



PORTFOLIO OVERVIEW

In a reversal from the first quarter, the second quarter experienced the outperformance of stocks that exhibit high-quality characteristics. Utilizing measurements such as S&P credit ratings and stocks with a high return on equity, higher quality stocks outperformed across all market caps and sector delineations. Given the portfolio's high-quality orientation and strong downside protection, the Small-Mid Cap Core Portfolio outperformed the Russell 2500 Index for the quarter.

The companies that contributed the most to performance during the quarter included Stericycle and Brown & Brown. Through strategic acquisitions, Stericycle continues to build out its international business which is serving as a growth platform near and long term. Additionally, by leveraging its route density advantage, the company's new products are seeing good customer penetration and are helping boost profit margins to near historical highs. Brown & Brown's stock recovered following the company's reports of better-than-expected first quarter 2010 results and improving acquisition environment. Importantly, despite ongoing softness in the P&C insurance market, the company continues to maintain its industry-leading profitability.

The companies that contributed the least to performance during the quarter included ITT Educational Services and Federated Investors. Shares of ITT Educational Services were lower in the quarter as ongoing concerns over possible regulation of the for-profit education industry have weighed on the company's shares and its peer group. We continue to be favorable to the overall for-profit business as it offers alternatives to those who are not given the opportunity to attend traditional schools. Federated Investors' shares declined in the second quarter after the company reported first-quarter earnings that were below consensus expectations. The company's money market business is currently being negatively affected by the extremely low level of short-term interest rates. We believe this situation is temporary and that the company will eventually benefit from an increase in short-term rates.

PURCHASES AND SALES

In the Small-Mid Cap Core Portfolio, we purchased Ross Stores. There were no complete sales from the portfolio during the quarter.

Ross Stores operates two chains of off-price retail apparel and home accessories stores in the United States. Its stores offer branded and designer apparel, accessories, footwear, and home fashions as well as gift items, linens, and other home-related merchandise. The company's strong new store returns combined with operating in lower cost real estate markets has created strong free-cash-flow generation that has been used consistently to return funds to shareholders in the form of share buybacks and dividends.

OUTLOOK

We are in the midst of a restrained economic recovery given the additional worries of the European Union economies and continued high unemployment. Some pundits are calling for another round of fiscal stimulus. However, we believe it is not likely unless we are on the doorstep of a double-dip recession as the capital toll on the federal budget will likely limit what Congress can do, particularly as mid-term elections near in November. The balancing act of stimulating the economy and the augur of fiscal responsibility should keep the Fed in a neutral stance for the balance of 2010, resulting in interest rates that should be range bound.

Though credit availability is better today than a year ago, businesses are still cautious about increasing their permanent employment base and are continuing to restrain their physical capital spending. This cautious stance has allowed corporations to show profitability margins near the upper end of their historical range. However, job growth will be needed at some point to have a sustained economic rebound and corporations will need to open the purse strings and shoulder some of the economic responsibilities. The consumers cannot do it alone in this economic cycle.

Despite the economic and market gyrations over the past couple of years, our investment strategy remains consistent. We continue to focus on investing in the highest quality businesses that can endure, outgrow their respective markets, and be purchased at discount valuations.

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
Sub-Style: Core
Index: Russell 2500™
Portfolio Inception: 1992
Portfolio Assets: \$361.5 M
Portfolio Turnover: 25%–35%

INVESTMENT MANAGEMENT TEAM

NAMES	YEARS of research experience
Robert Schwarzkopf, CFA <i>CIO + Portfolio Manager</i>	29
Julie Kutasov <i>Portfolio Manager + Senior Research Analyst</i>	9
Craig Stone <i>Portfolio Manager + Senior Research Analyst</i>	21
Todd Beiley, CFA <i>Senior Research Analyst</i>	11
Jon Christensen, CFA <i>Senior Research Analyst</i>	15
Craig Thrasher, CFA <i>Research Analyst</i>	5
Gregory Toppe, CFA <i>Research Analyst</i>	10
Aaron Reed, CIMA, CIMC <i>Senior Portfolio Advisor</i>	20
Steve Weyland, CFA <i>Senior Portfolio Advisor</i>	19

TOP FIVE HOLDINGS

as of June 30, 2010

COMPANY	PERCENT of equity (%)
Jack Henry & Associates	5.1
Church & Dwight	5.0
John Wiley & Sons	5.0
Dresser-Rand Group	4.9
ANSYS	4.3
Total	24.3

