THE FBR FUNDS

Fixed Income/Blended Funds
Investor Class

FBR Balanced Fund (AFSAX)

FBR Core Bond Fund (AFHAX)

PROSPECTUS

July 31, 2010

This prospectus describes the Investor Class shares offered by the FBR Balanced Fund and the FBR Core Bond Fund, two separate investment series of The FBR Funds. I Class shares of the Funds are available through a separate prospectus dated July 31, 2010.

As with all mutual funds, the Securities and Exchange Commission has not approved or disapproved these securities or determined whether the information in this Prospectus is adequate or accurate. Anyone who indicates otherwise is committing a Federal Crime.

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FBR BALANCED FUND

INVESTMENT OBJECTIVE

The investment objective of the Balanced Fund is to seek long-term capital growth and current income.

FEES AND EXPENSES

This table describes the fees and expenses that you may pay if you buy and hold Investor Class shares of the Fund.

Shareholder Fees
(fees paid directly from your investment)

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends	NONE
Redemption Fee (on redemptions and exchanges made within 90 days of purchase)	1.00%

Annual Fund Operating Expenses
(expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.80%
Distribution (12b-1) Fees	0.25%
Other Expenses	0.64%
Total Annual Fund Operating Expenses	1.69%
Fee Waiver and/or Expense Reimbursement[1]	(0.36)%
Total Annual Operating Expenses After Fee Waiver and Expense Reimbursement[1]	1.33%

[1] *FBR Fund Advisers, Inc. (the "Adviser") has agreed in writing to waive a portion of its investment advisory fees and assume certain expenses to the extent total annual fund operating expenses exceed 1.08% of the average daily net assets (excluding 12b-1 fees, interest, taxes, brokerage commissions, acquired fund fees and expenses, extraordinary legal expenses, or any other extraordinary expenses) of the Investor Shares of the Fund. The Adviser has agreed to maintain these expense limitations with regard to the Fund through February 28, 2013. The Adviser may recoup any waived amount from the Fund pursuant to this agreement and any prior agreements to which the Fund's predecessor was subject if such reimbursement does not cause the Fund to exceed existing expense limitations and the reimbursement is made within three years after the year in which the expense was incurred. The agreement may only be terminated by the Fund's Board.*

Example

This Example is intended to help you compare the cost of investing in the Investor Class shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year, that the Fund's operating expenses remain the same, and that the expense limitation agreement will continue only through February 28, 2013, the end of its current term. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Balanced Fund	$135	$421	$811	$1,902

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 26% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES

To pursue its investment objectives, the Fund invests in a blend of domestic common stocks, preferred stocks, convertible securities and core, high quality domestic corporate, agency and government bonds. The Fund may also invest in mortgage-backed securities, asset-backed securities and Yankee bonds. The Fund's investments may include foreign securities, including indirect investments such as American Depository Receipts ("ADRs") or other types of depositary receipts, which are U.S. dollar-denominated receipts representing shares of foreign-based corporations. The Fund may invest in the stocks of companies of any size without regard to market capitalization. The Fund may invest up to 10% of its assets in high yield bonds (commonly known as "junk bonds"). The allocation of assets invested in each type of security is designed to balance yield income and long-term capital appreciation with reduced volatility of returns. The approach of both sub-advisers of the Fund places a focus on seeking downside protection. The Fund expects to change its allocation mix over time based on FBR Fund Advisers, Inc.'s (the "Adviser") view of economic conditions and underlying security values. The Fund may invest in Initial Public Offerings ("IPOs"). Under normal circumstances, the Adviser will allocate approximately 40% of the Fund's assets to a sub-adviser to be invested in fixed income securities and the remainder of the Fund's assets to a sub-adviser to be invested in equity securities. Many of the Fund's common stock investments are expected to pay dividends.

The London Company ("London Co.") manages the equity portion of the Fund's portfolio and Financial Counselors, Inc. ("FCI") manages the fixed income portion of the Fund's portfolio. London Co. utilizes a bottom-up approach in its security selection for the equity segment of the Fund and focuses on selecting securities of companies that have demonstrated market dominance, have low business risk, continue to have solid long-term growth prospects and have averaged 15% or greater internal growth. In addition, London Co. further makes determinations regarding stock selection by considering companies that have shareholder-oriented management that have a history of aligning with shareholder interest through stock incentives, insider buying and corporate buy-backs.

FCI will use its core fixed income philosophy to manage the fixed income segment of the Fund. FCI's core fixed income philosophy focuses on higher quality, intermediate term fixed income securities that can produce attractive results for investment with a focus on downside protection. FCI applies a reasoned approach to fixed income management which is based on continuous analysis and assessment of the variables that influence bond prices. FCI will use this proprietary approach that combines economic momentum, inflationary expectations and technical factors to evaluate interest rate changes in order to manage the duration of the portfolio in an effort to mitigate risk and maximize total return.

RISKS RELATED TO PRINCIPAL INVESTMENT STRATEGIES

Market Risks. Loss of money is a risk of investing in the Fund. The net asset value of the Fund can be expected to change daily and you may lose money. As with any mutual fund, there is no guarantee that the Fund's performance will be positive over any period of time, either short-term or long-term.

Equity Investments. Because the Fund invests in equity securities, fluctuations in the stock market in general, as well as in the value of particular equity securities held by the Fund, can affect the Fund's performance. The value of equity securities will fluctuate due to many factors, including the past and predicted earnings of the issuer, the quality of the issuer's management, general market conditions, forecasts for the issuer's industry and the value of the issuer's assets.

Debt Investments. The yields and principal values of debt securities will also fluctuate. Generally, values of debt securities change inversely with interest rates. That is, as interest rates go up, the values of debt securities tend to go down and vice versa. Furthermore, these fluctuations tend to increase as a bond's maturity increases such that a longer term bond will increase or decrease more for a given change in interest rates than a shorter term bond.

Foreign Investments. Investing in foreign securities presents unique investment risks. The value of securities denominated in or indexed to foreign currencies, and of dividends and interest from such securities, can change significantly when foreign currencies strengthen or weaken relative to the U.S. dollar. Many foreign countries lack uniform accounting and disclosure standards comparable to those applicable to U.S. companies, and it may be more difficult to obtain reliable information regarding an issuer's financial condition and operations. The Fund may invest in both sponsored and unsponsored ADRs which are receipts issued by a U.S. bank or trust company evidencing ownership of an indirect interest in underlying securities issued by a foreign issuer. In a sponsored ADR arrangement, the non-U.S. issuer assumes the obligation to pay some or all of the depositary's transaction fees. Under an unsponsored ADR arrangement, the non-U.S. issuer assumes no obligations and the depositary's transaction fees are paid directly by the ADR holders. Because unsponsored ADR arrangements are organized independently and without the cooperation of the issuer of the underlying securities, available information concerning the non-U.S. issuer may not be as current as for sponsored ADRs and voting rights with respect to the deposited securities are not passed through.

High Yield Investments. The Fund may invest a small portion of its assets in lower-rated, high-yielding bonds (commonly known as "junk bonds"). These bonds have a greater degree of default risk than higher-rated bonds. Default risk is the possibility that the issuer of a debt security will fail to make timely payments of principal or interest to the Funds.

IPO Investments. IPO shares are subject to market risk and liquidity risk. The market value of IPO shares will fluctuate considerably due to facts such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited public information about the issuer. The purchase of IPO shares may involve high transaction costs. When a fund's asset base is small, a significant portion of the fund's performance could be attributable to investments in IPOs, because such investments would have a magnified impact on the fund.

Mortgage-Backed and Asset-Backed Securities Investments. Mortgage- and asset-backed securities are subject to prepayment risk, which is the risk that the borrower will prepay some or all of the principal owed to the issuer. If prepayment occurs, the Funds may have to replace the security by investing the proceeds in a less attractive security. This may reduce a Fund's share price and income distribution.

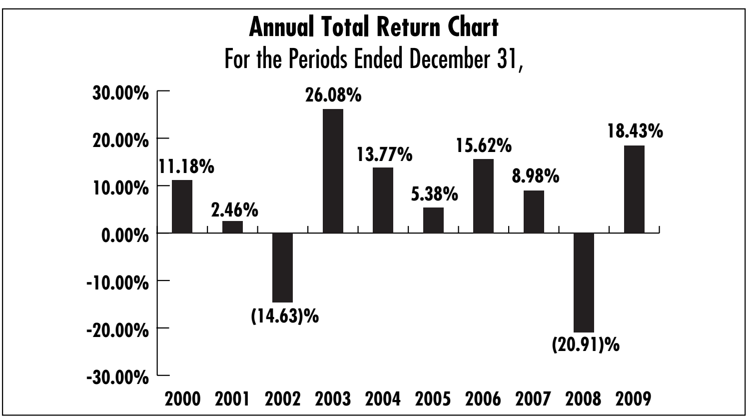
Temporary Defensive Positions. The Fund may, from time to time, take temporary defensive positions in response to adverse market, economic, political or other conditions. To the extent the assets of the Fund are invested in temporary defensive positions, the Fund may not achieve its investment objective. For temporary defensive purposes, the Fund may invest in cash and/or short-term obligations.

