

FBR Small Cap Fund*

December 31, 2011



INVESTMENT OBJECTIVE

The Fund seeks long-term capital appreciation by investing primarily in the equity securities of domestic companies with capitalizations less than \$3 billion at the time of purchase.

PORTFOLIO MANAGEMENT



Robert Barringer, CFA

- » Over 19 years of securities analysis and investment management experience
- » Joined FBR in 2004 from the Citizens Funds where he managed the Citizens Core Growth Fund and co-managed the Citizens Balanced Fund
- » Served as Director and co-portfolio manager at AEW Capital managing REIT portfolios for institutional clients
- » MBA from Harvard University

INVESTMENT STRATEGY

The Fund is managed to outperform the Russell 2000® Index with less volatility over a full market cycle. This result is achieved through a proprietary screening process followed by independent bottom-up fundamental analysis. The investment process aims to identify companies that exhibit the following characteristics:

- » Industry leaders with a defensible market position
- » Below average debt and high levels of free cash flow
- » Sustainable, consistent and visible revenue production
- » Management skill and integrity
- » Reasonable market valuations

The net result is a diversified portfolio that emphasizes high-quality, conservatively-financed companies purchased at reasonable valuations.

FUND PERFORMANCE as of 12/31/11

Morningstar Category: Small Growth	Average Annualized Total Return			
	Q4 2011	1 Year	3 Year	Since Inception ¹
FBR Small Cap Fund				
Investor Class	18.52%	2.26%	17.41%	5.85%
Institutional Class ²	18.57%	2.60%	17.69%	6.00%
Russell 2000® Index	15.47%	-4.18%	15.63%	-0.02%
Category Rank (Investor Class)		10%	63%	NA
# of funds in Small Growth Category		764	676	NA
Annual Total Expense Ratio (Net Gross):	1.45% 1.74% (Investor Class)		1.20% 1.42% (Institutional Class)	

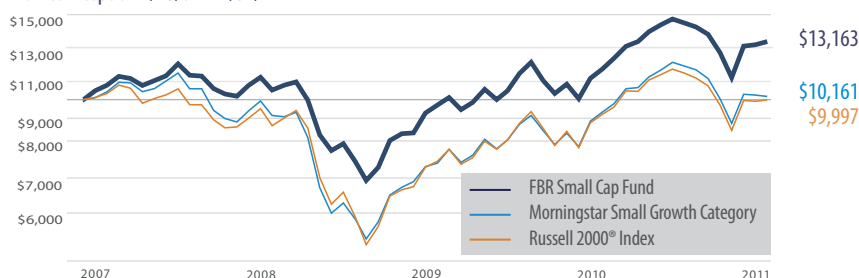
¹ For the period February 28, 2007 (commencement of operations) through December 31, 2011.

² Represents the performance of the Institutional Class shares after May 30, 2008 (inception of the share class) and Investor Class for periods prior to that date.

FBR Fund Advisers, Inc. has agreed in writing to waive a portion of its advisory fee and assume certain expenses of the Fund to the extent annual operating expenses exceed 1.45% and 1.20% of the Fund's average daily net assets for the Investor Class and the Institutional Class, respectively. The Adviser has agreed to maintain these expense limitations through 2/28/2015.

Hypothetical Growth of \$10,000 (Investor Class)

Since Inception 2/28/07- 12/31/11



Reflects the reinvestment of dividends and all fund expenses.

PAST PERFORMANCE IS NO GUARANTEE OF FUTURE RESULTS. The performance data quoted represents past performance and the current performance may be lower or higher than the performance data quoted. The investment return and principal will fluctuate so that investors' shares, when redeemed, may be worth more or less than their original cost. The performance data does not reflect the deduction of taxes that a shareholder would pay on fund distributions or redemption fees. The Fund charges a redemption fee of 1.00% on shares redeemed or exchanged within 90 days; if reflected, the redemption fee would reduce the performance quoted. To obtain performance data current to the most recent month-end please call 888.200.4710.

*Prior to 8/27/10, the Fund's name was FBR Pegasus Small Cap Fund.

FUND FACTS

Ticker Symbol / CUSIP

Investor Class FBRYX / 30246J851
Institutional Class FBPYX / 30246J836

Inception

Investor Class 2/28/07
Institutional Class 5/30/08
Total Fund Assets \$36.6M
Number of Holdings 120

MORNINGSTAR® RATING as of 12/31/11

OVERALL MORNINGSTAR® RATING

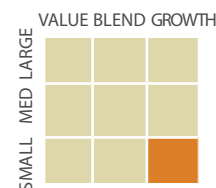


(Investor Class)

Among 676 Small Growth Funds

The Overall Morningstar Rating is based on risk adjusted returns, derived from a weighted average of the 3, 5, and 10 year (if applicable) Morningstar metrics.

