

Background

Kayne Anderson Rudnick Investment Management, LLC is a Los Angeles-based, independently-managed investment firm founded in 1984. As of March 31, 2008, we had \$4.6 billion in assets under management. We employ a Quality at a Reasonable Price™ investment discipline.

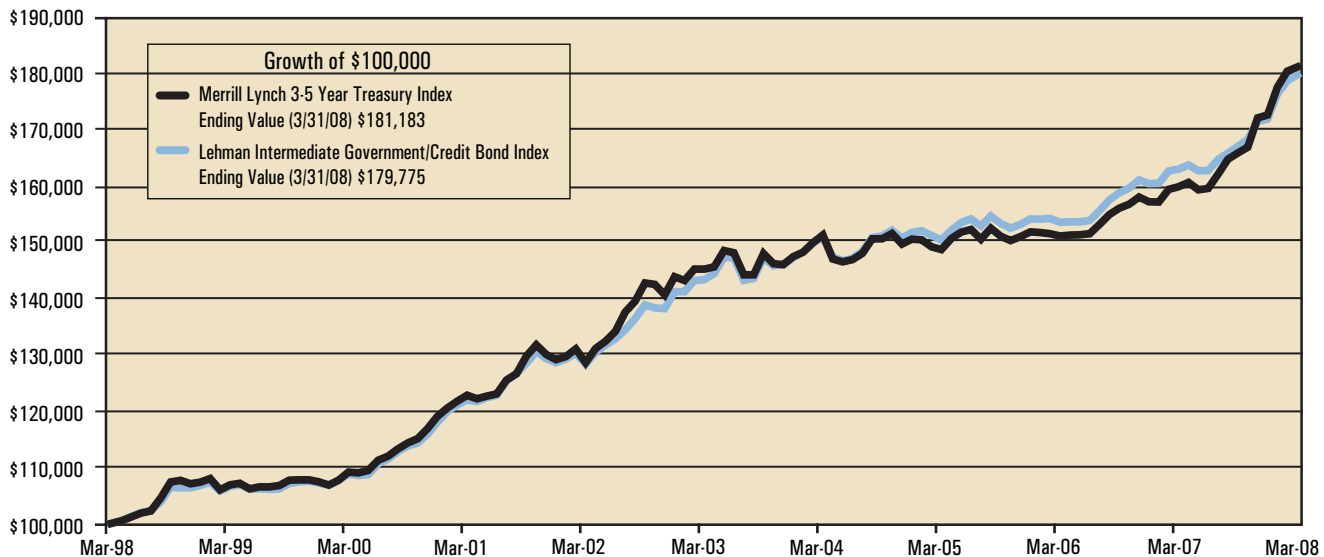
Investment Approach

The strategy is designed to simulate the characteristics of the Merrill Lynch 3-5 Year Treasury Index.

- The ML Index has attractive long-term performance as compared to alternate intermediate-term benchmarks.
- The ML Index comprises the highest quality, most liquid securities in the global capital markets.
- The ML Index is highly correlated with the widely accepted Lehman Intermediate Government/Credit benchmark.

Correlation of Returns

The Merrill Lynch 3-5 Year Treasury Index has historically provided similar total returns over time as the Lehman Intermediate Government/Credit Bond Index but with more liquidity, less risk, and superior quality.



Investment Management Team

Kimberly Friedrichs

Director of Fixed Income

21 years of industry experience

Investment Objectives

The KAR Intermediate Government Bond Portfolio is designed to capture a total return comparable to the total intermediate fixed-income market with:

- Superior quality
- Maximum liquidity

Defining Characteristics

A typical portfolio consists of five U.S. Treasury notes blended to simulate the characteristics and, therefore, the performance of the Merrill Lynch 3-5 Year Treasury Index.

The key characteristics used to mirror the index are:

- Duration
- Yield-to-maturity
- Average coupon

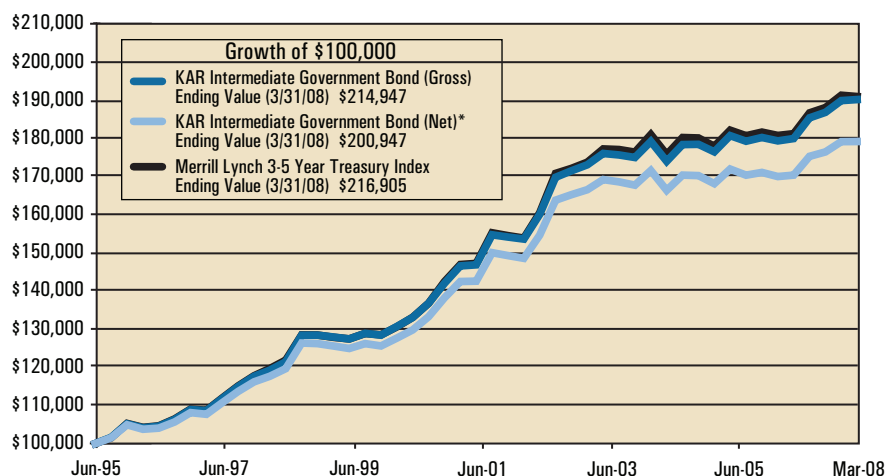
Portfolio Characteristics*

	KAR Intermediate Government Bond	Merrill Lynch 3-5 Year Treasury Index
Average Duration	3.3 Years	3.6 Years
Average Convexity	0.2	0.2
Average Coupon	5.4%	4.4%
Average Yield to Maturity	2.1%	2.2%
Maturity	Percent (%)	Percent (%)
<1 Year	2.6	0.0
1-3 Years	41.5	0.0
3-5 Years	36.3	100.0
5-7 Years	0.0	0.0
7-10 Years	19.6	0.0
Total	100.0	100.0

* Source: Wilshire Associates Inc.