FUND PERFORMANCE

The bar chart and table that follow provide some indication of the risks of an investment in the Fund's shares. The bar chart shows the Fund's performance for each of the last ten calendar years. The table shows how the Fund's average annual total returns for different calendar periods over the last ten calendar years of the Fund, both before and after taxes, compared to those of a broad-based index, the S&P 500 Index.

Please note that the Fund's past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future.

The FBR Balanced Fund is the investment successor to the AFBA 5Star Balanced Fund (the "Predecessor Fund") which commenced investment operations on June 3, 1997. On March 12, 2010, the Predecessor Fund was reorganized as the FBR Balanced Fund. Performance figures shown below represent the Advisor Class shares of the Predecessor Fund for periods after September 24, 2001, and Class I shares of the Predecessor Fund for periods prior to that date. The returns for the Class I shares will differ from the returns for the Advisor Class shares because of differences in expenses of each share class.



Year to Date Return as of June 30, 2010 (1.62)%

Best Quarter	*Quarter Ended June 30, 2003*	*13.36%*
Worst Quarter	*Quarter Ended December 31, 2008*	*(13.66)%*

Average Annual Total Returns
For the Periods Ended December 31, 2009

	One Year	Five Years	Ten Years
Return Before Taxes	18.43%	4.46%	5.66%
Return After Taxes on Distributions	17.59%	2.83%	3.18%
Return After Taxes on Distributions and Sale of Fund Shares	11.91%	3.21%	3.06%
Index			
S&P 500 Index (reflects no deduction for fees, expenses or taxes)	26.47%	0.42%	(0.95)%

The after-tax returns shown were calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. If you hold your Fund shares through a tax-deferred arrangement, such as a 401(k) plan or individual retirement account, the after-tax returns are not relevant.

FUND MANAGEMENT

Investment Adviser

FBR Fund Advisers, Inc. (the "Adviser") serves as the investment adviser to the Fund.

Sub Advisers

The Adviser has retained The London Company ("London Co.") and Financial Counselors, Inc. ("FCI"), for the day-to-day management of the equity and fixed income portions of the Fund's portfolio, respectively.

Portfolio Managers

The London Co. investment team jointly and primarily responsible for managing the equity portion of the Fund's portfolio is comprised of Stephen M. Goddard, CFA (Managing Director and Founder), Jonathan T. Moody (Director of Research and Portfolio Manager) and J. Wade Stinnette, Jr. (Portfolio Manager). Messrs. Goddard and Moody have each been a portfolio manager of the Fund since July 16, 2007 and Mr. Stinnette has been a portfolio manager of the Fund since April 1, 2008.

The FCI investment team that is jointly and primarily responsible for managing the fixed income portion of the Fund's portfolio is comprised of Gary B. Cloud, CFA and Peter G. Greig, CFA, who are both Senior Vice Presidents and Portfolio Managers of FCI. Messrs. Cloud and Greig have each been a portfolio manager of the Fund since July 16, 2007.

OTHER IMPORTANT INFORMATION REGARDING FUND SHARES

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the section entitled “Investing in the Funds” on page 15.

FBR CORE BOND FUND

INVESTMENT OBJECTIVE

The investment objective of the Core Bond Fund is to seek current income with capital growth as a secondary objective.

FEES AND EXPENSES

This table describes the fees and estimated expenses that you may pay if you buy and hold Investor Class shares of the Fund.

Shareholder Fees
(fees paid directly from your investment)

Maximum Sales Charge (Load) Imposed on Purchases	NONE
Maximum Deferred Sales Charge (Load)	NONE
Maximum Sales Charge (Load) Imposed on Reinvested Dividends	NONE
Redemption Fee (on redemptions and exchanges made within 90 days of purchase)	1.00%

Annual Fund Operating Expenses
(expenses that you pay each year as a percentage of the value of your investment)

Management Fees	0.80%
Distribution (12b-1) Fees	0.25%
Other Expenses	0.88%
Total Annual Fund Operating Expenses	1.93%
Fee Waiver and/or Expense Reimbursement[1]	(0.62)%
Total Annual Operating Expenses After Fee Waiver and Expense Reimbursement[1]	1.31%

[1] *Fund Advisers, Inc. (the "Adviser") has agreed in writing to waive a portion of its investment advisory fees and assume certain expenses to the extent total annual fund operating expenses exceed 1.05% of the average daily net assets (excluding 12b-1 fees, interest, taxes, brokerage commissions, acquired fund fees and expenses, extraordinary legal expenses, or any other extraordinary expenses) of the Investor Shares of the Fund. The Adviser has agreed to maintain these expense limitations with regard to the Fund through February 28, 2013. The Adviser may recoup any waived amount from the Fund pursuant to this agreement and any prior agreements to which the Fund's predecessor was subject if such reimbursement does not cause the Fund to exceed existing expense limitations and the reimbursement is made within three years after the year in which the expense was incurred. The agreement may only be terminated by the Fund's Board.*

Example

This Example is intended to help you compare the cost of investing in the Investor Class shares of the Fund with the cost of investing in other mutual funds.

The Example assumes that you invest $10,000 in the Fund for the time periods indicated and then redeem all of your shares at the end of those periods. The Example also assumes that your investment has a 5% return each year, that the Fund's operating expenses remain the same, and that the expense limitation agreement will continue only through February 28, 2013, the end of its current term. Although your actual costs may be higher or lower, based on these assumptions your costs would be:

	1 Year	3 Years	5 Years	10 Years
Core Bond Fund	$133	$415	$859	$2,093

Portfolio Turnover

The Fund pays transaction costs, such as commissions, when it buys and sells securities (or "turns over" its portfolio). A higher portfolio turnover rate may indicate higher transaction costs and may result in higher taxes when Fund shares are held in a taxable account. These costs, which are not reflected in annual fund operating expenses or in the example, affect the Fund's performance. During the most recent fiscal year, the Fund's portfolio turnover rate was 28% of the average value of its portfolio.

PRINCIPAL INVESTMENT STRATEGIES

To pursue its investment objectives, the Fund, under normal circumstances, invests at least 80% of its net assets in fixed income securities, which include domestic investment grade corporate, agency and governmental bonds. The Fund may also invest in mortgage-backed securities, asset-backed securities and Yankee bonds. The Fund's investments may include foreign securities, including indirect investments such as American Depository Receipts ("ADRs") or other types of depositary receipts, which are U.S. dollar-denominated receipts representing shares of foreign-based corporations. The Fund may invest up to 10% of its assets in high yield bonds (commonly known as "junk bonds"). The Fund may invest in Initial Public Offerings ("IPOs").

Financial Counselors, Inc. ("FCI") will use its core fixed income philosophy to manage the Fund. FCI's core fixed income philosophy focuses on higher quality, intermediate term fixed income securities that can produce attractive results for investment with a focus on downside protection. FCI applies a reasoned approach to fixed income management which is based on continuous analysis and assessment of the variables that influence bond prices. FCI will use this proprietary approach that combines economic momentum, inflationary expectations and technical factors to evaluate interest rate changes in order to manage the duration of the portfolio in an effort to mitigate risk and maximize total return.

RISKS RELATED TO PRINCIPAL INVESTMENT STRATEGIES

Market Risks. Loss of money is a risk of investing in the Fund. The net asset value of the Fund can be expected to change daily and you may lose money. As with any mutual fund, there is no guarantee that the Fund's performance will be positive over any period of time, either short-term or long-term.

Debt Investments. The yields and principal values of debt securities will also fluctuate. Generally, values of debt securities change inversely with interest rates. That is, as interest rates go up, the values of debt securities tend to go down and vice versa. Furthermore, these fluctuations tend to increase as a bond's maturity increases such that a longer term bond will increase or decrease more for a given change in interest rates than a shorter term bond.

Foreign Investments. Investing in foreign securities presents unique investment risks. The value of securities denominated in or indexed to foreign currencies, and of dividends and interest from such securities, can change significantly when foreign currencies strengthen or weaken relative to the U.S. dollar. Many foreign countries lack uniform accounting and disclosure standards comparable to those applicable to U.S. companies, and it may be more difficult to obtain reliable information regarding an issuer's financial condition and operations. The Fund may invest in both sponsored and unsponsored ADRs which are receipts issued by a U.S. bank or trust company evidencing ownership of an indirect interest in underlying securities issued by a foreign issuer. In a sponsored ADR arrangement, the non-U.S. issuer assumes the obligation to pay some or all of the depositary's transaction fees. Under an unsponsored ADR arrangement, the non-U.S. issuer assumes no obligations and the depositary's transaction fees are paid directly by the ADR holders. Because unsponsored ADR arrangements are organized independently and without the cooperation of the issuer of the underlying securities, available information concerning the non-U.S. issuer may not be as current as for sponsored ADRs and voting rights with respect to the deposited securities are not passed through.

High Yield Investments. The Fund may invest a small portion of its assets in lower-rated, high-yielding bonds (commonly known as "junk bonds"). These bonds have a greater degree of default risk than higher-rated bonds. Default risk is the possibility that the issuer of a debt security will fail to make timely payments of principal or interest to the Funds.

IPO Investments. IPO shares are subject to market risk and liquidity risk. The market value of IPO shares will fluctuate considerably due to facts such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited public information about the issuer. The purchase of IPO shares may involve high transaction costs. When a fund's asset base is small, a significant portion of the fund's performance could be attributable to investments in IPOs, because such investments would have a magnified impact on the fund.

