

FBR Small Cap Financial Fund

June 30, 2010



INVESTMENT OBJECTIVE

The Fund seeks long-term capital appreciation by investing primarily in the equity securities of small-cap 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 experience investing exclusively in financial securities
- » Joined The FBR Funds from Fidelity in 1996, and has managed the Small 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 consistent fundamental, bottom-up investment process to identify small-cap financial services companies that meet the strict criteria necessary for inclusion in the portfolio. These characteristics include but are not limited to the following:

- » High quality management teams with a philosophy of building for the long-term
- » Uncomplicated business model with strong balance sheets
- » Conservative lending culture and high quality liabilities
- » Emphasis on attractive valuations based on traditional industry relative value measures

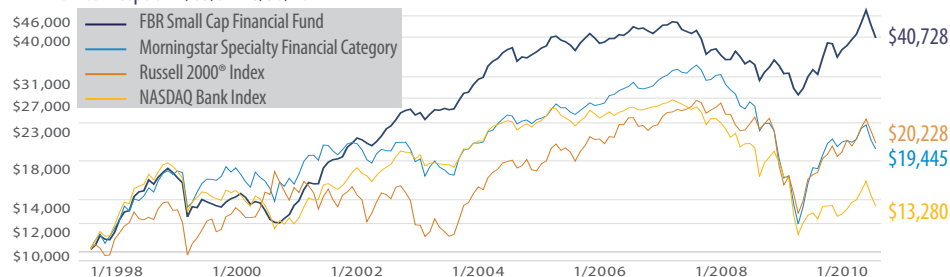
The net result is a diversified portfolio of financial companies that aims to provide shareholders with conservative exposure to the financial services industry.

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
FBR Small Cap Financial Fund						
Investor Class (inception: 1/03/97) ¹	-9.64%	27.37%	0.14%	0.04%	11.79%	10.97% ¹
Institutional Class (inception: 5/30/08) ²	-9.57%	27.41%	-	-	-	9.24% ²
NASDAQ Bank Index	-9.79%	8.79%	-18.89%	-11.20%	1.16%	2.13% ¹
Russell 2000® Index	-9.92%	21.48%	-8.60%	0.37%	3.00%	5.36% ¹
Category Rank (Investor Class)		2%	4%	14%	5%	NA
# of funds in Specialty Financial Category		127	107	101	68	NA
Annual Total Expense Ratio: 1.58% (Investor Class)		1.63% (Institutional Class)				

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

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



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.

FUND FACTS

Ticker Symbol / CUSIP

Investor Class FBRSX / 30246J208
Institutional Class FBRUX / 30246J695

Inception

Investor Class 1/03/97
Institutional Class 5/30/08
Total Fund Assets \$283.5M
Number of Holdings 75

MORNINGSTAR® RATING as of 6/30/10

OVERALL MORNINGSTAR® RATING

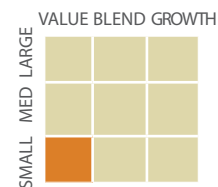


(Investor Class)

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

Shareholder Services

888.888.0025

TOP 10 HOLDINGS

	% Assets
Independent Bank Corp. (MA)	2.4%
Washington Federal, Inc.	2.3
Astoria Financial Corp.	2.3
OceanFirst Financial Corp.	2.3
Flushing Financial Corp.	2.3
Fulton Financial Corp.	2.3
Provident Financial Services, Inc.	2.2
East West Bancorp, Inc.	2.2
Zions Bancorp	2.2
First Horizon National Corp.	2.2
Total	22.7%

SECTOR ALLOCATION

	% Assets
Savings Banks	31.6%
Regional Banks	30.7
Real Estate Investment Trusts	4.7
Major Banks	3.3
Specialty Insurance	3.2
Investment Managers	2.1
Miscellaneous Commercial Services	2.0
Homebuilding	2.0
Financial Conglomerates	1.9
Investment Trusts/Mutual Funds	1.1
Life/Health Insurance	1.0
Finance/Rental/Leasing	0.6
Property/Casualty Insurance	0.4
Cash	15.4
Total	100.0%

RISK METRICS (Investor Class)

cat: Specialty Financial	3 Year	5 Year	10 Year
Morningstar Risk	-Avg	-Avg	Low
Morningstar Return	High	+Avg	High
Standard Deviation			
FBR Small Cap Financial Fund	21.20	17.21	14.84
cat: Specialty Financial Funds Avg.	28.31	22.64	19.17
MPT Statistics (relative to NASDAQ Bank Index)			
Beta	0.73	0.72	0.76
Alpha	14.71	7.80	9.70

Source: Morningstar Direct

CAPTURE RATIOS RELATIVE TO NASDAQ BANK INDEX (Investor Class)

	3 Year	5 Year	10 Year
Source: Morningstar Direct			
UP MARKET	121.8%		
DOWN MARKET	65.6%		
5 Year			
UP MARKET	113.9%		
DOWN MARKET	70.5%		
10 Year			
UP MARKET	111.5%		
DOWN MARKET	63.6%		

PORTFOLIO CHARACTERISTICS

Portfolio TTM Turnover*	87%
Wtd. Avg. Market Cap	\$1.5B
Wtd. Avg. P/E	21.6x
Wtd. Avg. P/B	1.1x

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

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

Morningstar 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.

NASDAQ Bank Index is a capitalization weighted index of domestic and foreign common stocks of banks that are traded on the NASDAQ National Market System.

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

Morningstar Proprietary Ratings reflect risk-adjusted performance as of 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 5 stars for the three and 10 year periods ended 6/30/10 among 107 and 68 Specialty Financial Funds, respectively. The Fund received 4 stars for the five year period ended 6/30/10 among 101 Specialty Financial Funds. ©Morningstar, Inc. All Rights Reserved.

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

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

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

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

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

Beta is a statistical measure of the Fund's volatility relative to the broader peer group is measured against the NASDAQ Bank 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 NASDAQ Bank 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.