

## Quarterly Update

### Investment Category

Small Cap Core

### Investment Objective

Long-term growth of capital

### Investment Process

The Fund invests in a diversified portfolio of equity securities that are selected based upon the management team's perception of their above-average potential for long-term growth of capital. Equity securities include common stocks, preferred stocks, securities convertible or exchangeable into common stocks, rights and warrants. The Fund normally invests at least 80% of its net assets in equity securities (mostly common stocks) of small cap companies located anywhere in the United States. Small cap companies are those with a market capitalization of \$2.8 billion or less at the time of purchase.

### Portfolio Management Team (left to right)

Jason J. Votruba, Thomas W. Laming and James R. McBride



#### Thomas W. Laming – Lead Portfolio Manager

- Joined the firm in 2009
- Bachelor's degree from University of Kansas and Master's Degrees from Indiana University and Massachusetts Institute of Technology
- 20 years of investment experience

#### Jason J. Votruba, CFA – Co-Portfolio Manager

- Joined the firm in 2002
- Bachelor's degree from Kansas State University
- 11 years of experience in the financial services industry

#### James R. McBride, CFA – Co-Portfolio Manager

- Joined the firm in 2009
- Bachelor's degree from Wichita State University and Master's degree from Indiana University. Graduate of the General Electric Manufacturing Management Program for Manufacturing Engineers
- 19 years of investment experience

### Market Review — A Debt Monster of Europe's Own Making

The fourth quarter was a period of renewed vigor for small-cap stocks. In the first nine months of 2011, the Russell 2000 benchmark fell so sharply that it seemed fanciful to expect a recovery. However, the strength of the fourth quarter allowed the Russell 2000 to finish down just a few percent for 2011. It was not a great year, but a proverbial investor run on pitch forks and torches was averted.

Why did stocks recover so much during the quarter? It certainly was not due to an acceleration of corporate earnings. Forward earnings estimates have remained relatively stable since August after having risen continuously since the middle of 2009. The most likely reason is that concern regarding the health of European banks and the likelihood of Europe having a "Lehman-moment" was overstated. The solutions being imposed in Europe increasingly look like those implemented to stem the U.S. financial crisis. For example, the European Central Bank (ECB) balance sheet increased to a record \$3.55 trillion dollars on loans to European banks.

As was the case for the U.S., none of these solutions in Europe solves the problems of too much spending based on too many promises, and there are not enough younger people and growth to pay for all the spending. We think real solutions in Europe will prove elusive, if not politically impossible, and probably require individuals to vote against their own personal interest. For retirees, that may mean voting against the current inter-generational transfer of wealth (the young paying taxes to support the old in retirement). The bad news is that for many European countries, their working-age population is shrinking, with the ranks of the elderly growing rapidly.