Mortgage-Backed and Asset-Backed Securities Investments. Mortgage- and asset-backed securities are subject to prepayment risk, which is the risk that the borrower will prepay some or all of the principal owed to the issuer. If prepayment occurs, the Funds may have to replace the security by investing the proceeds in a less attractive security. This may reduce a Fund's share price and income distribution.

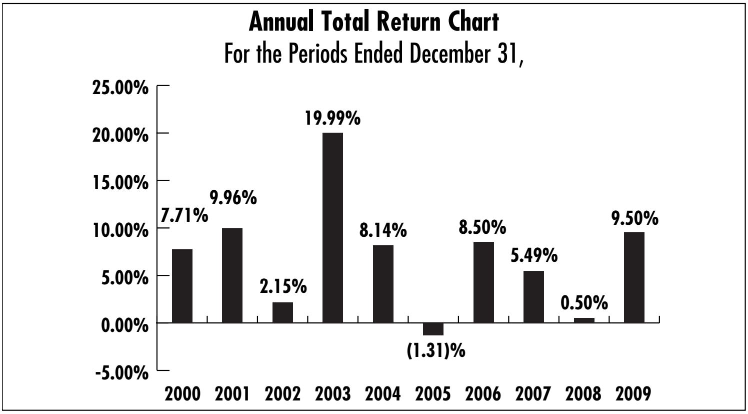
Temporary Defensive Positions. The Fund may, from time to time, take temporary defensive positions in response to adverse market, economic, political or other conditions. To the extent the assets of the Fund are invested in temporary defensive positions, the Fund may not achieve its investment objective. For temporary defensive purposes, the Fund may invest in cash and/or short-term obligations.

FUND PERFORMANCE

The bar chart and table that follow provide some indication of the risks of an investment in the Fund's shares. The bar chart shows the Fund's performance for each of the last ten calendar years. The table shows how the Fund's average annual total returns for different calendar periods over the last ten calendar years of the Fund, both before and after taxes, compared to those of a broad-based index, the Barclays Capital Intermediate U.S. Government/Credit Index.

Please note that the Fund's past performance, before and after taxes, is not necessarily an indication of how the Fund will perform in the future.

The FBR Core Bond Fund is the investment successor to the AFBA 5Star Total Return Bond Fund (the "Predecessor Fund") which commenced investment operations on June 3, 1997. On March 12, 2010, the Predecessor Fund was reorganized as the FBR Core Bond Fund. Performance figures shown below represent the Advisor Class shares of the Predecessor Fund for periods after September 24, 2001, and Class I shares of the Predecessor Fund for periods prior to that date. The returns for the Class I shares will differ from the returns for the Advisor Class shares because of differences in expenses of each share class.



Year to Date Return as of June 30, 2010 4.93%

Best Quarter	*Quarter Ended June 20, 2003*	*8.53%*
Worst Quarter	*Quarter Ended March 31, 2005*	*(2.84)%*

Average Annual Total Returns
For the Periods Ended December 31, 2009

	One Year	Five Years	Ten Years
Return Before Taxes	9.50%	4.45%	6.91%
Return After Taxes on Distributions	7.94%	2.58%	5.83%
Return After Taxes on Distributions and Sale of Fund Shares	6.22%	2.80%	5.75%
Index			
Barclays Capital Intermediate U.S. Government/Credit Index (reflects no deduction for fees, expenses or taxes)	5.24%	4.66%	5.93%

The after-tax returns shown were calculated using the historical highest individual federal marginal income tax rates, and do not reflect the impact of state and local taxes. Actual after-tax returns depend on your tax situation and may differ from those shown. If you hold your Fund shares through a tax-deferred arrangement, such as a 401(k) plan or individual retirement account, the after-tax returns are not relevant.

FUND MANAGEMENT

Investment Adviser

FBR Fund Advisers, Inc. (the "Adviser") serves as the investment adviser to the Fund.

Sub Adviser

The Adviser has retained FCI for the day-to-day management of the Fund's portfolio.

Portfolio Managers

The FCI investment team that is jointly and primarily responsible for managing the Fund's portfolio is comprised of Gary B. Cloud, CFA and Peter G. Greig, CFA, who are both Senior Vice Presidents and Portfolio Managers of FCI. Messrs. Cloud and Greig have each been a portfolio manager of the Fund since July 16, 2007.

OTHER IMPORTANT INFORMATION REGARDING FUND SHARES

For important information about the purchase and sale of Fund shares, tax information and financial intermediary compensation, please refer to the section entitled "Investing in the Funds" on page 15.

INVESTING IN THE FUNDS

PURCHASE AND SALE OF FUND SHARES

Purchasing Fund Shares. The minimum initial investment for a Fund is $2,000. For an investment in an IRA or pension, profit-sharing or other employee benefit plan ("Retirement Plans") the minimum initial investment is $1,000. There is no minimum requirement for subsequent investments. You may buy shares on any day the New York Stock Exchange ("NYSE") is open (a "Business Day"). FBR Investment Services, Inc. ("FBR Services" or the "Distributor") has relationships with certain brokers and other financial intermediaries who are authorized to accept, or designate intermediaries to accept, purchase and redemption orders for the Funds (the "Authorized Broker-Dealer"). If you purchase through such a broker, your order will be priced at the NAV next determined after your broker or its designated intermediary accepts it. Contact your broker to determine whether it has an established relationship with the Distributor.

Selling Fund Shares. You may redeem (sell) your shares on any Business Day. The price you receive for your shares will be the NAV next determined after your order is received in proper form.

TAX INFORMATION

The Funds intend to make distributions that may be taxed as either ordinary income or capital gains and you will generally have to pay federal income tax on such Fund distributions unless you hold your Fund shares through a tax-deferred arrangement, such as a 401(k) plan or an individual retirement account. Such tax-deferred arrangements may be taxed later upon withdrawals made from those arrangements.

PAYMENTS TO BROKER-DEALERS AND OTHER FINANCIAL INTERMEDIARIES

If you purchase Fund shares through a broker-dealer or other financial intermediary (such as a bank), the Fund and its related companies may pay the intermediary for the sale of Fund shares and related services. These payments may create a conflict of interest by influencing the broker-dealer or other intermediary and your salesperson to recommend the Fund over another investment. Ask your salesperson or visit your financial intermediary's website for more information.

OTHER IMPORTANT INFORMATION

INVESTMENT OBJECTIVES

The Funds' investment objectives are non-fundamental and may be changed without shareholder approval.

FURTHER DISCUSSION OF RISKS

MARKET RISKS. Loss of money is a risk of investing in the Funds. The net asset value of the Funds can be expected to change daily and you may lose money. As with any mutual fund, there is no guarantee that the Funds' performance will be positive over any period of time, either short-term or long-term. A fund's success depends largely on an adviser's or sub-adviser's ability to select favorable investments. Also, different types of investments shift in and out of favor depending on market and economic conditions. For example, at various times stocks will be more or less favorable than bonds and small cap or mid cap stocks will be more or less favorable than large cap company stocks. Because of this, the Funds may perform better or worse than other types of funds depending on what is in "favor."

EQUITY INVESTMENTS. Because the Balanced Fund invests in equity securities, fluctuations in the stock market in general, as well as in the value of particular equity securities held by the Fund, can affect the Fund's performance. The value of equity securities will fluctuate due to many factors, including the past and predicted earnings of the issuer, the quality of the issuer's management, general market conditions, forecasts for the issuer's industry and the value of the issuer's assets. Holders of equity securities only have rights to the value of a company after all debts have been paid, and they could lose their entire investment in a company that encounters financial difficulty. Your investment in the Fund is not guaranteed.

HIGH YIELD INVESTMENTS. Each Fund may invest a small portion of its assets in lower-rated, high-yielding bonds (commonly known as "junk bonds"). These bonds have a greater degree of default risk than higher-rated bonds. Default risk is the possibility that the issuer of a debt security will fail to make timely payments of principal or interest to the Funds. Lower-rated securities may be issued by companies that are restructuring, are smaller and less creditworthy or are more highly indebted than other companies. Lower-rated securities also tend to have less liquid markets than higher-rated securities. In addition, market prices of lower-rated bonds tend to react more negatively to adverse economic or political changes, investor perceptions or individual corporate developments than the market prices of higher-rated bonds.

TEMPORARY DEFENSIVE POSITIONS. The Funds may, from time to time, take temporary defensive positions in response to adverse market, economic, political or other conditions. To the extent the assets of a Fund are invested in temporary defensive positions, the Fund may not achieve its investment objective. For temporary defensive purposes, the Funds may invest in cash and/or short-term obligations. These may include high-grade liquid debt securities such as variable amount master demand notes, commercial paper, certificates of deposit, bankers' acceptances, repurchase agreements and U.S. Government obligations. The Funds may also hold these obligations in anticipation of share redemptions or pending investment of assets in accordance with each Fund's investment policies.

