



PORTFOLIO OVERVIEW

The Small-Mid Cap Core Portfolio outperformed the Russell 2500 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 Immucor and Church & Dwight. During the third quarter, Immucor announced it had agreed to be acquired by a private equity firm for a price equal to a 30% premium to the existing market valuation. 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.

The companies that contributed the least to performance during the quarter included Dresser-Rand Group and Federated Investors. 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 uprising in that region. Federated Investors has been waiving management fees to maintain positive or zero yields for investors as the money market business has been negatively impacted by the current low level of interest rates as. The Federal Reserve indicated plans to keep interest rates at this exceptionally low level until mid-2013. In addition to this disappointing development, the money market business faces regulatory uncertainty and risks due to exposure to debt issued by European banks. While collectively these issues have diminished our assessment of Federated, the valuation places little if any value on their money market business. Given the discounted valuation and our belief that the business is still fundamentally sound, we continue to hold the shares.

PURCHASES AND SALES

In the Small-Mid Cap Core Portfolio, there were no new purchases or complete sales from the portfolio during the quarter.

OUTLOOK

Small and mid capitalization equity valuations are certainly low and mid now compared to just three months ago but remain elevated. However, high-quality small companies are more reasonably priced and should therefore provide superior investment results over the next several years relative to the Russell 2500 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
Sub-Style: Core
Index: Russell 2500™
Portfolio Inception: 1992
Portfolio Assets: \$358.8 M
Portfolio Turnover: 25%–35%

INVESTMENT MANAGEMENT TEAM

NAMES	YEARS of research experience
Robert Schwarzkopf, CFA <i>CIO + Portfolio Manager</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 Beiley, 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 (%)
Church & Dwight	6.5
Landstar System	5.4
John Wiley & Sons	5.3
Jack Henry & Associates	4.3
World Fuel Services	4.3
Total	25.8

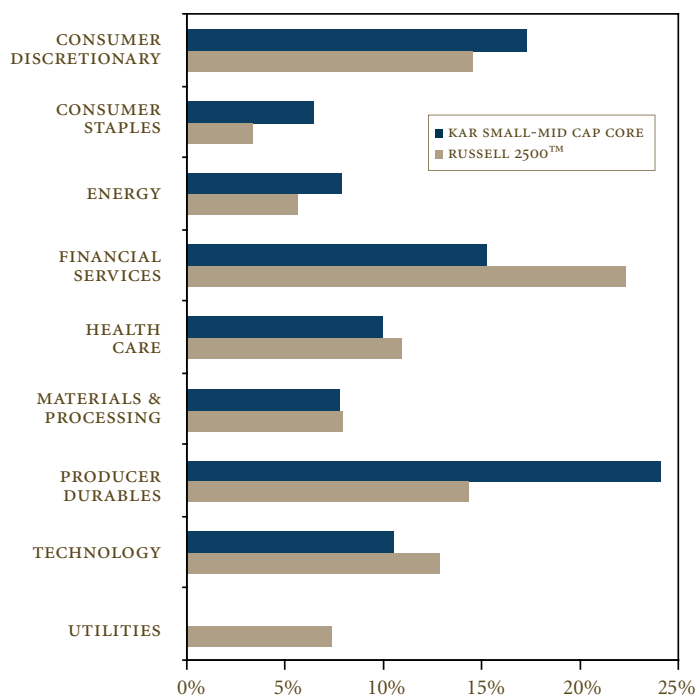
A complete listing of portfolio holdings and specific security transactions for the preceding 12 months is available upon request. Holdings are subject to change. Holdings and weightings listed above are based on a representative portfolio of the Kayne Anderson Rudnick Small-Mid Cap Core strategy. Individual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

INVESTMENT PROCESS—DISCOVERING QUALITY



SECTOR DIVERSIFICATION

as of 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 Small-Mid Cap Core Russell 2500™

QUALITY	KAR Small-Mid Cap Core	Russell 2500™
Return on Equity—Past 5 yrs.	22.6%	11.1%
Total Debt/EBITDA	0.9x	3.6x
Earnings Variance—Past 10 yrs.	23.6%	79.7%
S&P Stock Ranking (A+, A, A-, B+)	78.2%	29.0%
GROWTH		
Earnings Per Share Growth—Past 5 yrs.	9.5%	4.8%
Earnings Per Share Growth—Past 10 yrs.	14.3%	9.0%
Dividend Per Share Growth—Past 5 yrs.	17.5%	2.9%
Dividend Per Share Growth—Past 10 yrs.	16.9%	6.2%
Capital Generation—(ROE x {1-Payout})	17.0%	9.2%
VALUE		
P/E Ratio—Trailing 12 Months	17.7x	17.4x
Dividend Yield	1.5%	1.7%
Free Cash Flow Yield†	5.6%	2.6%
MARKET CHARACTERISTICS		
\$ Weighted Avg. Market Cap—4 Qtr. Avg.	\$3.4 B	\$2.7 B
Largest Market Cap—4 Qtr. Avg.	\$8.8 B	\$9.0 B
Annualized Standard Deviation—Since Inception*	15.9%	20.3%