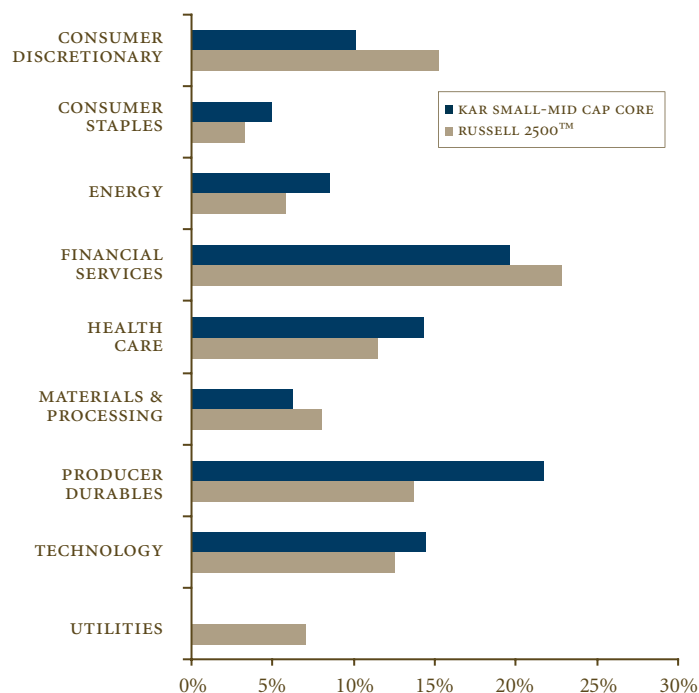
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Small-Mid Cap Core strategy. Individual investors' holdings may differ slightly from the representative portfolio.

INVESTMENT PROCESS—DISCOVERING QUALITY



SECTOR DIVERSIFICATION

as of June 30, 2010



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 June 30, 2010

KAR Small-Mid Cap Core Russell 2500™

QUALITY	KAR Small-Mid Cap Core	Russell 2500™
Return on Equity—Past 5 yrs.	23.2%	11.4%
Total Debt/EBITDA	0.9x	8.4x
Earnings Variance—Past 10 yrs.	22.6%	86.9%
S&P Stock Ranking (A+, A, A-, B+)	78.2%	29.1%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	16.0%	5.2%
Earnings Per Share Growth—Past 10 yrs.	14.0%	7.6%
Dividend Per Share Growth—Past 5 yrs.	23.2%	5.3%
Dividend Per Share Growth—Past 10 yrs.	16.0%	6.1%
Capital Generation—(ROE x {1-Payout})	18.9%	9.7%
VALUE		
P/E Ratio—Trailing 12 Months	17.5x	24.6x
Dividend Yield	1.4%	1.5%
Free Cash Flow Yield†	6.9%	6.1%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$2.6 B	\$2.2 B
Largest Market Cap—4 Qtr. Avg.	\$6.0 B	\$9.1 B
Annualized Standard Deviation—Since Inception*	15.7%	19.9%

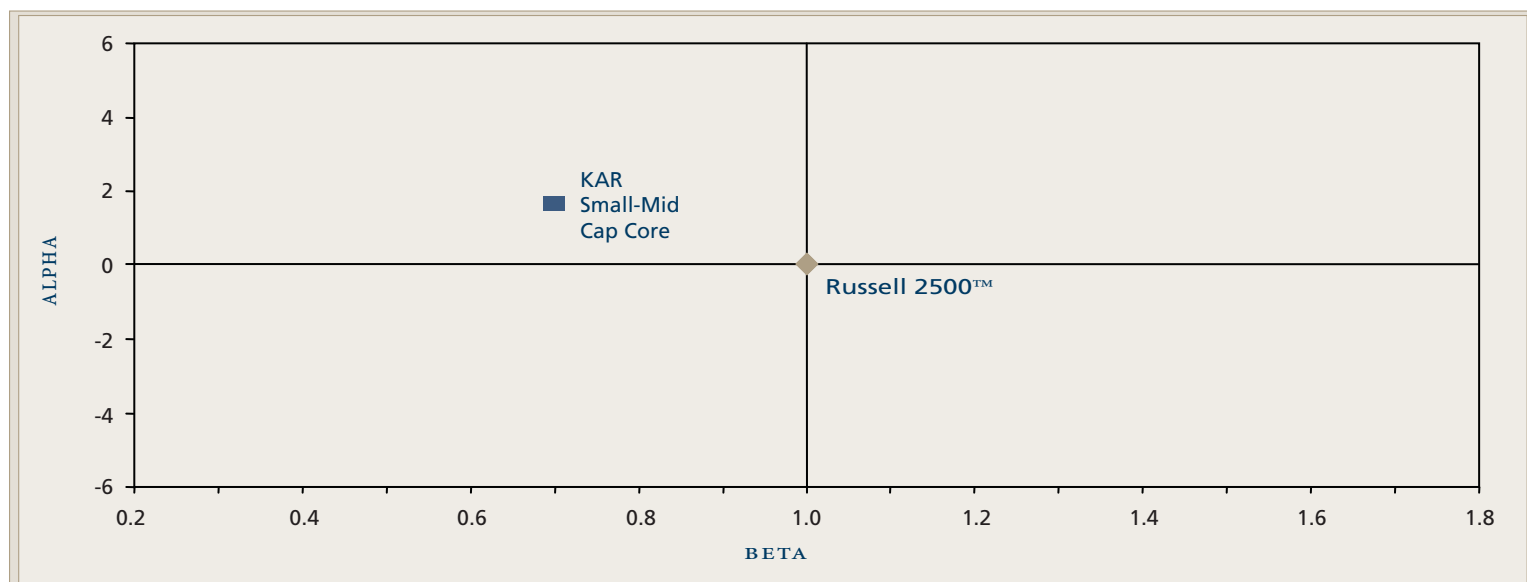
*April 1, 1992

†Free cash flow data is as of March 31, 2010. Prices are as of June 30, 2010. 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 June 30, 2010