FOREIGN INVESTMENTS. Investing in foreign securities presents unique investment risks. The value of securities denominated in or indexed to foreign currencies, and of dividends and interest from such securities, can change significantly when foreign currencies strengthen or weaken relative to the U.S. dollar. Many foreign countries lack uniform accounting and disclosure standards comparable to those applicable to U.S. companies, and it may be more difficult to obtain reliable information regarding an issuer's financial condition and operations. Foreign securities markets generally have less trading volume and less liquidity than U.S. markets, and prices on some foreign markets can be highly volatile. In addition, the costs of foreign investing, including withholding taxes, brokerage commissions and custodial costs, are generally higher than for U.S. investments. The Funds may invest in both sponsored and unsponsored ADRs which are receipts issued by a U.S. bank or trust company evidencing ownership of an indirect interest in underlying securities issued by a foreign issuer. In a sponsored ADR arrangement, the non-U.S. issuer assumes the obligation to pay some or all of the depositary's transaction fees. Under an unsponsored ADR arrangement, the non-U.S. issuer assumes no obligations and the depositary's transaction fees are paid directly by the ADR holders. Because unsponsored ADR arrangements are organized independently and without the cooperation of the issuer of the underlying securities, available information concerning the non-U.S. issuer may not be as current as for sponsored ADRs and voting rights with respect to the deposited securities are not passed through.

MORTGAGE-BACKED AND ASSET-BACKED SECURITIES INVESTMENTS. Mortgage- and asset-backed securities are subject to prepayment risk, which is the risk that the borrower will prepay some or all of the principal owed to the issuer. If prepayment occurs, the Funds may have to replace the security by investing the proceeds in a less attractive security. This may reduce a Fund's share price and income distribution.

INITIAL PUBLIC OFFERING ("IPO") INVESTMENTS. IPO shares are subject to market risk and liquidity risk. The market value of IPO shares will fluctuate considerably due to facts such as the absence of a prior public market, unseasoned trading, the small number of shares available for trading and limited public information about the issuer. The purchase of IPO shares may involve high transaction costs. When a fund's asset base is small, a significant portion of the fund's performance could be attributable to investments in IPOs, because such investments would have a magnified impact on the fund. As the fund's assets grow, the effect of the fund's investments in IPOs on the fund's performance probably will decline, which could reduce the fund's performance. Because of the price volatility of IPO shares, the Funds may choose to hold IPO shares for a very short period of time, which may increase the turnover of the Funds' portfolios and may lead to increased expenses to the Funds, such as commissions and transaction costs. In addition, the Funds' sub-advisers cannot guarantee continued access to IPOs.

MID-CAP AND SMALL-CAP INVESTMENTS. The Balanced Fund's equity investments may include investments in mid- and small-cap companies. Investing in the securities of mid- and small-cap companies generally involves greater risk than investing in larger, more established companies. This greater risk is, in part, attributable to the fact that the securities of mid-cap and small-cap companies usually have more limited marketability. Because mid-cap and small-cap companies have fewer shares outstanding than larger companies, it also may be more difficult to buy or sell significant amounts of such shares without unfavorable impact on prevailing prices. Additionally, securities of mid-cap and small-cap companies are typically subject to greater changes in earnings and business prospects than are larger, more established companies and typically there is less publicly available information concerning mid-cap and small-cap companies than for larger, more established companies. Although investing in securities of mid-cap and small-cap companies offers potential above-average returns if the companies are successful, there is a risk that the companies will not succeed and the prices of the companies' shares could significantly decline in value.

Securities of mid-cap and small-cap companies, especially those whose business involves emerging products or concepts, may be more volatile due to their limited product lines, markets or financial resources and may lack management depth. Securities of mid-cap and small-cap companies also may be more volatile than larger companies or the market averages in general because of their general susceptibility to economic downturns, especially in the financial services group of industries where changes in interest rates and demand for financial services are so closely tied to the economy.

FUND MANAGEMENT

Investment Adviser

FBR Fund Advisers, Inc. (the "Adviser"), located at 1001 Nineteenth Street North, Arlington, Virginia 22209, serves as the investment adviser to the Funds. The Adviser directs the investment of each Fund's assets, subject at all times to the supervision of the Board of Trustees ("Board") of The FBR Funds (the "Trust").

The Adviser continually oversees and supervises the investment activities of the sub-advisers to the Funds. The Adviser was organized as a Delaware corporation in 1996 and is registered with the Securities and Exchange Commission ("SEC") as an investment adviser. As of June 30, 2010, it managed approximately $1.37 billion of net assets on behalf of the Funds it advises. The Adviser is a subsidiary of FBR Capital Markets Corp.

Pursuant to an Investment Advisory Agreement with the Trust, for its services to the Trust the Adviser is entitled to receive a monthly fee, at an annual rate of 0.80% of the average daily net assets of the Balanced and Core Bond Funds. The Adviser may periodically waive all or a portion of its advisory fee with respect to each Fund. The Adviser has agreed in writing with each of the Funds to waive a portion of its investment advisory fees and assume certain expenses in order to maintain the total annual operating expenses of each of the Funds at an agreed upon level through February 28, 2013. In addition, with respect to the Balanced Fund, the Adviser has also agreed to voluntarily limit fees and/or pay expenses in amounts necessary in order to limit the total annual operating expenses of the Balanced Fund, after any such fee waivers and/or expense reimbursements, to 0.99% (excluding 12b-1 fees, interest, taxes, brokerage commissions, acquired fund fees and expenses, extraordinary legal expenses, or any other extraordinary expenses), for the period until March 12, 2012.

The Trust has applied for an exemptive order from the SEC to permit the Adviser, subject to the approval of the Board, to enter into, and materially amend, sub-advisory agreements with any sub-adviser retained by the Adviser and the Funds to manage the Funds without obtaining shareholder approval, if the Board concludes that such arrangements would be in the best interests of the shareholders of the affected Fund. Shareholders of each of the Funds have approved such a "manager of managers" arrangement. If the SEC grants the exemptive order, in the event that there is a change in any of the sub-advisers retained by the Funds, shareholders would receive information about the change and about any new sub-adviser selected. While shareholders would not be permitted to vote on the selection of new sub-advisers, they would retain the right to vote on any material change to the Adviser.

Information regarding the basis for the Board's approval of the Funds' investment advisory and sub-advisory agreements for the Balanced and Core Bond Funds will be available in the Funds' next shareholder report.

Sub-Advisers

Pursuant to Investment Sub-Advisory Agreements, the Adviser retains The London Company ("London Co."), located at 1801 Bayberry Court, Suite 301, Richmond, VA 23226, and Financial Counselors, Inc. ("FCI"), located at 442 West 47th Street, Kansas City, MO 64110, to manage the Balanced Fund's equity and fixed income investments, respectively. The Adviser also retains FCI to manage the Core Bond Fund. In this capacity, subject to the supervision of the Adviser and the Board, London Co. and FCI direct the investment of their portion of the Funds' assets, continually conduct investment research and supervision for the Funds, and are responsible for the purchase and sale of the Funds' investments. For these services, the Adviser (and not the Funds) pays London Co. and FCI a fee from the Adviser's advisory fees.

Administrator

JPMorgan Chase Bank N.A. ("JPMorgan") serves as the administrator to the Funds and provides pursuant to an Administration Agreement ("Agreement") day-to-day administrative services including monitoring portfolio compliance, determining compliance with provisions of the Internal Revenue Code and preparing the Funds' registration statements. Pursuant to the Agreement, JPMorgan receives a fee of 0.02% of the first $2.5 billion of average daily net assets of the Trust, 0.0175% of the next $1.0 billion of average daily net assets of the Trust and 0.015% of the Trust's average daily net assets in excess of $3.5 billion.

Pursuant to the Administrative Services Agreement, the Adviser also provides certain administrative services to the Funds that are in addition to those provided by JPMorgan, including oversight of service providers. The Adviser receives 0.04% of average daily net assets of the Trust. The Adviser also provides the Funds with office space, facilities and business equipment and generally administers the Funds' business affairs and provides the services of executive and clerical personnel for administering the affairs of the Funds. The Adviser compensates all personnel, Officers, and Trustees of the Funds if such persons are employees of the Adviser.

Portfolio Managers

The following section provides biographical information about each of the Funds' portfolio managers. With respect to each Fund, the sub-advisers employ the portfolio managers responsible for managing each Fund's investments. Where a Fund is managed by co-portfolio managers, such management is conducted with research, stock selection, portfolio composition and day-to-day trading decisions distributed equally amongst the investment professionals of the sub-advisers. Additional information regarding the portfolio managers' compensation, other accounts managed by these portfolio managers and their ownership of shares of the Funds each manages is available in the Funds' SAI.

Gary B. Cloud, CFA is a Senior Vice President and Portfolio Manager of FCI. Mr. Cloud has managed the fixed income portion of the Balanced Fund and the assets in the Core Bond Fund since July 16, 2007. He joined FCI in 2003 and serves as a member of the Fixed Income Investment Committee and the Value Equity Committee. He is also a member of the Kansas City CFA Society and the Chartered Financial Analyst Institute. He began his investment career in 1986 working in the secondary marketing department of a mortgage banking company. His experience with mortgage-backed securities led him to Bank One Corporation, where he spent 10 years in a variety of consumer lending, asset acquisition and portfolio management roles.