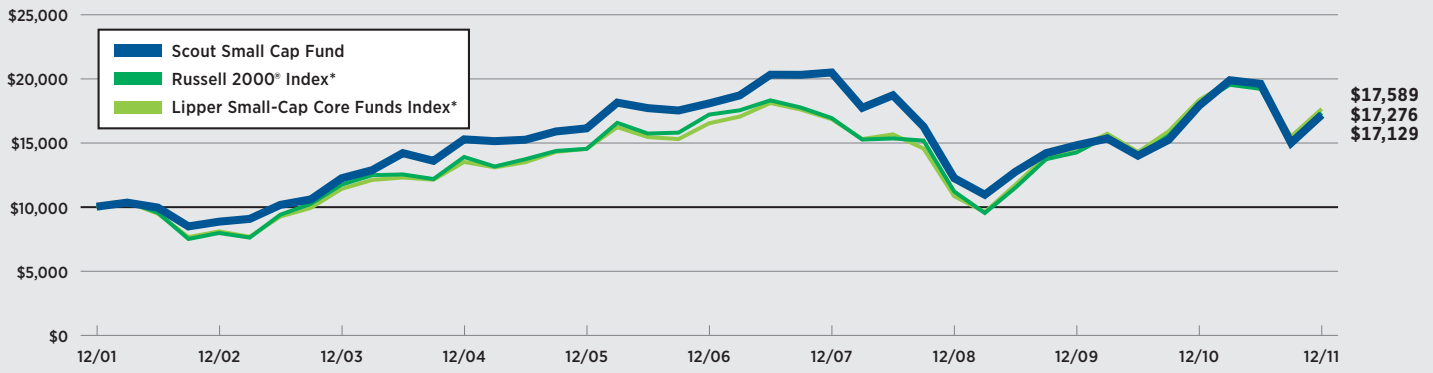
Is there anything positive in this for U.S. markets, and in particular, for small-cap stocks? In the long-run, we believe the answer is yes. We see Europe as a behemoth stripped of its vitality by the impact of a now shrinking population and stifling regulation. Europe will not be the consumer of U.S. goods and services that it once was. That is a negative for producers of U.S. aircraft, tablet computers, financial services, software, and many of our other goods and services. On the other hand, Europe may also be reduced as a competitor in the real growth markets of the 21st century, notably in the developing nations of Asia and the Middle East.

### Contributors and Detractors — Industrial and Energy Powered Returns

The fundamentals of our industrial stock selections remained solid. Investors assumed the worst for many of these companies in the prior quarter, but, the flow of economic news late in the year showed the economy held up better than many had feared. Companies associated with unconventional energy production from shale formations, whether transportation related (rail cars, barges, etc.), or the equipment itself, saw strength. United Rentals was the best performing industrial stock,

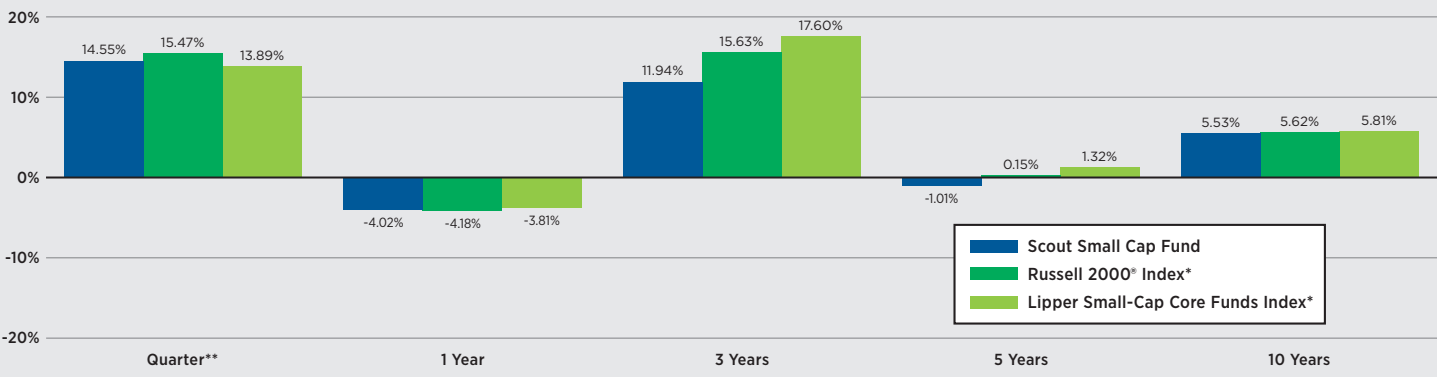
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**Hypothetical Growth of \$10,000**



For illustrative purposes only; may not represent your returns.

