

# FBR Small Cap Financial Fund

September 30, 2011



## 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 27 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

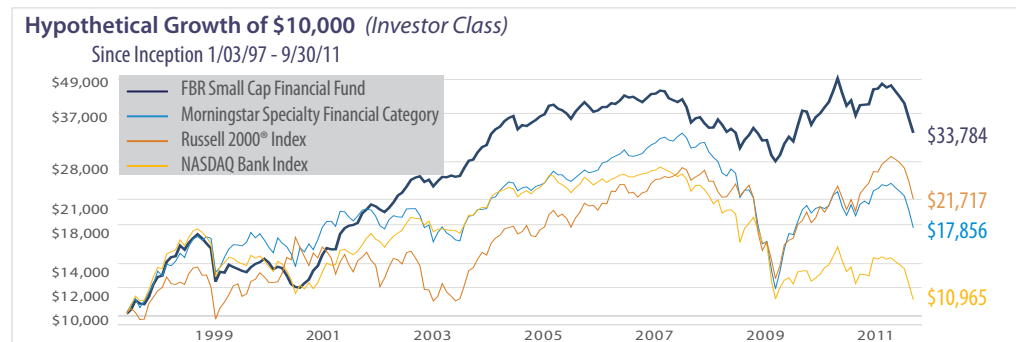
The net result is a diversified portfolio of financial companies that aims to provide shareholders with conservative exposure to the financial services industry.

## FUND PERFORMANCE as of 9/30/11

Morningstar Category: Specialty Financial	Average Annualized Total Return					
	Q3 2011	1 Year	3 Year	5 Year	10 Year	Since Inception <sup>1</sup>
<b>FBR Small Cap Financial Fund</b>						
Investor Class	-21.72%	-17.33%	-1.34%	-4.75%	5.27%	8.61%
Institutional Class <sup>2</sup>	-21.67%	-17.14%	-1.08%	-4.58%	5.36%	8.67%
NASDAQ Bank Index	-21.07%	-15.93%	-16.98%	-15.77%	-3.87%	0.63%
Russell 2000 <sup>®</sup> Index	-21.87%	-3.53%	-0.37%	-1.02%	6.12%	5.40%
<b>Category Rank (Investor Class)</b>		<b>64%</b>	<b>23%</b>	<b>15%</b>	<b>8%</b>	<b>NA</b>
# of funds in Specialty Financial Category		111	98	89	67	NA
Annual Total Expense Ratio:	1.53% (Investor Class)	1.25% (Institutional Class)				

<sup>1</sup> For the period January 3, 1997 (commencement of operations) through September 30, 2011.

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



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

## 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 \$161.7M  
 Number of Holdings 63

## MORNINGSTAR<sup>®</sup> RATING as of 9/30/11

OVERALL MORNINGSTAR<sup>®</sup> RATING  

 (Investor Class)

Among 98 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

888.200.4710 | [www.fbrfunds.com](http://www.fbrfunds.com)

## TOP 10 HOLDINGS

	% Assets
Capitol Federal Financial, Inc.	2.9%
Flushing Financial Corp.	2.9
Territorial Bancorp, Inc.	2.8
Hingham Institution for Savings	2.8
Brookline Bancorp, Inc. Del	2.8
OceanFirst Financial Corp.	2.7
State Bancorp, Inc.	2.7
Washington Federal, Inc.	2.6
Encore Capital Group, Inc.	2.6
Northwest Bancshares, Inc.	2.5
<b>Total</b>	<b>27.3%</b>

## SECTOR ALLOCATION

	% Assets
Savings and Loans	35.8%
Banks	26.9
REITS	13.2
Diversified Financial Services	5.4
Investment Companies	2.4
Insurance	1.9
Commercial Services	1.8
Private Equity	1.8
Home Builders	1.6
Cash	9.2
<b>Total</b>	<b>100.0%</b>

## RISK METRICS (Investor Class)

cat: Specialty Financial	3 Year	5 Year	10 Year
Morningstar Risk	-Avg	-Avg	-Avg
Morningstar Return	+Avg	+Avg	High
Standard Deviation			
FBR Small Cap Financial Fund	22.39	19.65	15.85
cat: Specialty Financial Funds Avg.	28.82	24.41	19.59
MPT Statistics (relative to NASDAQ Bank Index)			
Beta	0.82	0.78	0.79
Alpha	13.71	7.99	7.86

Source: Morningstar Direct

## CAPTURE RATIOS RELATIVE TO NASDAQ BANK INDEX (Investor Class)

	3 Year	5 Year	10 Year
UP MARKET	132.8%		
DOWN MARKET	77.6%		
UP MARKET		117.6%	
DOWN MARKET		77.3%	
UP MARKET			112.6%
DOWN MARKET			72.5%

Source: Morningstar Direct

## PORTFOLIO CHARACTERISTICS

Portfolio TTM Turnover*	65%
Wtd. Avg. Market Cap	\$1.1B
Wtd. Avg. P/E	16.4x
Wtd. Avg. P/B	0.98x

\*unaudited as of 9/30/11

## 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. 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 9/30/11. For each fund with at least a three year history, Morningstar calculates a Morningstar Rating™ based on a Morningstar risk-adjusted return measure that accounts for variation in a fund's monthly performance placing more emphasis on downward variations and rewarding consistent performance. The top 10% of funds in each category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars and the bottom 10% receive 1 star. Each share class is counted as a fraction of one fund within this scale and rated separately, which may cause slight variations in distribution percentage. The Fund received 5 stars for the three and 10 year and 4 stars for the 5 year periods ended 9/30/11 among 98, 67 and 89 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 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.