Stephen M. Goddard, CFA, is Managing Director and Founder of London Co., and heads London Co.'s Investment Committee. Mr. Goddard has managed the equity portion of the Balanced Fund since July 16, 2007. He has over 20 years of investment experience, beginning his career as an Analyst in 1985 for Scott & Stringfellow, followed by Senior Portfolio Management positions at CFB Advisory in 1988 and Flippin, Bruce & Porter in 1990. In 1993, he worked as the Chief Investment Officer for the Tredegar Trust Company until he founded London Co. in early 1994. He is a Chartered Financial Analyst, member of the Richmond Society of Financial Analysts, and a former Board member of the Virginia Asset Management Investment Corporation.

Peter G. Greig, CFA is a Senior Vice President and Portfolio Manager of FCI. Mr. Greig has managed the fixed income portion of the Balanced Fund and the assets in the Core Bond Fund since Jul 16, 2007. He joined FCI in 1989 as a Trader and fixed income Analyst. He manages fixed income portfolios for institutional clients. In addition, he provides fixed income expertise to other managers and chairs FCI's Fixed Income Investment Committee. Mr. Greig is also a member of the Kansas City CFA Society and the Chartered Financial Analyst Institute.

Jonathan T. Moody is the Director of Research, Portfolio Manager, and a member of London Co.'s Investment Committee. Mr. Moody has managed the equity portion of the Balanced Fund since the commencement of operations. Prior to joining the London Co. in 2002, he founded Primary Research Group. Mr. Moody has over 17 years of investment experience. He started his career at Woodward and Associates in 1986, followed by Analyst/Portfolio Manager positions at Piedmont Capital and Crestar Asset Management (now Trusco) from 1997 to 1998. Mr. Moody also worked at BB&T Capital Markets from 1999 to 2001.

J. Wade Stinnette, Jr. is a Portfolio Manager and member of London Co.'s Investment Committee. Mr. Stinnette has managed the equity portion of the Balanced Fund since joining the London Co. in April 2008. Mr. Stinnette has over 22 years of investment experience, most of it spent at Wachovia Corporation where, as Senior Vice President and Investment Officer, he concentrated on institutional clients. He left Wachovia in 2002 to help form Tanglewood Asset Management, an employee-owned, SEC-registered advisory firm, which he and his partners sold, creating the opportunity to join London Co. A 1980 graduate of Virginia Military Institute ("VMI"), Mr. Stinnette earned his B.A. in Chemistry (with distinction) and has performed graduate studies in business at James Madison University. He is Vice Chairman of the Board of Directors of VMI Research Laboratories, Inc. and has served as both Secretary and Treasurer of the CFA Society of South Carolina. Following graduation from VMI, Mr. Stinnette served six years as a Commissioned Officer in the United States Marine Corps.

SHAREHOLDER INFORMATION

All purchases and redemptions of a Fund's shares are made at the Fund's net asset value per share ("NAV") next determined after receipt of the order in proper form. You pay no sales charges to invest in the Funds.

Choosing a Class of Shares

The FBR Funds offer different classes of shares. For information about other classes of shares that are available, call The FBR Funds at 888.888.0025.

Determination of Net Asset Value

Your price for Fund shares is the Fund's NAV, which is computed daily as of the close of regular trading on the NYSE (normally 4:00 p.m., Eastern time) on each day that the NYSE is open (a "Business Day"). Purchase orders received by JPMorgan (referred to in this section as the "Transfer Agent") prior to the close of regular trading on the NYSE on any Business Day, are priced according to the applicable NAV determined on that date. Purchase orders received after the close of regular trading on the NYSE are generally priced as of the time the Fund's NAV is next determined.

Each Fund determines its NAV by dividing the value of its net assets (i.e., assets less liabilities) by the total number of shares outstanding. Each Fund's investments are valued based on market value. When a market quotation for a security is not readily available (which may include closing prices deemed to be unreliable because of the occurrence of a subsequent event), such security will be priced using its fair value as determined in good faith by, or using procedures approved by, the Board of Trustees of the Funds. The types of securities for which such fair value pricing may be required include, but are not limited to: foreign securities affected by a significant event occurring after the close of the foreign market on which such security principally trades, but before the close of the NYSE, that is likely to have changed the value of the security; securities whose trading has been halted or suspended; and securities that are restricted as to transfer or sale.

Valuing securities at fair value involves greater reliance on judgment than valuing securities that have readily available market quotations. There can be no assurance that a Fund could obtain the fair value assigned to a security if it were to sell the security at approximately the time at which the Fund determines its NAV per share.

How to Buy Shares

Generally. You may buy shares of the Funds on any Business Day. The minimum initial investment is $2,000. For an investment in an IRA or pension, profit-sharing or other employee benefit plan ("Retirement Plans") the minimum initial investment is $1,000. There is no minimum requirement for subsequent investments. The Funds reserve the right to reject any purchase order or change the initial and subsequent investment minimum requirements at any time.

Important Information About Procedures For Opening A New Account

To help the government fight the funding of terrorism and money laundering activities, federal law requires all financial institutions to obtain, verify, and record information that identifies each person who opens an account, and to determine whether such person's name appears on government lists of known or suspected terrorists and terrorist organizations.

What this means for you: when you open an account, a Fund must obtain the following information:

- *Your name;*
- *Physical residential address (although post office boxes are still permitted for mailing);*
- *Date of birth; and*
- *Social security number, taxpayer identification number, or other identifying number.*

We may also ask for other information that will allow us to identify you or to see certain identifying documents. In addition, it may be necessary to verify your identity by cross-referencing your identification information with a consumer report or other third-party services. Additional information may be required to open accounts for corporations and other non-natural persons.

Federal law prohibits the Funds from establishing new accounts unless it receives the minimum identifying information listed above. The Funds also may be required to close your account if they are unable to verify your identity within a reasonable time.

Buying Shares Through the Distributor, Other Authorized Broker-Dealers or Investment Professionals

The Distributor has relationships with certain brokers and other financial intermediaries who are authorized to accept, or designate intermediaries to accept, purchase and redemption orders for the Funds (the "Authorized Broker-Dealer"). If you purchase through such a broker, your order will be priced at the NAV next determined after your broker or its designated intermediary accepts it. Contact your broker to determine whether it has an established relationship with the Distributor.

To buy shares through the Distributor or an Authorized Broker-Dealer, you may send a check or wire Federal Funds. The Distributor or an investor's Authorized Broker-Dealer is responsible for forwarding purchase information and payment promptly to the Funds.

Shareholders whose shares are held through a brokerage account who desire to transfer such shares to another brokerage account should contact their current broker to affect the transfer.

Some broker-dealers (other than the Distributor), financial institutions, securities dealers, financial planners and other industry professionals (collectively, "Investment Professionals") may charge their clients direct fees or impose conditions on investments in addition to or different from those described in this Prospectus. You should contact your Investment Professional concerning these fees and conditions (if any). Investment Professionals are solely responsible for promptly transmitting purchase and redemption orders to the Funds.

Buying Shares Through the Transfer Agent

To purchase shares through the Transfer Agent, you should complete the application (the "Account Application") accompanying this Prospectus and forward it with payment by check drawn on a U.S. or Canadian bank to The FBR Funds, c/o JPMorgan Chase Bank, N.A., P.O. Box 5354, Cincinnati, Ohio 45201-5354, or by overnight mail to The FBR Funds, c/o JPMorgan Chase Bank, N.A., 303 Broadway, Suite 900, Cincinnati, Ohio 45202-4203. You may make additional purchases of shares by mailing a check drawn on a U.S. or Canadian bank to the same address. If you pay for shares by check, the shares will be priced at the NAV next determined after the Transfer Agent receives the check in proper form. No cash, money orders, traveler's checks, credit card checks, future or post-dated checks including stale-dated checks, counter or starter checks will be accepted. The Funds may accept cashier's checks or official checks for the purpose of a transfer or rollover. In some instances, the Funds will accept third party checks, however, to protect against check fraud, the Funds may reject any purchase request involving a check that is not made payable to "The FBR Funds" (including, but not limited to, requests to purchase shares using third-party checks). The availability of funds purchased by check may be subject to a hold up to 10 business days.

If your check does not clear, for any reason, the Transfer Agent will cancel your purchase and charge you for any loss to the Fund. You may also be prohibited from future purchases.

You may also purchase shares by federal wire. Call the Transfer Agent at 888.888.0025 prior to sending the wire to ensure you use the correct wiring instructions. There is no charge from the Funds to make a wire purchase, however your bank may charge a fee for handling wire transfers. All wires must be denominated in U.S. Dollars.

You should also notify the Transfer Agent before wiring funds for additional purchases.

The Transfer Agent will not process purchases or redemptions until it receives a fully completed and signed Account Application.

In-Kind Purchases

You may buy shares of the Funds "in-kind" through a transfer of securities as payment for the shares, if approved in advance by the Adviser. Securities used to purchase Fund shares must be appropriate investments for that Fund, must be consistent with the Fund's investment objective and policies, and must have readily available market quotations. The securities will be valued in accordance with the Funds' procedures for valuing portfolio securities, determined as of the close of business the day on which the securities are received by the Fund in salable form. Whether a Fund will accept particular securities as payment will be decided at the sole discretion of the Adviser. If you are considering buying shares in this manner, please call 888.888.0025.