**Average Annual Total Returns**



	Average Annual Total Returns					Gross Expense	Net Expense
	Quarter**	1 Year	3 Years	5 Years	10 Years		
<b>Scout Small Cap Fund</b> .....	<b>14.55%</b>	<b>-4.02%</b>	<b>11.94%</b>	<b>-1.01%</b>	<b>5.53%</b>	<b>1.03%</b>	<b>1.03%</b>
Russell 2000® Index* .....	15.47%	-4.18%	15.63%	0.15%	5.62%		
Lipper Small-Cap Core Funds Index* .....	13.89%	-3.81%	17.60%	1.32%	5.81%		

The Fund's inception date was Dec. 18, 1986.

\* Unmanaged index of stocks, bonds or mutual funds. It is not possible to invest directly in an index. The Russell 2000® Index consists of the smallest 2000 securities in the Russell 3000 Index representing approximately 11% of the Russell 3000 total market capitalization, and is widely regarded in the industry as the premier measure of small capitalization stocks. The Lipper Small-Cap Core Funds Index consists of Funds that, by portfolio practice, invests in small capitalization companies without a specific growth orientation.

\*\* Returns for periods less than one year are not annualized.

Performance returns for the Scout Small Cap Fund, Russell 2000® Index and Lipper Small-Cap Core Funds Index assume dividends were reinvested for the entire period.

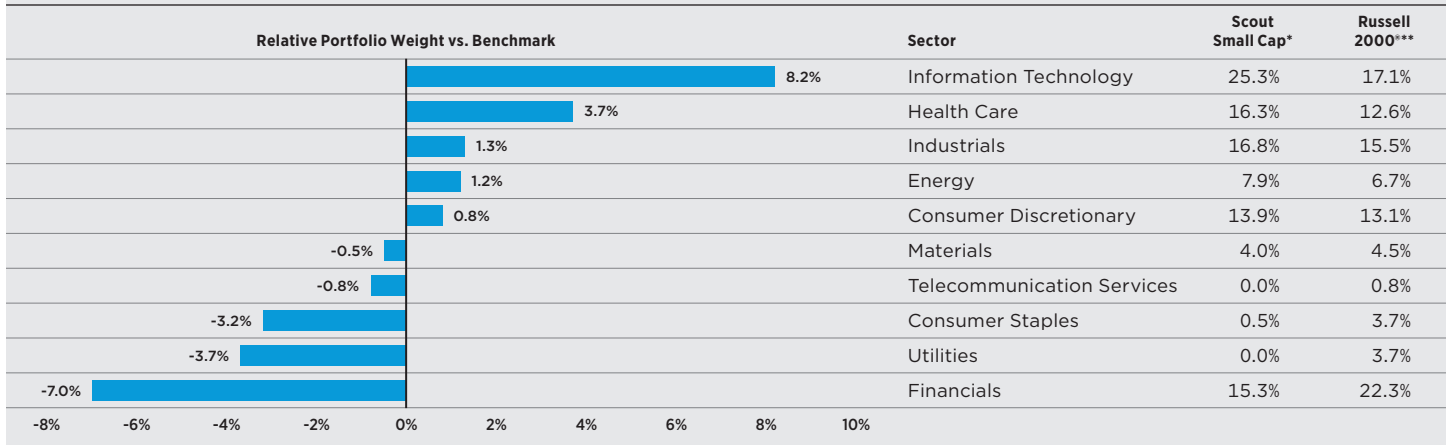
Gross and net expense ratios are as of the most recent Prospectus dated 10/31/11.

**The performance data quoted represents past performance and is not a guarantee of future results. Investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain performance information current to the most recent month-end, please call 800-996-2862.**

Prior to July 2, 2001, the Fund was known as the UMB Scout Regional Fund and was managed in accordance with a different investment objective and strategy.

A redemption fee of 2% will be imposed on redemptions or exchanges made within two months of purchase of shares in the Scout Small Cap Fund. Please see the Prospectus for more information about the fee and which accounts it applies to.