Data is based on the average of the accounts in the Kayne Anderson Rudnick Intermediate Government Bond Composite. A complete list of portfolio holdings and specific securities transactions for the preceding 12 months is available upon request. Individual client portfolios may vary. Portfolio holdings are subject to change.

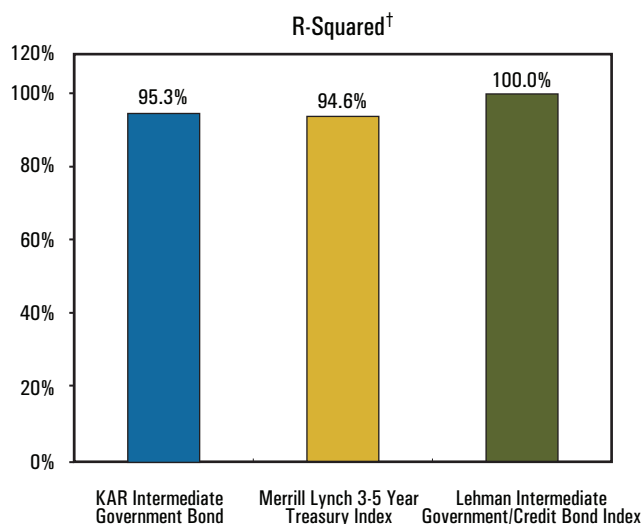
Growth of \$100,000



* Net of all fees and expenses. Assumes a 0.50% annual fee.

Correlation Analysis

Inception* – March 31, 2008



* July 1, 1995

† R-squared is a measurement of how closely a portfolio's performance correlates with the performance of a benchmark index. Data is obtained from FactSet Research Systems and is assumed to be reliable.

Historical Returns

	KAR Intermediate Government Bond (Gross of Fees)	KAR Intermediate Government Bond (Net of Fees)‡	Merrill Lynch 3-5 Year Treasury Index
Annualized Returns (%)* as of March 31, 2008			
First Quarter	4.55	4.43	4.95
One Year	12.29	11.74	13.33
Three Years	6.51	5.99	6.82
Five Years	4.26	3.74	4.53
Seven Years	5.50	4.98	5.72
Ten Years	5.99	5.46	6.13
Inception†	6.12	5.60	6.26
Total Returns (%)			
2007	9.17	8.64	9.84
2006	3.66	3.15	3.55
2005	0.99	0.49	0.86
2004	1.99	1.48	2.11
2003	2.02	1.51	2.47
2002	11.26	10.71	11.42
2001	8.54	8.00	8.47
2000	10.60	10.06	10.86
1999	0.02	-0.49	0.04
1998	9.18	8.64	9.08
1997	8.01	7.47	8.03
1996	3.56	3.04	3.56

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

† July 1, 1995

‡ Net of all fees and expenses. Assumes a 0.50% annual fee.

This material is deemed supplemental and complements the performance and disclosure on the accompanying page. All information contained herein is stated as of March 31, 2008, unless indicated otherwise. Results shown are past performance which is no guarantee of future results. Please see the accompanying Kayne Anderson Rudnick Intermediate Government Bond Composite disclosure page for further information.

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 Phoenix Investment Partners, Ltd., is a registered investment adviser 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 Intermediate Government 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 Merrill Lynch 3-5 Year Treasury Index. The Merrill Lynch 3-5 Year Treasury Index is a market value weighted index of short-term U.S. government securities with maturities between 3 and 4.99 years. The composite was created in July 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 October 1, 2000, composite results include the fixed-income component of the firm's balanced portfolios whose fixed-income portion was managed according to the Intermediate Government strategy. All cash balances were allocated to the equity and fixed-income components of the balanced portfolios 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	Percentage of Non-Fee-Paying Accounts	Gross Annual Return (%)	Net Annual Return (%)	Merrill Lynch 3-5 Year Treasury Index Annual Return	Annual Standard Deviation
1997	2,855	5	8	0	8.01	7.47	8.03	0.10
1998	4,160	10	15	0	9.18	8.64	9.08	0.87
1999	5,381	7	15	0	0.02	(0.49)	0.04	0.09
2000	6,686	3	2	0	10.60	10.06	10.86	0.20
2001	8,384	3	2	0	8.54	8.00	8.47	0.05
2002	8,612	4	2	0	11.26	10.71	11.42	0.02
2003	10,262	7	7	0	2.02	1.51	2.47	0.01
2004	10,320	12	5	0	1.99	1.48	2.11	0.03
2005	8,533	13	6	0	0.99	0.49	0.86	0.03
2006	6,523	4	6	0	3.66	3.15	3.55	0.04