



DAVID H. ELLISON
*Chief Investment Officer
 President of The FBR Funds
 FBR Funds Portfolio Manager*

- » Most tenured mutual fund portfolio manager in the financial services sector
- » Over 25 years investment experience
- » Prior Portfolio Manager of the Fidelity Select Home Finance Fund, which he managed for 11 years ending in 1996
- » Began career as a Financial Services Sector Analyst for Fidelity in 1983 under guidance of famed value-investor, Peter Lynch
- » Frequently recognized by national media and featured in widely-followed publications

WANT MORE INFORMATION?

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Q1: The failed bank list over the last twelve months has topped the 125-mark. Do investors face an ever-rising level of risk and uncertainty in this sector?

Most of the troubles in banking reported by the popular press today are attributable to banks with asset bases quantified in the trillions, but 99% of regulated depositories in the U.S. maintain less than \$20 billion in assets on their balance sheet. Unlike their larger brethren, most of these small depository institutions do not need the capital markets to survive. They often are self funding (through deposits) and have largely avoided the complex financial instruments that created liquidity and market value losses across the industry.

Bank failures are a natural consequence of a deep cyclical correction. The majority of the failed institutions to date have been relatively small. In the publicly-traded market, failures have represented less than five percent of the estimated 700 investable financial services universe. While the sector is recovering and healing, the industry is still operating in a survival mode. I do believe most of the skeletons in the closet have been uncovered, but constrained operating conditions will lead to an even greater number of bank closures over the next few years. I believe these failures will continue to drive industry consolidation and provide risk-tolerant investors with ample opportunities to take advantage of this powerful dynamic as the survivors take market share.

Q2: How do you avoid owning a bank blow-up?

Generally speaking, investing is both art and science. A failing bank institution will present hard to miss scientific facts, so side-stepping a combustible bank with lower capital bases and questionable credit quality is relatively easy. The real art, however, is in protecting against further downside risk because predicting the market's direction in the short-term is nearly impossible. Having the discipline and expertise to rely on the facts to avoid exposure to permanent loss of capital is a critical component of building wealth over time. My approach is relatively straight-forward. I seek to provide diversified exposure to the healthier banks with high quality credit portfolios, well-capitalized balance sheets, and strong management, positioned to capitalize on either footprint fill-ins or transformational acquisitions during these turbulent times.

Q3: Why do you believe today's market offers some of the best investment opportunities you have seen in decades?

Current operating conditions make organic growth challenging at best, but the potential for owning high-quality banks that can survive the recovery and have the ability to take on new franchises and grow market share should provide the opportunity for outsized appreciation over the next several years.

The peak of the last credit cycle occurred in 1989 when 534 banks representing \$520 billion in assets failed. I managed the Fidelity Select Home Finance Fund through that credit crisis and in my opinion, the best time to own bank stocks is when the industry begins its recovery process which started in 1992 and continued through 1997, when only one bank failed. Today, I believe we are entering a recovery cycle similar to the one I experienced some 20-years ago.

INVESTMENT OBJECTIVE

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

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 9/30/09

Morningstar Category: Financial	Average Annualized Total Return					
	Q3 2009	1 Year	3 Year	5 Year	10 Year	Since Inception
FBR Small Cap Financial Fund						
Investor Class (inception: 01/03/97) ¹	22.57%	11.43%	-3.10%	0.58%	11.27%	11.31% ¹
Institutional Class (inception: 05/30/08) ²	22.43%	11.84%	-	-	-	11.40% ²
NASDAQ Bank Index	9.38%	-30.33%	-19.78%	-10.70%	0.04%	2.26% ¹
Russell 2000 [®] Index	19.28%	-9.55%	-4.57%	2.41%	4.88%	5.51% ¹
Category Rank (Investor Class)		9%	15%	19%	6%	NA
# of funds in Specialty Financial Category		121	107	101	59	NA
Annual Total Expense Ratio:	1.49% Investor Class	1.31% Institutional Class				

Important Information

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.

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 redemption fees and 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.

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.

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 9/30/09. 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 five years ended 9/30/09 among 107, 59 and 101 Specialty Financial Funds, respectively. ©Morningstar, Inc. All Rights Reserved.

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FUND FACTS as of 9/30/09

Ticker Symbol	
Investor Class	FBRSX
Institutional Class	FBRUX
Inception	
Investor Class	1/03/97
Institutional Class	5/30/08
Total Fund Assets	\$217.9M
Number of Holdings	82

MORNINGSTAR® RATING as of 9/30/09

OVERALL  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.