**Sector Allocation**



**Portfolio Characteristics**

	Scout Small Cap	Russell 2000***
Number of Holdings	88	1,966
Weighted Median Market Cap	\$1,553M	\$1,103M
Weighted Average Market Cap	\$1,767M	\$1,234M
5 Year Historical EPS Growth	9.9%	6.1%
12 Mo Historical P/E (Avg)	18.2	-5.3
Price/Book	2.7	1.8
Return on Equity	12.7%	5.0%
Sharpe Ratio (3 Year)†	1.12	0.92
R2 (3 Year)†	0.92	1.00
Standard Deviation (3 Year)†	23.37%	25.34%
Beta (3 Year)†	0.88	1.00
Alpha (3 Year)†	-1.70%	—
Turnover Ratio (Trailing 1 Year)	61%	—
Total Assets (in millions)	\$249.5	—
Inception Date	12/18/86	—

**Top 10 Equity Holdings**

	Percent of Total Investments
Jack Henry & Associates, Inc.	2.6%
ValueClick, Inc.	2.3%
Monro Muffler Brake, Inc.	2.2%
Cracker Barrel Old Country Store, Inc.	2.1%
Catalyst Health Solutions, Inc.	2.1%
Mid-America Apartment Communities, Inc. REIT	2.0%
Gulfport Energy Corp.	2.0%
Portfolio Recovery Associates, Inc.	1.9%
Salix Pharmaceuticals Ltd.	1.9%
Cymer, Inc.	1.9%
<b>Top 10 Equity Holdings Total</b>	<b>21.0%</b>

REIT — Real Estate Investment Trust

\* Sector holdings may not equal 100% as cash equivalents are not applicable.

\*\* Unmanaged index of stocks, bonds or mutual funds. It is not possible to invest directly in an index.

† Measured against the Russell 2000® Index.

**Market Cap** is the total dollar market value of all of a company's outstanding shares. **EPS (earnings per share)** is a rough measurement of the amount of a company's profit that can be allocated to one share of its stock. **12 Mo Historical P/E ratio** is the ratio of a stock's latest closing price to its per share earnings over the last 12 months. **Price/Book** is a ratio used to compare a stock's market value to its book value. It is calculated by dividing the current closing price of the stock by the latest quarter's book value per share. **Return On Equity** is the amount of net income returned as a percentage of shareholders equity. **The Sharpe Ratio** uses a fund's standard deviation and its excess return (the difference between the fund's return and the risk-free return of 90-day Treasury Bills) to determine reward per unit of risk. **R squared** reflects the percentage of a fund's movement that are explained by movements in its benchmark index. **Standard Deviation** is a calculation used to measure variability of a portfolio's performance. **Beta** is a measure of the funds sensitivity to market movements. A portfolio with a beta greater than 1 is more volatile than the market and a portfolio with a beta less than 1 is less volatile than the market. **Alpha** is the measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a mutual fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark index is a fund's alpha. **Turnover Ratio** is the percentage of a mutual fund's holdings that have been "turned over" or replaced with other holdings in a given year.

Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as a recommendation by the Fund, its Advisor or Distributor.

continued from page 1

benefiting from optimism surrounding the announcement of its acquisition of its largest competitor. Given the uncertainty of the domestic economy, businesses were unwilling to invest in pricey construction equipment, instead preferring to rent. Aerospace-related issues also performed well given improving production rates for the next-generation aircraft that enhance fuel efficiency.

The single best contributor to performance during the quarter was Salix Pharmaceuticals. During the quarter the company received approval to move forward with a study regarding the use of Xifaxan to treat irritable bowel syndrome. The company also released positive results on a new drug used to treat constipation.

The worst detractor from quarterly performance was the pharmacy benefit manager Catalyst Health Solutions. The company announced it would increase capital spending in order to compete for larger contracts, which reduced earnings expectations for 2012. However, we think increased use of generics over the next several years should help the company's profit margins expand.

We lost ground during the quarter in the consumer discretionary, financials and materials sectors. Consumer confidence fell significantly during the summer. We believe much of this was driven by the loss of the United States' triple-A debt rating as individuals faced an event that for many was unthinkable. In addition, the crisis in Europe continued to weigh on the financial results of many of the money center banks. We think large-bank weakness spilled over to small-cap financial stocks, despite their lack of direct exposure to Europe.

