



Scout TrendStar Small Cap Fund (TRESX)

The stock market, as measured by the S&P 500, has treaded water since 1998. It was rough water, but today market price level is in line with where we finished 1998. The late 1990s were heady days indeed, and it appears that clearly stocks were over-valued then. But, it is worth stepping back and considering what has transpired during the past dozen years. Despite stock prices (the S&P closed at 1,258 in 2010 and near that in 1998) being unchanged since 1998, operating earnings for the S&P 500 have risen from \$44 per share to about \$84 per share in the year just completed. Dividend payout in 1998 was about \$16 per share. Today stocks yield much more, paying about \$23 per share. Interest rates are lower today. Ten-year treasuries have fallen from 4.6 percent to 3.3 percent in the last twelve years.

How did earnings grow so much? Consider that the U.S. added about 40 million people to its population during this time. Even more impressive, U.S. GDP grew from about \$9 trillion in 1998 to nearly \$15 trillion in 2010. The increase represents more than the current nominal GDP of China. Adding the equivalent of China to our GDP allowed U.S. companies to nearly double their earnings. With earnings nearly doubling over the past twelve years, and with negligible movement in stock prices, price/earnings multiples look attractive, but it took twelve years to grow into an acceptable valuation.

The fourth quarter provided a strong finish to a roller coaster year. Through the end of August, the economic recovery was being called into question. At that time, the prospect of a massive increase in personal taxes on income, capital gains and dividends weighed heavily on stocks and raised fears of a second (or double-dip) recession. As an additional indication that investors genuinely feared a second recession, the yield on 10-year government bonds fell from over 3.8 percent at the beginning of the year to 2.4 percent by early October. Year-to-date large and small cap equity total returns were negative through the end of August. However, in early September, the stock market began a steady ascent that continued throughout the fourth quarter. A shift in the political winds, which the market appeared to begin discounting a couple of months prior to the November election, has now assured the continuation of current marginal tax rates for the next two years. We believe this adds a significant boost to investor confidence and that the economy, while still experiencing difficulties, will see at least average (or better) growth in 2011.

The combination of an accommodative Federal Reserve, renewed hopes for continuation of the economic recovery, and the prospect of steady tax rates combined to push stocks higher in the last three months of the year. During the quarter ending December 31, 2010 the Scout TrendStar Small Cap Fund had a total return of 19.3%, ahead of the Russell 2000 Growth[®] Index¹ that returned of 17.11% during the quarter.

The Russell 2000 Growth[®] Index¹ was led by the Energy and Materials sectors during the period. We believe that much of the rise in these sectors has been driven by the aggressive actions of the Federal Reserve and of central banks around the world. In an attempt to increase the price attractiveness of their exports, many nations are pursuing policies designed to weaken their own (or strengthen their trading partners') currency. This is increasing the relative attractiveness of hard assets. The weakest sectors within the benchmark were Utilities and Consumer Staples. These are traditionally considered defensive sectors. Recent signs of economic strength make these sectors appear less attractive for growth in 2011.

We continue to be very comfortable with the attractiveness of small cap equities relative to larger companies. As we've pointed out in prior reports, from our analysis of historical market return data, the majority of the small cap sector's long-term outperformance versus that of large cap stocks has occurred during periods of rising interest rates. We think several factors point to a continuation of the recent rise in rates, where the yield on the 10-year government bond rose from a low of 2.39% in October to a high of 3.53% in December. Demand for capital is beginning to rise. Bank lending has begun to grow again. The promise of a more stable tax environment appears to be bolstering business confidence. Finally, aggressive monetary policy from the Fed and profligate spending from Washington is helping to raise the specter of inflation and large government deficits/debts. We believe that all of these factors point to a rising interest rate environment in 2011.

We have increasingly shifted the weightings of the portfolio, especially within the Technology sector, to benefit from what we believe will be a sustained substitution of capital for labor. This trend has been on-going, is partly driven by tax and labor policy, and should be with us for several years to come. For example, the minimum wage (a measure of the cost of one portion of the labor market) increased from \$5.15 to \$7.25 an hour, the largest two-year increase in history. At the same time, the recently passed tax framework included allowance for companies to deduct the full cost of certain investments in equipment in 2011, and a 50 percent deduction in 2012. In an effort to grow revenues, we believe that corporations are seeing more benefit from the addition of productivity enhancing hardware and software to boost the output of their current workforce, than in adding new employees.