EQUITY STYLE



FOR MORE INFORMATION

Advisor Sales Desk

888.200.4710

www.fbrfunds.com

Shareholder Services

888.888.0025

888.200.4710 | www.fbrfunds.com

TOP 10 HOLDINGS

	% Assets
Wolverine World Wide, Inc.	3.1%
Impax Laboratories, Inc.	2.4
Kraton Performance Polymers, Inc.	2.2
Simpson Manufacturing Co., Inc.	2.1
Horace Mann Educators Corp.	2.0
Seattle Genetics, Inc.	2.0
Big Lots, Inc.	2.0
Wright Express Corp.	1.9
PerkinElmer, Inc.	1.9
Sotheby's	1.9
Total	21.5%

SECTOR ALLOCATION

	% Assets
Financials	22.9%
Technology	18.6
Consumer, Cyclical	15.6
Industrials	12.8
Consumer, Non-cyclical	11.7
Energy	9.3
Basic Materials	4.1
Utilities	2.8
Communications	1.7
Cash	0.5
Total	100.0%

RISK METRICS (Investor Class)

cat: Small Growth	3 Year
Morningstar Risk	Avg
Morningstar Return	Avg
Standard Deviation	
FBR Small Cap Fund	22.69
cat: Small Growth Funds Avg.	22.95
MPT Statistics (relative to Russell 2000® Index)	
Beta	0.88
Alpha	3.04

Source: Morningstar Direct

PORTFOLIO CHARACTERISTICS

Portfolio TTM Turnover**	102%
Wtd. Avg. Market Cap	\$1.8B
Wtd. Avg. P/E	24.7x
Wtd. Avg. P/B	3.3x

**unaudited as of 12/31/11

CAPTURE RATIOS RELATIVE TO RUSSELL 2000® INDEX (Investor Class)

3 Year	Source: Morningstar Direct
UP MARKET	92.4%
DOWN MARKET	84.1%
Since Inception (2/28/07 - 12/31/11)	
UP MARKET	85.2%
DOWN MARKET	82.4%

Important Disclosures

*Prior to 8/27/10, the Fund's name was FBR Pegasus Small Cap Fund.

Investors should consider the investment objectives, risks, charges and expenses carefully before investing. This and other important information can be found in the Fund's prospectus. To obtain a free prospectus, please call 888.200.4710 or visit www.fbrfunds.com. Please read the prospectus carefully before investing.

Investing in small-cap companies involves greater risk than investing in larger, more established companies.

Indices are unmanaged and have no management fees or operating costs that reduce reported returns. The volatility and other risk characteristics for the Fund will differ from the volatility and risk characteristics of the indices.

Morningstar® Small Growth Category consists of those portfolios that focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).

Russell 2000® Index is an unmanaged total return index of the smallest 2000 companies in the Russell 3000 Index, as ranked by total market capitalization.

Morningstar Proprietary Ratings reflect risk-adjusted performance as of 12/31/11. For each fund with at least a three year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in distribution percentage. The Fund received 3 stars for the three year period ended 12/31/11 among 676 Small Growth Funds. ©Morningstar, Inc. All Rights Reserved.

Morningstar Risk scores for a given time period (three, five, or 10 years) reflect the Fund's Morningstar risk score plotted on a bell curve: Monthly calculations are based on whether the Fund scores in the top 10% of its category, its risk score is considered High; if it falls in the next 22.5% Above Average; a place in the middle 35% is Average; those lower still, in the next 22.5%, are Below Average and the bottom Low. Overall Morningstar risk score is a weighted average of the available three, five, and 10 year Morningstar risk scores. Investments with less than three years of performance history are not rated.

Morningstar Return scores for a given time period (three, five, or 10 years) reflect the Fund's Morningstar return score plotted on a bell curve: Monthly calculations are based on whether the Fund scores in the top 10% of its category, its return score is considered High; if it falls in the next 22.5% Above Average; a place in the middle 35% is Average; those lower still, in the next 22.5%, are Below Average and the bottom Low. Overall Morningstar return score is a weighted average of the available three, five, and 10 year Morningstar return scores. Investments with less than three years of performance history are not rated.

P/E Ratio is the market price per share divided by earnings per share.

Price/Book Ratio is the market price per share divided by book value.

Standard Deviation shows the degree of variation in the Fund's returns and can serve as a useful measure of the Fund's risk. It is measured using monthly observations, but expresses the result on an annualized basis.

Beta is a statistical measure of the Fund's volatility relative to the broader peer group is measured against the Russell 2000® Index, which is deemed to equal 1.00. A beta higher than 1.00 means the Fund has experienced greater sensitivity to swings in the market, while a beta of less than 1.00 means the Fund has experienced less sensitivity.

Alpha is a measure of performance on a risk-adjusted basis. Alpha compares the volatility (price risk) of the Fund to risk-adjusted performance of the Russell 2000® Index. The excess return of the Fund relative to the return of the Index is the Fund's alpha.

Market Capture Ratios is a statistical measure of the Fund's overall performance in up-markets (positive return periods) and down-markets (negative return periods). The market capture ratios are used to evaluate how well an investment performed relative to an index during periods when that index has risen or fallen. The ratio is calculated by dividing the Fund's returns by the returns of the index during the up-market or the down-market, and multiplying that factor by 100.