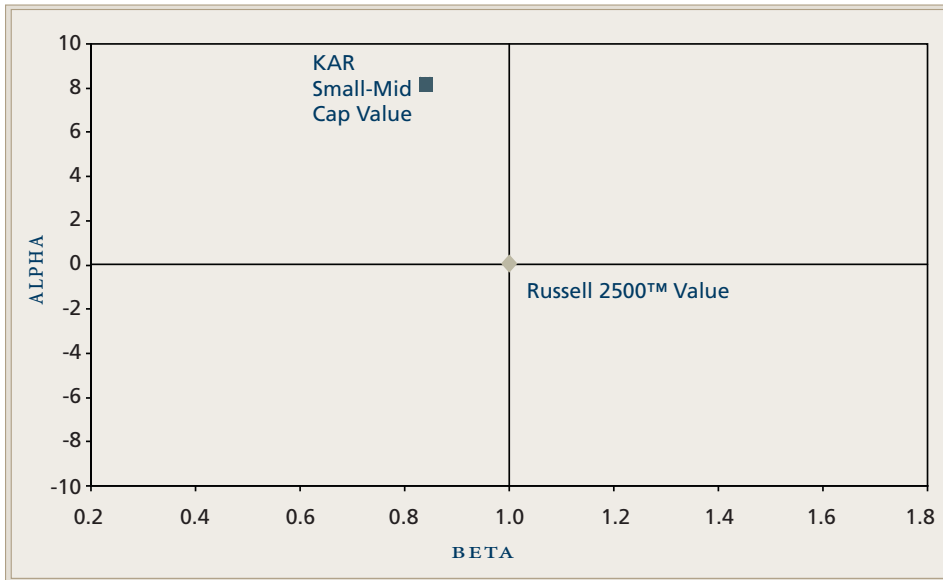
*January 1, 2008

†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, 2008

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HISTORICAL RETURNS

	KAR Small-Mid Cap Value (gross)	KAR Small-Mid Cap Value (net)†	Russell 2500™ Value
ANNUALIZED RETURNS (%)*			
<i>as of September 30, 2011</i>			
3rd Quarter	-11.71	-11.88	-21.10
Year to Date	-3.48	-4.02	-16.29
One Year	8.50	7.64	-4.70
Three Years	9.91	8.88	0.08
Inception‡	7.33	6.32	-2.56
ANNUAL RETURNS (%)			
2010	25.84	24.62	24.82
2009	32.52	31.23	27.68
2008	-19.00	-19.84	-31.99

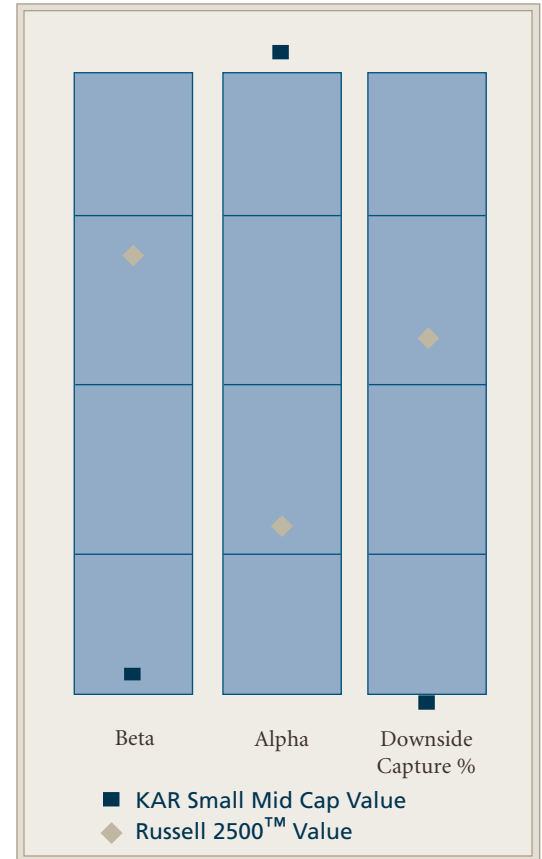
*All periods less than one year are total returns and are not annualized.

†Net of all fees and expenses. Assumes a 1% annual fee.

‡January 1, 2008

PEER COMPARISON CHART

Inception* to September 30, 2011



PERFORMANCE STATISTICS

Inception* to September 30, 2011

	KAR Small-Mid Cap Value	Russell 2500™ Value
ANNUALIZED RETURN	7.33	-2.56
ANNUALIZED STANDARD DEVIATION	23.49	28.55
ALPHA	8.77	0.00
BETA	0.81	1.00
SHARPE RATIO	0.30	-0.11
R-SQUARED	96.28	100.00

*January 1, 2008

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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. Additional information regarding the firm's policies and procedures for calculating and reporting performance and the treatment of significant cash flows is available upon request.

The composite is defined as all fully discretionary, non-wrap fee Small-Mid Cap Value portfolios (including cash) under management for at least one full quarter. Small-Mid Cap Value portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500® Value 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 \$250,000. For comparison purposes, the composite is measured against the Russell 2500® Value Index. The Russell 2500® Value Index is a market capitalization-weighted index of value-oriented stocks of the 2,500 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 June 2008. 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.

The standard management fee schedule currently in effect is as follows: 0.85% for the first \$25 million; 0.70% on the next \$25 million; 0.60% on the next \$50 million; 0.50% on the balance. 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. Returns are presented gross of management fees and withholding taxes, and net of transaction fees and include the reinvestment of all income. Gross returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. Net returns have been calculated after the deduction of an assumed maximum annual fee of 1%.

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	Gross Annual Return (%)	Net Annual Return (%)	Russell 2500™ Value Index Annual Return	Annual Standard Deviation
2008	3,445	< 1	< 5	(19.00)	(19.84)	(31.99)	N/A
2009	4,010	< 1	< 5	32.52	31.23	27.68	N/A
2010	4,729	< 1	< 5	25.84	24.62	24.82	N/A