Systematic Investment Program

The Systematic Investment Program allows you to buy shares of a Fund at regular intervals. If your bank or other financial institution allows automatic withdrawals, you may buy shares by having a designated account debited in the specified amount every month or quarter, on the fifth and/or twentieth day of the month. A minimum initial investment of $500 is required to enroll in the Systematic Investment Program, and a $50 minimum for all subsequent systematic investments. Only an account maintained at a domestic financial institution which is an Automated Clearing House member may be used for participation in the Systematic Investment Program. If you want to participate in the Systematic Investment Program, please call the Transfer Agent at 888.888.0025 to obtain the appropriate forms.

The Systematic Investment Program does not assure a profit and does not protect against loss in declining markets. The Funds may modify or terminate the Systematic Investment Program at any time or charge a service fee. No fee is currently charged or contemplated.

How to Redeem Shares

Generally. The price you will receive for your shares will be the NAV next determined after your order is received in proper form.

Normally, redemption proceeds will be mailed by the next Business Day after the Fund receives a redemption request in proper form, but it may take up to seven days to pay the redemption proceeds if making immediate payment would adversely affect a Fund. This generally applies to cases of very large redemptions or during unusual market conditions.

Notwithstanding the foregoing, with respect to redemption of shares that were purchased recently by check, the Funds may withhold payment of redemption proceeds for up to 10 business days.

Your account may be redeemed after 60 days' written notice to you if your account's net asset value has fallen below $1,000 due to redemptions. If you receive notice that your account will be redeemed, you may avoid the redemption by investing additional amounts in your account to bring the balance over $1,000. You will not be required to redeem your account that has fallen below $1,000 due to market fluctuations.

Frequent Trading Policy and Redemption Fee

The Funds are intended for long-term investors and not for those who wish to trade frequently in their shares. Frequent trading into and out of a Fund can have adverse consequences for the Fund and the Fund's long-term shareholders. The Trust believes that frequent or excessive short-term trading activity by Fund shareholders may be detrimental to long-term shareholders because those activities may, among other things, (a) dilute the value of shares held by long-term shareholders; (b) cause the Funds to maintain a larger cash position than each such Fund would otherwise need; (c) increase brokerage commissions and related costs and expenses (such as custody and administrative costs and expenses); and (d) incur additional tax liability. To protect against such activity, the Board of Trustees has adopted policies and procedures to curtail frequent or excessive short-term trading activity by Fund shareholders.

In accordance with this policy, if you redeem or exchange shares within 90 days of purchasing them, the Funds will charge a redemption fee of 1% of the amount redeemed. The 1% redemption fee on shares redeemed (including exchanges) within 90 days of purchase is deducted from the redemption proceeds, is payable to the applicable Fund and is intended to offset out-of-pocket administrative costs and portfolio transaction costs caused by short-term trading. To calculate the redemption fee, the Funds will use the "first-in, first-out" (FIFO) method to determine the holding period. Under this method, the date of the redemption will be compared with the earliest purchase date of shares held in the account. All shareholders are subject to this fee, whether you invest directly with the Funds or through a Financial Intermediary, except as noted below.

Subject to the advance approval of the Trust's chief compliance officer, the redemption fee may be waived on certain exempt transactions and accounts, including (1) redemptions and exchanges of Fund shares acquired through the reinvestment of dividends and distributions; (2) redemptions initiated by the Fund, including payment of maintenance fees; (3) shares redeemed due to death or disability of a shareholder or divorce decree; (4) transfer of assets within the same Fund; (5) certain redemptions and exchanges from participant directed retirement plans (please see below); and (6) redemptions and exchanges redeemed through asset allocation programs, provided the rebalancing is done no more than quarterly. Under Rule 22c-2 of the Investment Company Act of 1940, as amended, the Funds have entered into agreements with financial intermediaries obligating such financial intermediaries to provide, upon each Fund's request, certain information regarding their customers and their customers' transactions in shares of the Funds. However, there can be no guarantee that all short-term trading activity will be detected in a timely manner, since the Funds will rely on the financial intermediaries to provide the trading information, and the Funds cannot be assured that the trading information, when received, will be in a form that can be quickly analyzed or evaluated by the Funds.

Redemption fees will not apply to the following transactions in participant directed retirement plans (such as 401k, 403b and 457 plans): (1) redemptions due to loans; (2) required minimum distributions; (3) plan or participant termination; and (4) redemptions and exchanges on initial payroll or employer contributions.

Other than the redemption fee, the Trust does not impose limits on the frequency of purchases and redemptions at the present time, nor does it limit the number of exchanges in a given period, but reserves the right to impose such measures in the future. The Trust allows exchanges into any Fund in the Trust. The Trust reserves the right to modify, withdraw or impose certain limitations at any time with respect to the exchange privilege. The Trust reserves the right to modify the redemption fee to meet any regulatory requirements that may be imposed in the future.

Redeeming Through the Distributor, Authorized Broker-Dealers or Investment Professionals

If you hold Fund shares through a brokerage account, you must submit redemption requests to your account executive or Authorized Broker-Dealer, either in person, by telephone or by mail. As the Funds' agent, the Distributor or another Authorized

Broker-Dealer may honor a redemption request by repurchasing Fund shares from you at the shares' NAV next computed after the Distributor or Authorized Broker-Dealer receives your request. Under normal circumstances, redemption proceeds will be paid by check or credited to your brokerage account by the next Business Day. The Distributor and Authorized Broker-Dealers are responsible for sending redemption requests promptly to the Transfer Agent. You may also place redemption requests through an Investment Professional, who may charge a fee for this service.

Redeeming Through the Transfer Agent

Some circumstances require that your request to sell shares be made in writing accompanied by an original signature guarantee to help protect against fraud. We accept original signature guarantees from domestic banks, brokers, dealers, credit unions, national securities exchanges, registered securities associations, clearing agencies and savings associations participating in a Medallion program. The three recognized medallion programs are Securities Transfer Agent Medallion Program (STAMP), Stock Exchanges Medallion Program (SEMP), and New York Stock Exchange, Inc. Medallion Signature Program (MSP). SIGNATURE GUARANTEES RECEIVED FROM INSTITUTIONS NOT PARTICIPATING IN THESE PROGRAMS WILL NOT BE ACCEPTED.

Some of the circumstances that may require an original Medallion signature guarantee from one of the above programs include:

- Redemption proceeds that exceed $100,000;
- Proceeds that are not being paid to the owner of record, including the transfer of assets;
- Proceeds that are being sent to an address other than the address of record;
- Proceeds to be paid by check to an address of record that has been changed within 30 days; and
- Proceeds being sent via wire or ACH when bank instructions have been added or changed within 30 days of your redemption request.

We may require additional documentation of authority when a corporation, partnership, trust, fiduciary, executor or administrator requests a redemption. Contact the Transfer Agent for requirements.

REDEMPTION IN WRITING. If you do not hold shares through a brokerage account and you wish to redeem shares, you may redeem your shares through the Transfer Agent by sending a written request directly to: The FBR Funds, c/o JPMorgan Chase Bank, N.A., P.O. Box 5354, Cincinnati, Ohio 45201-5354. Include the following information in your redemption request:

- the name of the Fund and account number you are redeeming from;
- your name(s) and address as it appears on your account;
- the dollar amount or number of shares you wish to redeem;
- your signature(s) as it appears on your account registration; and
- a daytime telephone number.

REDEMPTION BY TELEPHONE/PAYMENT BY WIRE TRANSFER. You may redeem shares by telephone if you elected this option on your initial Account Application. If you wish to add this privilege to your account, please call the Transfer Agent at 888.888.0025 for instructions. Shares held in IRA accounts and qualified retirement plans cannot be sold by telephone.

If you redeem shares by telephone, we will mail a check for the redemption proceeds to your registered address unless you have designated in your Account Application that redemption proceeds are to be sent by wire transfer to a specific checking or savings account. In that case, if we receive a telephone redemption request before the close of regular trading on the NYSE, we will wire the redemption proceeds to your bank account on the next day that a wire transfer can be effected. We charge a transaction fee of $10.00 for payments by wire. This fee may be waived for certain institutional accounts and broker/dealer accounts. Your bank may also charge a fee for receiving the wire.

In order to protect your investment assets, the Funds will only follow instructions received by telephone that it reasonably believes to be genuine. However, there is no guarantee that the instructions relied upon will always be genuine and the Funds will not be liable, in those cases. The Funds have certain procedures to confirm that telephone instructions are genuine. Some of these procedures may include requiring personal identification; making checks payable only to the owner(s) of the account shown on the Funds' records; mailing checks only to the account address shown on the Funds' records; directing wires only to the bank account shown on the Funds' records; providing written confirmation for transactions requested by telephone and tape recording instructions received by telephone. The Funds reserve the right to refuse any transaction they believe to not be genuine.

Redemption In-Kind

Redemption proceeds are normally paid in cash; however, the Funds reserve the right to pay the redemption price in whole or in part by a "redemption in-kind" of portfolio securities of the particular Fund, in lieu of cash, if the amount you are redeeming is large enough to affect Fund operations (for example, if it represents more than 1% of a Fund's assets).