### Outlook — A Time of Beginnings and Endings

Some believe the ancient Mayans will be correct about 2012. We do not think so. That doesn't mean 2012 will be without difficulty. World economies continue to struggle. Some believe that China's economic miracle has been manufactured with central planning, propped up by unsustainable profligate spending and an utter disregard for the intellectual property of others, and we would agree. Europe is struggling with a welfare-state that relied on the U.S. for military spending and a transfer of wealth (via taxes and increased government debt) from the young to the old that was sustainable as long as the younger generation outnumbered the older. It's not that we think the world is in good shape; it is not. But, much of what got us to this point will be difficult to continue for the simple reason that we may have run out of money. Therefore, our view is not quite so cynical with respect to the U.S. stock market. It could be a year of new realities that may shatter myths and failed fiscal practices the world over.

As we have highlighted in the past, economic growth has continued despite the overall stock market stagnation of

the past 10 years. Estimates for corporate earnings for 2012 are about double their 2000 level. U.S. Gross Domestic Product (GDP) was grown by an amount equal to the size of China's GDP during the same time period. No doubt the sluggish rate of growth is problematic, but that is largely reflected in the price-to-earnings (PE) ratios. In fact, so negative is today's sentiment, that we recently marked the first 30-year period since 1861 during which Treasury Bonds outperformed stocks (Source: Bloomberg/Jeremy Siegel).

We've seen these growth and employment challenges in the United States before in agriculture, manufacturing and information technology over the past 150 years. As technology in each sector evolved, a large portion of the labor force was required to find new livelihoods. Advances in productivity historically freed workers to move to the next wave of economic growth, a process that often generated much uncertainty. In our view, our nation is currently poised to benefit from long-term growth in information and service driven forms of commerce, a process that has been obscured by dislocation in some sectors of the economy.

Stocks appear to be as cheap on a PE basis as they have been in decades. Slowing world-wide demographic growth will increase the demand for higher levels of productivity. We believe innovative young companies will be especially well positioned to help satisfy the necessary substitution in capital for labor as demands for productive growth rise. In fact, that is one of the reasons we have over-weighted the technology and industrial sectors of the portfolio. Fortunately, the universe of small capitalization companies is a breeding ground for those companies that will lead us in the 21st Century. The combination of low valuations and high levels of pessimism might prove to be the right formula for a better market in 2012.

**Risk Considerations:** Due to its limited focus, the Fund is more susceptible to market volatility because smaller companies may not have the management experience, financial resources, product diversification and competitive strengths of larger companies. Additionally, smaller company stocks tend to be sold less often and in smaller amounts than larger company stocks. Real Estate Investment Trusts (REITs) may be affected by economic conditions including credit risk, interest rate risk and other factors that affect property values, rents or occupancies of real estate. Foreign investments present additional risks due to currency fluctuations, economic and political factors, government regulations, differences in accounting standards and other factors. Investments in emerging markets involve even greater risks.

[scoutinv.com](http://scoutinv.com)

As of Dec. 31, 2011, United Rentals, Salix Pharmaceuticals, and Catalyst Health Solutions represented 1.6%, 1.9% and 2.1% of Scout Small Cap Fund's total net assets. Portfolio composition will change due to ongoing management of the Fund. References to specific securities should not be construed as recommendations by the Fund, its Advisor or Distributor.

Please see page 2 for the Scout Small Cap Fund's average annual total returns as of Dec. 31, 2011.

**You should consider the Fund's investment objectives, risks, charges and expenses carefully before investing. To obtain a Prospectus, which contains this and other information about the Fund, call 800-996-2862 or visit [scoutfunds.com](http://scoutfunds.com). Please read the Prospectus carefully before investing.**

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