*April 1, 1992

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HISTORICAL RETURNS

	KAR Small-Mid Cap Core (gross)	KAR Small-Mid Cap Core (net) [†]	Russell 2500 [™]
ANNUALIZED RETURNS (%)[*] as of June 30, 2010			
2nd Quarter	-6.85	-7.60	-9.98
Year to Date	-0.03	-1.31	-1.69
One Year	22.12	19.47	24.03
Three Years	-4.36	-6.23	-7.98
Five Years	2.58	0.50	0.98
Seven Years	5.25	2.83	6.61
Ten Years	4.66	2.04	4.15
Inception [‡]	9.54	6.58	9.16
ANNUAL RETURNS (%)			
2009	31.12	28.86	34.39
2008	-29.90	-31.33	-36.79
2007	0.26	-1.37	1.38
2006	14.04	11.75	16.17
2005	3.24	0.14	8.10
2004	13.69	10.26	18.29
2003	25.54	21.91	45.51
2002	-17.31	-19.84	-17.79
2001	4.57	1.53	1.22
2000	23.47	19.85	4.27
1999	7.02	3.93	24.15
1998	20.98	17.42	0.38
1997	21.00	17.45	24.36
1996	26.98	23.22	19.02
1995	18.57	15.07	31.70
1994	2.75	-0.26	-1.06
1993	20.00	16.54	16.54

* 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.

[‡] April 1, 1992

PERFORMANCE STATISTICS

Inception* to June 30, 2010

	KAR Small-Mid Cap Core	Russell 2500 [™]
ANNUALIZED RETURN	9.54	9.16
ANNUALIZED STANDARD DEVIATION	15.74	19.85
ALPHA	1.89	0.00
BETA	0.69	1.00
SHARPE RATIO	0.38	0.29
R-SQUARED	76.73	100.00

*April 1, 1992

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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 fully discretionary Small-Mid Cap Wrap Portfolios (including cash) under management for at least one full quarter. The minimum account size for this composite is \$100,000. For comparison purposes, the composite is measured against the Russell 2500™ Index. The Russell 2500™ Index is a market capitalization-weighted index 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 July 2000. There was a change in personnel in January 1998, April 2008, and February 2009. No alteration of the composite as presented here has occurred because of this change.

For periods prior to July 1, 2000, the Small-Mid Cap Wrap composite calculations have been linked to the firm's Small Cap Wrap composite performance, which represents all fully discretionary Small Cap Wrap Portfolios (including cash) under management for at least one full quarter. For periods prior to October 1, 1995, the Small Cap Wrap composite calculations have been linked to the firm's Small Cap actual historical non-wrap fee composite performance. Beginning on October 1, 1995, only eligible advisory wrap fee portfolios are included in composite results. Beginning on January 1, 2006, sub-advisory wrap fee portfolios are also included in composite results. Each sub-advisory relationship is included in the composite as one account.

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. Trade date accounting is used. From April 1, 1992 to December 31, 2005

composite returns are calculated by geometrically linking monthly returns. Beginning January 1, 2006, composite returns are calculated on a quarterly basis by asset weighting individual account returns using beginning of period values. Accounts enter and exit the composite on a quarterly basis.

Gross annual returns will be reduced by investment management fees and other expenses that may be incurred in the management of the account. 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 effect of fees on performance would grow at a compounded rate. Over a five-year period, if a \$100,000 portfolio had an annual return of 10%, it would grow to \$161,051. The net compounded effect of a 3% annual investment management fee would total \$20,796 and result in a portfolio value of \$140,255. 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.

Year	Total Firm Assets (\$ millions)	Total Composite Assets (\$ millions)	Accounts at Year End	% of Non-Fee Paying Accounts	Gross Annual Return (%)	Net Annual Return (%)	Russell 2500™ Index Annual Return	Annual Standard Deviation
2000	6,686	106	269	0	23.47	19.85	4.27	2.01
2001	8,384	135	404	0	4.57	1.53	1.22	0.68
2002	8,612	100	356	0	(17.31)	(19.84)	(17.79)	0.58
2003	10,262	108	266	0	25.54	21.91	45.51	0.88
2004	10,320	118	217	0	13.69	10.26	18.29	0.32
2005	8,533	83	157	0	3.24	0.14	8.10	0.24
2006	6,523	1,006	139	0	14.04	11.75	16.17	0.16
2007	5,392	738	85	0	0.26	(1.37)	1.38	0.28
2008	3,445	309	76	0	(29.90)	(31.33)	(36.79)	0.29
2009	4,069	342	64	0	31.12	28.86	34.39	0.64

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 2500™ Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.