Automatic Withdrawal

The Funds have an automatic withdrawal program, which allows you to withdraw a specified dollar amount (minimum of $100) on either a monthly or quarterly basis. You must have a minimum account balance of $10,000 in a Fund to enroll in the automatic withdrawal program. We will redeem shares in your account for this purpose. As with other redemptions, we will charge a 1% fee for shares redeemed that have been held 90 days or less (see "Frequent Trading Policy and Redemption Fee," above). You may obtain an application for automatic withdrawal from the Distributor or the Transfer Agent. If, as a result of your automatic withdrawals, your account balance in a Fund falls below $1,000, it may be subject to the minimum account balance requirements. You may cancel the automatic withdrawal at any time. The Funds reserve the right to cancel the plan if, on two or more consecutive months, there has been insufficient shares in your account. The Funds may modify or terminate the automatic withdrawal program at any time.

SHAREHOLDER SERVICES

Tax-Sheltered Retirement Plans. You may invest in each Fund through various retirement plans. These include individual retirement plans and employer sponsored retirement plans, such as defined benefit and defined contribution plans. To determine which type of retirement plan is appropriate for you, please contact your tax adviser. For further information about Fund-sponsored Traditional, Roth and SEP IRA plans, please call the Transfer Agent.

Exchange Privilege. You may exchange your shares of a Fund for shares of the same class of another FBR Fund.

You should obtain and read the current Prospectus of the FBR Fund you want to acquire in an exchange by calling 888.888.0025. Please note that proceeds of shares exchanged within 90 days of purchase will be subject to a 1% redemption fee (see "Frequent Trading Policy and Redemption Fee"). The FBR Fund you are exchanging into must be available for sale in your state and the registration for both accounts must be identical. Exchanges will be effected at the respective net asset values of the Funds involved as next determined after receipt of the exchange request. The exchange privilege may be modified or withdrawn at any time and is subject to certain limitations.

If you wish to make an exchange, you may do so by sending a written request to the Transfer Agent. You will automatically be provided with telephone exchange privileges when you open your account, unless you indicate on the Account Application that you do not wish to use this privilege. You may add a telephone exchange feature to an existing account that previously did not provide for this option. If you wish to add this privilege to your account, please call the Transfer Agent at 888.888.0025 for instructions. Once this election has been made, you may simply contact the Transfer Agent at 888.888.0025 to request the exchange.

When you enact an exchange, a new account will be established with the exact registration and options as the account you are exchanging from unless you are exchanging into an existing account. If you want different options for the new account, you must specify this in writing, with all signatures guaranteed as described above. See "Redeeming Through the Transfer Agent."

For federal income tax purposes, an exchange is treated as a redemption of the shares surrendered in the exchange, on which you may be subject to tax, followed by a purchase of shares received in the exchange (except for exchanges within retirement plans). You should consult your own tax adviser concerning the tax consequences of an exchange.

If an exchange is to a new account in a Fund, the dollar value of shares acquired must meet the Fund's minimum investment for a new account. Any amount that remains in a Fund account after an exchange must not drop below the minimum account value required by the Funds.

Distribution and Shareholder Services Fees

Each Fund has adopted a distribution and shareholder services plan pursuant to Rule 12b-1 under the 1940 Act which allows the Fund to pay distribution and shareholder services fees for the sale and distribution of its shares. Under these plans, each Fund pays a distribution and shareholder services fee at an annual rate of up to 0.25% of the Fund's average daily net assets. Because these fees are paid out of the Fund's assets on an ongoing basis, over time these fees will increase the cost of your investment and may cost you more than paying other types of sales charges.

Dividends and Distributions

The Balanced Fund declares and pays dividends from its net investment income, if any, quarterly. The Core Bond Fund declares and pays dividends from its net investment income, if any, monthly. The Funds distribute substantially all of their net capital gain (the excess of net long-term capital gain over net short-term capital loss) and net short-term capital gain, if any, after the end of the taxable year in which the gain is realized. The Funds may make additional distributions if necessary to comply with the distribution requirements of the Internal Revenue Code of 1986, as amended (the "Code").

You may choose to have dividends and distributions of a Fund paid to you in cash or additional shares of the Fund. You should make this election on your Account Application but you may change your election by giving written notice to the Transfer Agent at any time prior to the record date for a particular dividend or distribution. If you do not choose otherwise, all dividends and distributions will be reinvested in the Fund paying the dividend and/or distribution.

If you elect to receive dividends and distributions in cash and the payment (1) is returned and marked as "undeliverable" or (2) remains uncashed for six months, your cash election will be changed automatically and future dividends will be reinvested in the Funds at the NAV determined as of the date of payment. In addition, any undeliverable checks or checks that remain uncashed for six months will be canceled and then reinvested in the Funds at the NAV determined as of the date of cancellation.

Federal Tax Considerations

Investments in the Funds have tax consequences that you should consider. This section briefly describes some of the more common federal tax consequences. A more detailed discussion about the tax treatment of distributions from a Fund and about other potential tax liabilities, including backup withholding for certain taxpayers and tax aspects of dispositions of shares of a Fund, is contained in the SAI. You should consult your tax adviser about your own particular tax situation.

Taxes on Distributions. You will generally have to pay federal income tax on all Fund distributions. Distributions will be taxed in the same manner whether you receive the distributions in cash or in additional shares of a Fund. Shareholders who are not subject to tax on their income generally will not be required to pay any tax on distributions.

Distributions that are derived from net long-term capital gains generally will be taxed as long-term capital gains. Dividend distributions and short-term capital gains generally will be taxed as ordinary income. The tax you pay on a given capital gains distribution generally depends on how long a Fund held the portfolio securities it sold. It does not depend on how long you held your Fund shares.

Currently applicable tax provisions generally provide for a maximum tax rate for individual taxpayers of 15% on long-term gains and certain qualifying dividends on corporate stock. These rate reductions do not apply to corporate taxpayers or to foreign shareholders. The following are guidelines for how certain distributions by a Fund are generally taxed to individual taxpayers:

- Distributions of earnings from qualifying dividends and qualifying long-term capital gains will be taxed at a maximum rate of 15%.

- Note that distributions of earnings from dividends paid by certain "qualified foreign corporations" can also qualify for the lower tax rates on qualifying dividends.
- A shareholder will also have to satisfy a more than 60 day holding period with respect to any distributions of qualifying dividends in order to obtain the benefit of the lower tax rate.
- Distributions of earnings from non-qualifying dividends income, interest income, other types of ordinary income and short-term capital gains will be taxed at the ordinary income tax rate applicable to the taxpayer.
- The favorable treatment for qualifying dividends and the maximum 15% rate on capital gains for individual taxpayers is currently scheduled to expire after 2010.

Distributions are generally taxable to you in the tax year in which they are paid, with one exception: distributions declared in October, November or December, but not paid until January of the following year, are taxed as though they were paid on December 31 in the year in which they were declared.

Shareholders generally are required to report all Fund distributions on their federal income tax returns. Each year the Funds will send you information detailing the amount of ordinary income and capital gains paid to you for the previous year.

The Funds may be required to withhold U.S. federal income tax at the rate of 28% (currently scheduled to increase to 31% after 2010) of all taxable distributions payable to you if you fail to provide the Funds with your correct taxpayer identification number or to make required certifications, or if you have been notified by the IRS that you are subject to backup withholding. Such withholding is not an additional tax and any amounts withheld may be credited against your U.S. federal income tax liability.

Taxes on Sales or Exchanges. If you sell shares of a Fund or exchange them for shares of another Fund, you generally will be subject to tax on any taxable gain. Taxable gain is computed by subtracting your tax basis in the shares from the redemption proceeds (in the case of a sale) or the value of the shares received (in the case of an exchange). Because your tax basis depends on the original purchase price and on the price at which any dividends may have been reinvested, you should be sure to keep account statements so that you or your tax preparer will be able to determine whether a sale will result in a taxable gain. If your tax basis in the shares exceeds your redemption proceeds, you will recognize a taxable loss on the sale of the shares of the Fund.

Other Considerations. If you buy shares of a Fund just before the Fund makes any distribution, you will pay the full price for the shares and then receive back a portion of the money you have just invested in the form of a taxable distribution.

Non-U.S. Shareholders. Shareholders other than U.S. persons may be subject to different U.S. federal income tax treatment, including withholding tax at the rate of 30% on amounts treated as ordinary dividends from a Fund, as discussed in more detail in the Funds' SAI.

Disclosure of Portfolio Holdings

A complete list of each Fund's portfolio holdings is publicly available on a quarterly basis on the Funds' website at www.fbrfunds.com within ten business days following the end of each calendar quarter. A complete list of the Funds' portfolio holdings is also publicly available through filings made with the SEC on Forms N-CSR and N-Q. The Funds also make available certain additional information regarding their portfolios (e.g., top-10 holdings, asset allocations and sector breakdowns) on their website on a quarterly basis by the 15th of the month following the calendar quarter-end. A description of the Funds' policies and procedures with respect to the disclosure of the Funds' portfolios is provided in the Funds' SAI.

