

# FBR Large Cap Financial Fund

June 30, 2010



## INVESTMENT OBJECTIVE

The Fund seeks long-term capital appreciation by investing primarily in the equity securities of domestic financial services companies.

## PORTFOLIO MANAGEMENT



### David Ellison, CIO of The FBR Funds

- » Most tenured mutual fund portfolio manager in the Financial Services sector
- » Over 26 years of investment industry experience
- » Joined The FBR Funds from Fidelity in 1996, and has managed the Large Cap Financial Fund since inception
- » At Fidelity, David managed the Select Home Finance Fund for 11 years and developed his investment philosophy under the tutelage of famed value-investor, Peter Lynch

## INVESTMENT STRATEGY

The Fund employs a fundamental, bottom-up investment strategy to identify companies within the financial services industry that exhibit the following characteristics:

- » Solid business models, low-cost operating structures and prospects for sustainable earnings growth
- » Conservative lending culture and high quality liabilities
- » Emphasis on attractive valuations based upon traditional industry relative value measures

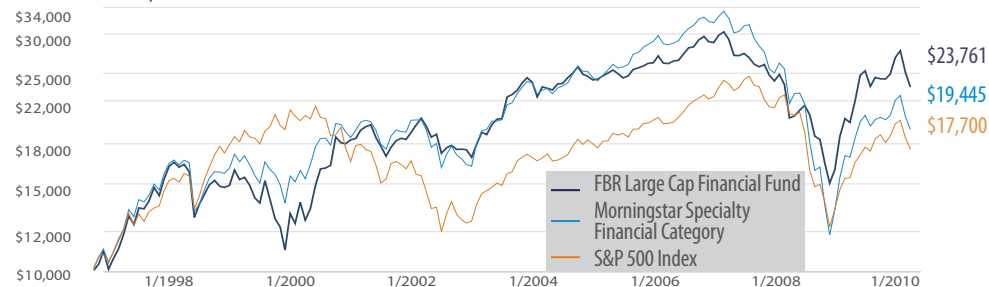
The net result is a diversified portfolio of financial companies that aims to provide shareholders with conservative exposure to the financial services industry.

## FUND PERFORMANCE as of 6/30/10

Morningstar Category: Specialty Financial	Average Annualized Total Return					
	Q2 2010	1 Year	3 Year	5 Year	10 Year	Since Inception
<b>FBR Large Cap Financial Fund</b>						
Investor Class (inception: 1/03/97) <sup>1</sup>	-13.07%	18.25%	-7.25%	-1.32%	6.52%	6.65% <sup>1</sup>
Philadelphia Bank Index	-11.31%	26.53%	-59.15%	-53.44%	-37.05%	-14.22% <sup>1</sup>
S&P 500 Index	-11.43%	14.43%	-9.81%	-0.79%	-1.59%	4.32% <sup>1</sup>
<b>Category Rank</b>		<b>32%</b>	<b>14%</b>	<b>17%</b>	<b>18%</b>	<b>NA</b>
# of funds in Specialty Financial Category		127	107	101	68	NA
Annual Total Expense Ratio:	1.86%					

### Hypothetical Growth of \$10,000

Since Inception 1/03/97- 6/30/10



## FUND FACTS

Ticker Symbol	FBRFX
CUSIP	302461109
Inception	1/03/97
Total Fund Assets	\$44.2M
Number of Holdings	28

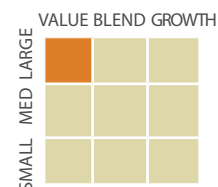
## MORNINGSTAR® RATING as of 6/30/10

OVERALL **MORNINGSTAR** RATING



Among 107 Specialty Financial 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](http://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](http://www.fbrfunds.com).

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## TOP 10 HOLDINGS

	% Assets
JPMorgan Chase & Co.	6.3%
Bank of America Corp.	6.1
PNC Financial Services Group, Inc.	5.2
Wells Fargo & Co.	5.0
Hudson City Bancorp, Inc.	4.8
Discover Financial Services	4.7
Marshall & Ilsley Corp.	4.5
Fifth Third Bancorp	4.5
Citigroup, Inc.	4.4
Capital One Financial Corp.	4.2
<b>Total</b>	<b>49.7%</b>

## SECTOR ALLOCATION

	% Assets
Major Banks	31.0%
Finance/Rental/Leasing	18.2
Financial Conglomerates	14.4
Regional Banks	9.0
Savings Banks	7.5
Investment Banks/Brokers	6.5
Life/Health Insurance	1.8
Hotels/Resorts/Cruiselines	1.7
Investment Managers	1.6
Cash	8.3
<b>Total</b>	<b>100.0%</b>

## RISK METRICS

cat: Specialty Financial	3 Year	5 Year	10 Year
Morningstar Risk	-Avg	-Avg	-Avg
Morningstar Return	+Avg	+Avg	+Avg
Standard Deviation			
FBR Large Cap Financial Fund	23.80	18.97	16.92
S&P 500 Index	28.31	22.64	19.17
MPT Statistics (relative to S&P 500 Index)			
Beta	0.77	0.76	0.83
Alpha	8.44	7.17	5.12

Source: Morningstar Direct

## CAPTURE RATIOS RELATIVE TO S&P 500 INDEX

	Source: Morningstar Direct
3 Year	
UP MARKET	110.7%
DOWN MARKET	76.6%
5 Year	
UP MARKET	109.4%
DOWN MARKET	72.1%
10 Year	
UP MARKET	101.9%
DOWN MARKET	77.2%

## PORTFOLIO CHARACTERISTICS

Portfolio TTM Turnover*	159%
Wtd. Avg. Market Cap	\$49.9B
Wtd. Avg. P/E	16.2x
Wtd. Avg. P/B	1.4x

\*unaudited as of 6/30/10

## 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.**

Investments are focused in the financial services industry which may be adversely affected by regulatory or other market conditions such as rising interest rates.

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

**Morningstar Specialty Financial Category** consists of those portfolios that seek capital appreciation by investing primarily in equity securities of U.S. or non-U.S. financial services companies, including banks, brokerage firms, insurance companies, and consumer credit providers.

**S&P 500 Index** is a capitalization-weighted index of 500 stocks. The Index is designed to represent the broad domestic economy through changes in aggregate market value of 500 stocks representing all major industries.

**Philadelphia Bank Index (BKX)** is a capitalization-weighted index consisting of 24 exchange-listed and national market system stocks, representing national money center banks and leading regional institutions.

**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, five year and 10 periods ended 6/30/10 among 107, 101 and 68 Specialty Financial 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 S&P 500 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 S&P 500 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.