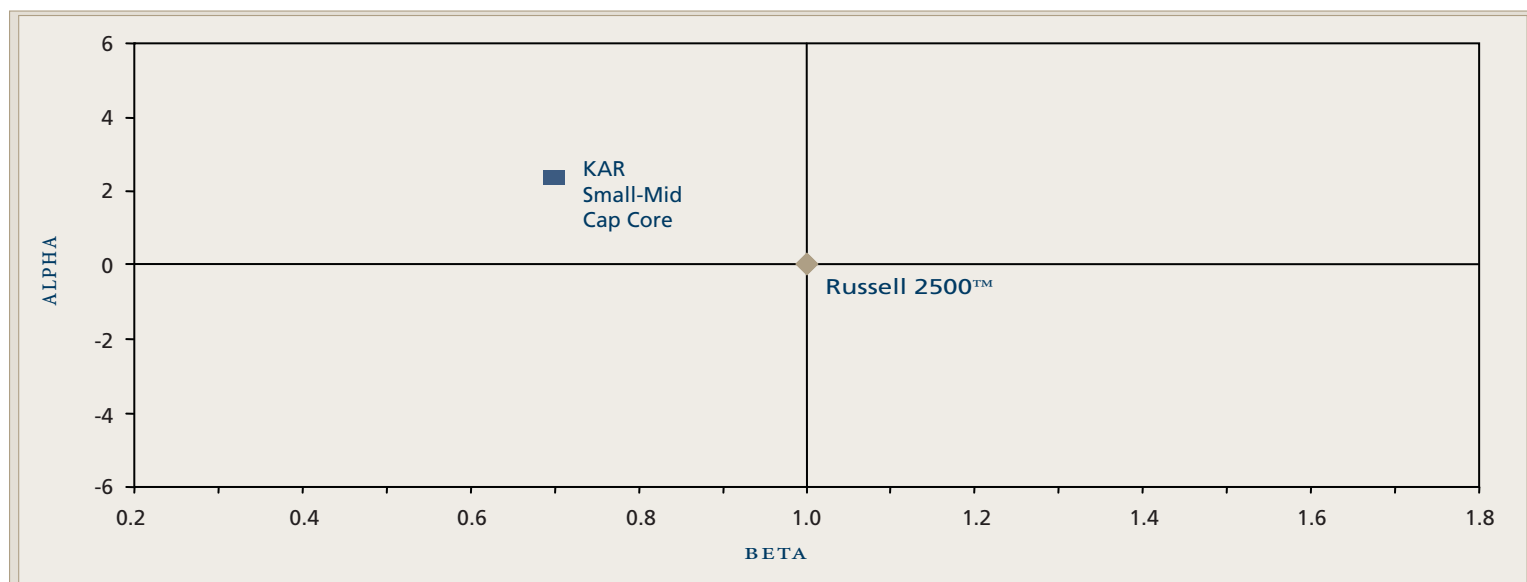
*April 1, 1992

†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



*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 September 30, 2011			
3rd Quarter	-12.37	-13.12	-21.22
Year to Date	-4.18	-6.14	-14.87
One Year	8.63	5.77	-2.22
Three Years	7.12	4.82	2.25
Five Years	2.27	0.24	0.19
Seven Years	5.01	2.72	4.19
Ten Years	5.08	2.53	7.08
Inception‡	9.68	6.75	9.07
ANNUAL RETURNS (%)			
2010	19.91	17.38	26.71
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 September 30, 2011

	KAR Small-Mid Cap Core	Russell 2500™
ANNUALIZED RETURN	9.68	9.07
ANNUALIZED STANDARD DEVIATION	15.92	20.32
ALPHA	2.12	0.00
BETA	0.69	1.00
SHARPE RATIO	0.40	0.29
R-SQUARED	78.01	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 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 Small-Mid Cap Core portfolios (including cash) under management for at least one full quarter. Small-Mid Cap Core portfolios are invested in equity securities with market capitalizations consistent with the Russell 2500™ 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 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. Benchmark returns are not covered by the report of the independent

verifiers. The composite was created in July 2000. 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, 2000, the Small-Mid Cap Core Wrap composite calculations have been linked to the firm's Small Cap Core Wrap composite performance, which represents all fully discretionary Small Cap Core Wrap portfolios (including cash) under management for at least one full quarter. For periods prior to October 1, 1995, the Small Cap Core Wrap composite calculations have been linked to the firm's Small Cap Core actual historical non-wrap fee composite performance. The minimum account size for the Small-Mid Cap Core non-wrap fee composite was \$250,000. Beginning on October 1, 1995, 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 October 1, 1995, pure gross returns do not reflect the deduction of any expenses, including trading costs. 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 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 2500™ Index Annual Return	Annual Standard Deviation
2001	8,384	135	100%	404	4.57	1.53	1.22	0.68
2002	8,612	100	100%	356	(17.31)	(19.84)	(17.79)	0.58
2003	10,262	108	100%	266	25.54	21.91	45.51	0.88
2004	10,320	118	100%	217	13.69	10.26	18.29	0.32
2005	8,533	83	100%	157	3.24	0.14	8.10	0.24
2006	6,523	1,006	100%	139	14.04	11.75	16.17	0.16
2007	5,392	738	100%	85	0.26	(1.37)	1.38	0.28
2008	3,445	309	100%	76	(29.90)	(31.33)	(36.79)	0.29
2009	4,010	342	100%	64	31.12	28.86	34.39	0.64
2010	4,729	316	100%	58	19.91	17.38	26.71	0.35

* Beginning October 1, 1995, 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 2500™ Index is a trademark/service mark of Frank Russell Company. Russell® is a trademark of Frank Russell Company.