Shareholder Administrative Services Agreements

The Funds are authorized to enter into Shareholder Administrative Services Agreements pursuant to which each Fund is entitled to make payments to certain entities which may include investment advisers, brokers, dealers, banks, trust companies and other types of organizations ("Authorized Service Providers") for providing administrative services with respect to shares of the Funds attributable to or held in the name of the Authorized Service Provider for its clients or other parties with whom they have a servicing relationship. Under the terms of a Shareholder Administrative Services Agreement, a Fund is authorized to pay an Authorized Service Provider a shareholder administrative service fee at the rate of up to 0.25% on an annual basis of the average daily net asset value of the shares of the Fund attributable to or held in the name of the Authorized Service Provider for providing certain administrative services to Fund shareholders with whom the Authorized Service Provider has a servicing relationship.

Payments to Third Parties by the Adviser and its Affiliates

The Adviser and its affiliates, including the Distributor, may, out of their own resources, and without additional direct cost to the Funds or their shareholders, provide compensation to certain financial intermediaries, such as broker-dealers and financial advisers, in connection with sales of shares of the Funds. This compensation is in addition to any Distribution (Rule 12b-1) Fees paid by the Funds to such intermediaries. This compensation is generally made to those intermediaries that provide shareholder servicing, marketing support, broker education, and/or access to sales meetings, sales representatives and management representatives of the intermediary. Compensation may also be paid to intermediaries for inclusion of the Funds on a sales list, including a preferred or select sales list, in other sales programs or as an expense reimbursement in cases where the intermediary provides shareholder services to Fund shareholders.

Please be aware that the Funds may use brokers who sell shares of the Funds to effect portfolio transactions. The Funds do not consider the sale of Fund shares as a factor when selecting brokers to effect portfolio transactions. The Funds have adopted procedures which address these matters. You should note that if one mutual fund sponsor makes greater distribution assistance payments than another, your broker or financial adviser and his or her firm may have an incentive to recommend one fund complex over another.

FINANCIAL HIGHLIGHTS

The financial highlights tables on the following pages are intended to help you understand each Fund's financial performance for the past five years. Certain information reflects financial results for a single Fund share. The total returns in the table represent the rate that an investor would have earned or lost on an investment in a Fund (assuming reinvestment of all dividends and distributions, if any). The information for the Funds for the fiscal year ended March 31, 2010 has been audited by Tait, Weller & Baker LLP, whose report, along with the Funds' audited financial statements are included in the current annual report, which is available upon request. The information for the Predecessor Funds for the periods prior to March 31, 2009 was audited by other independent accountants.

FBR Balanced Fund

	Years Ended March 31,				
	2010	2009[4]	2008[4]	2007[4]	2006[4]
Per Share Operating Performance:					
Net Asset Value, Beginning of Year	$ 8.92	$ 12.27	$ 14.48	$ 13.48	$ 12.58
Income (Loss) from Investment Operations:					
Net Investment Income[1]	0.29	0.32	0.39	0.36	0.37
Net Realized and Unrealized Gain (Loss) on Investments[1,2]	2.61	(3.23)	0.34	1.13	0.89
Total from Investment Operations	2.90	(2.91)	0.73	1.49	1.26
Distributions to Shareholders:					
From Net Investment Income	(0.30)	(0.25)	(0.37)	(0.33)	(0.36)
From Net Realized Gain	—	(0.17)	(2.57)	(0.16)	—
Return of Capital	—	(0.03)	—	—	—
Total Distributions	(0.30)	(0.45)	(2.94)	(0.49)	(0.36)
Paid-in Capital from Redemption Fees[1]	0.00[5]	0.01	—	—	—
Net Increase (Decrease) in Net Asset Value	2.60	(3.35)	(2.21)	1.00	0.90
Net Asset Value, End of Year	$ 11.52	$ 8.92	$ 12.27	$ 14.48	$ 13.48
Total Investment Return[3]	32.76%	(24.28%)	4.45%	11.19%	10.18%
Ratios to Average Net Assets:					
Expenses After Waivers and Related Reimbursements[6]	1.25%	1.32%	1.33%	1.33%	1.33%
Expenses Before Waivers and Related Reimbursements[6]	1.69%	1.84%	1.66%	1.51%	1.69%
Net Investment Income After Waivers and Related Reimbursements	2.70%	3.03%	2.75%	2.52%	2.82%
Net Investment Income Before Waivers and Related Reimbursements	2.26%	2.50%	2.42%	2.34%	2.46%
Supplementary Data:					
Portfolio Turnover Rate	26%	32%	110%	28%	18%
Net Assets at End of Year (in thousands)	$46,809	$ 18,858	$21,700	$24,260	$13,413

(1) *Calculated based on average shares outstanding*

(2) *The amounts shown are for a share outstanding throughout the period may not be in accordance with the changes in the aggregate gains and losses on investments during the period of the timing of sales and repurchases of Fund shares in relation to fluctuating net asset values during the period.*

(3) *Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and will include reinvestment of dividends and distributions, if any.*

(4) *Audited by other Independent Public Accounting Firm*

(5) *Less than $0.01*

(6) *Does not include expenses of the funds in which the Fund invests.*

FBR Core Bond Fund

	Years Ended March 31,				
	2010	2009[4]	2008[4]	2007[4]	2006[4]
Per Share Operating Performance:					
Net Asset Value, Beginning of Year	$ 8.75	$ 9.16	$ 9.71	$ 9.77	$ 9.76
Income (Loss) from Investment Operations:					
Net Investment Income[1]	0.38	0.35	0.42	0.50	0.43
Net Realized and Unrealized Gain (Loss) on Investments[1,2]	0.69	(0.44)	—	0.05	0.16
Total from Investment Operations	1.07	(0.09)	0.42	0.55	0.59
Distributions to Shareholders:					
From Net Investment Income	(0.38)	(0.32)	(0.39)	(0.51)	(0.48)
From Net Realized Gain	(0.05)	—	(0.58)	(0.10)	(0.10)
Total Distributions	(0.43)	(0.32)	(0.97)	(0.61)	(0.58)
Paid-in Capital from Redemption Fees[1]	0.00[5]	0.00[5]	—	—	—
Net Increase (Decrease) in Net Asset Value	0.64	(0.41)	(0.55)	(0.06)	0.01
Net Asset Value, End of Year	$ 9.39	$ 8.75	$ 9.16	$ 9.71	$ 9.77
Total Investment Return[3]	12.33%	(0.93%)	4.48%	5.87%	6.22%
Ratios to Average Net Assets:					
Expenses After Waivers and Related Reimbursements[6]	1.31%	1.33%	1.33%	1.33%	1.33%
Expenses Before Waivers and Related Reimbursements[6]	1.93%	2.14%	2.19%	1.97%	2.09%
Net Investment Income After Waivers and Related Reimbursements	4.11%	4.02%	4.40%	5.18%	4.41%
Net Investment Income Before Waivers and Related Reimbursements	3.49%	3.21%	3.53%	4.54%	3.65%
Supplementary Data:					
Portfolio Turnover Rate	28%	39%	102%	10%	28%
Net Assets at End of Year (in thousands)	$4,615	$ 2,055	$2,030	$4,011	$7,563

(1) *Calculated based on average shares outstanding*

(2) *The amounts shown are for a share outstanding throughout the period may not be in accordance with the changes in the aggregate gains and losses on investments during the period of the timing of sales and repurchases of Fund shares in relation to fluctuating net asset values during the period.*

(3) *Total investment return is calculated assuming a purchase of shares on the first day and a sale on the last day of each period reported and will include reinvestment of dividends and distributions, if any.*

(4) *Audited by other Independent Public Accounting Firm*

(5) *Less than $0.01*

(6) *Does not include expenses of the funds in which the Fund invests.*

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ADDITIONAL INFORMATION

THE FBR FUNDS

Fixed Income/Blended Funds, Investor Class

Additional information about the Funds is available free of charge, upon request, in the following forms:

- **Statement of Additional Information:** includes additional information about the Funds' operations. The information presented in the Statement of Additional Information is incorporated by reference into this prospectus.
- **Annual Report:** includes additional information about the Funds' investments and a discussion of market conditions and investment strategies that significantly affected the Funds' performance during their last fiscal year.
- **Semi-Annual Report and Quarterly Reports:** includes additional information about the Funds' investments.

To request a free copy of any of the materials described above, or to make other inquiries, contact us:

By telephone:	888.888.0025
By mail:	The FBR Funds FBR Fixed Income/Blended Funds P.O. Box 5354 Cincinnati, OH 45201-5354
By e-mail:	fbrfundsinfo@fbr.com
On the Internet:	The materials may be read or downloaded on the Funds' website at www.fbrfunds.com.

In an effort to eliminate unnecessary duplication and reduce the cost to shareholders, the Funds will mail only one copy of the Prospectus or other shareholder reports to shareholders with the same mailing address. If you would prefer to receive a copy of the Prospectus or other shareholder reports for each shareholder at a mailing address, please contact the Funds at 888.888.0025.

Information about the Funds (including the Funds' Statement of Additional Information) can also be reviewed and copied at the Securities Exchange Commission's ("Commission") Public Reference Room in Washington, D.C. Information on the operation of the public reference room may be obtained by calling the Commission at 202.551.8090 or 800.SEC.0330. Reports and other information about the Fund are available on the Commission's Internet site at http://www.sec.gov, and copies of this information may be obtained, upon payment of a duplicating fee, by electronic request at the following e-mail address: publicinfo@sec.gov, or by writing the Public Reference Section of the Commission, Washington, D.C. 20549-0102.

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