

# FBR Pegasus Small Cap Growth Fund™

June 30, 2010



## INVESTMENT OBJECTIVE

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

## PORTFOLIO MANAGEMENT



### Robert Barringer, CFA

- » Over 18 years of investment analysis and 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® Growth Index with less volatility over a full market cycle. This result is achieved through the combination of a proprietary financial screening process and independent bottom-up fundamental analysis. The investment process is designed to identify high-quality, small-cap growth companies that meet specific criteria including:

- » Industry leaders with a defensible market position
- » Potential long-term revenue and earnings growth
- » Below-average debt and high levels of free cash flow

The net result is a diversified portfolio that emphasizes conservatively financed small-cap growth companies purchased at reasonable valuations relative to their anticipated growth rates.

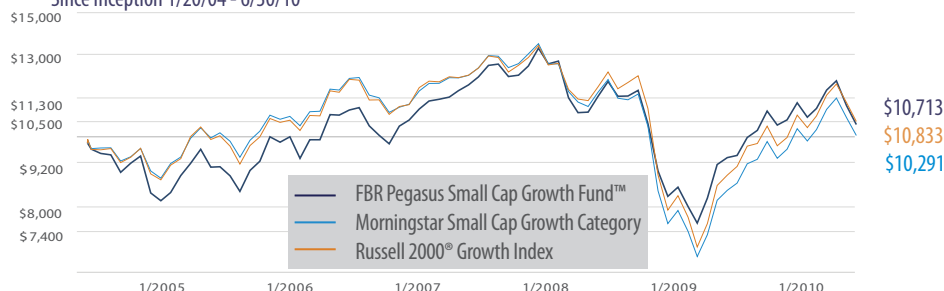
## FUND PERFORMANCE as of 6/30/10

Morningstar Category: Small Growth	Average Annualized Total Return				
	Q2 2010	1 Year	3 Year	5 Year	Since Inception
<b>FBR Pegasus Small Cap Growth Fund™</b>					
Investor Class (inception: 1/20/04) <sup>1</sup>	-11.88%	12.03%	-7.13%	2.74%	1.08% <sup>1</sup>
Institutional Class (inception: 5/30/08) <sup>2</sup>	-11.76%	12.20%	-	-	-7.24% <sup>2</sup>
Russell 2000® Growth Index	-9.22%	17.96%	-7.54%	1.14%	1.25% <sup>1</sup>
<b>Category Rank (Investor Class)</b>		<b>92%</b>	<b>33%</b>	<b>17%</b>	<b>NA</b>
# of funds in Morningstar Small Growth Category		758	666	549	NA
Annual Total Expense Ratio (Net   Gross):	1.45%   3.87% (Investor Class)    1.20%   14.78% (Institutional Class)				

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 2/28/2013.

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

Since Inception 1/20/04 - 6/30/10



## FUND FACTS

### Ticker Symbol / CUSIP

Investor Class            FBRCX / 30246J505  
 Institutional Class      FBPGX / 30246J828

### Inception

Investor Class            1/20/04  
 Institutional Class      5/30/08  
 Total Fund Assets            \$22.6M  
 Number of Holdings            64

## MORNINGSTAR® RATING as of 6/30/10

OVERALL MORNINGSTAR® RATING



(Investor Class)

Among 666 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

**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. If reflected, the redemption fee would reduce the performance quoted. To obtain performance data current to the most recent quarter-end please call 888.200.4710 or visit www.fbrfunds.com.

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## TOP 10 HOLDINGS

	% Assets
QLogic, Corp.	2.7%
Emulex, Corp.	2.6
MICROS Systems, Inc.	2.5
Penn National Gaming, Inc.	2.4
Bruker, Corp.	2.2
Capitol Federal Financial	2.1
CNO Financial Group, Inc.	2.0
ATMI, Inc.	2.0
Tibco Software, Inc.	2.0
J. Crew Group, Inc.	1.9
<b>Total</b>	<b>22.4%</b>

## PORTFOLIO CHARACTERISTICS

Portfolio TTM Turnover*	209%
Wtd. Avg. Market Cap	\$1.7B
Wtd. Avg. P/E	22.6x
Wtd. Avg. P/B	3.0x

\*unaudited as of 6/30/10

## SECTOR ALLOCATION

	% Assets
Finance	16.5%
Electronic Technology	14.0
Technology Services	12.5
Health Technology	9.2
Consumer Services	6.8
Retail Trade	5.6
Consumer Non-Durables	3.8
Consumer Durables	2.7
Commercial Services	2.6
Transportation	2.6
Health Services	2.2
Energy Minerals	1.5
Process Industries	1.5
Distribution Services	1.2
Industrial Services	1.1
Producer Manufacturing	1.1
Non-Energy Minerals	0.9
Cash	14.2
<b>Total</b>	<b>100.0%</b>

## RISK METRICS (Investor Class)

cat: Small Growth	3 Year	5 Year
Morningstar Risk	-Avg	-Avg
Morningstar Return	+Avg	+Avg
Standard Deviation		
FBR Pegasus Small Cap Growth Fund™	23.58	20.66
cat: Small Growth Funds Avg.	25.13	20.96
MPT Statistics (relative to Russell 2000® Growth Index)		
Beta	0.87	0.89
Alpha	-1.05	1.33

Source: Morningstar Direct

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

3 Year	Source: Morningstar Direct
<b>UP MARKET</b>	88.4%
<b>DOWN MARKET</b>	90.1%
5 Year	
<b>UP MARKET</b>	93.6%
<b>DOWN MARKET</b>	88.5%

## Important Disclosures

**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](http://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 of the indices will differ from the volatility and risk characteristics of the Fund.

**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 Growth Index** measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values.

**Morningstar Proprietary Ratings** reflect risk-adjusted performance as of 6/30/10. 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 4 stars for the three year and five year periods ended 6/30/10 among 666 and 549 Small Growth Funds, respectively. ©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® Growth 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® Growth 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.