Continued productivity enhancements accentuate the current pressure on labor. Industrial equipment and technology that improve a worker's output per hour have allowed many companies to rebuild revenue to pre-crisis levels with fewer employees — the very essence of productivity enhancement. As a long-term dynamic, productivity enhancements are nothing new. Agricultural productivity has improved steadily for decades allowing agriculture, as a percentage of total U.S. employment, to fall from nearly 90 percent in 1800, to 40 percent in 1900, to less than 3 percent today — yet the U.S. workforce produces more agricultural-related product than ever. Manufacturing jobs have fallen from approximately 30 percent of total jobs in 1950 to less than nine percent today. Both agricultural and manufacturing jobs, as a percentage of total jobs, have been in secular decline for decades. This has freed new workers to pursue other professions and advancements, primarily in services and technology. It has also allowed us to buy things more cheaply in terms of our labor. A study from The Federal Reserve shows that a Model T cost the equivalent of two years' worth of labor for the average worker in 1908. Today an average worker buys a car with about 8 months of their labor.

We have over weighted the technology sector within the portfolio with the expectation that companies will focus more on productivity-enhancing equipment purchases over additions to employee headcount. The three stocks helping performance most during the quarter were: Daktronics, Inc., (NASDAQ: DAKT)²; Diodes, Inc. (NASDAQ: DIOD)²; and Varian Semiconductor Equipment Associates, Inc. (NASDAQ: VSEA)². Daktronics designs and manufactures electronic scoreboards and large video displays for sport, business and government applications. We are particularly excited about the long-term prospects for digital billboards, as advertisers have continued to expand their presence into this form of communication,

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¹The Russell 2000 Growth[®] Index measures the performance of the small-cap growth segment of the U.S. equity universe. It includes those Russell 2000 companies with higher price-to-value ratios and higher forecasted growth values. The Russell 2000 Growth[®] Index is an unmanaged index of stocks, bonds or mutual funds. It is not possible to invest directly in an index. Performance returns for the Scout TrendStar Small Cap Fund and Russell 2000 Growth[®] Index assume that dividends were reinvested for the entire period. Returns for periods greater than one year are compounded average annual rates of return.

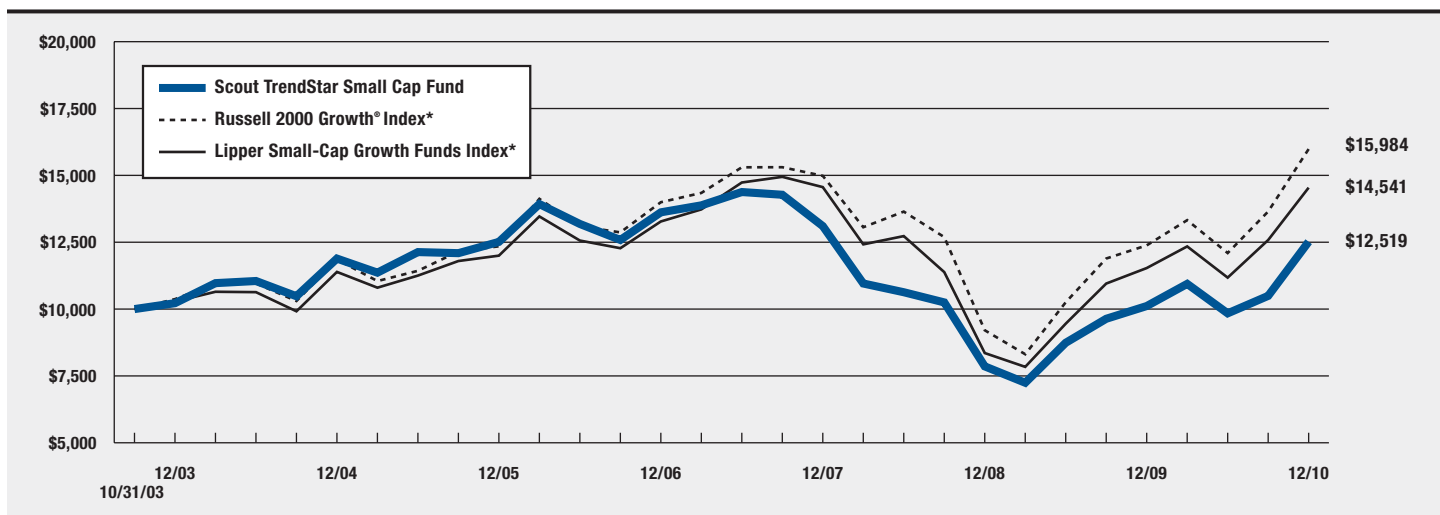
²As of December 31, 2010, Daktronics, Inc., Diodes, Inc., Varian Semiconductor Equipment Associates, Inc., Boston Private Financial Holdings, Inc., Akamai Technologies, Inc. and Jos. A Bank Clothiers, Inc. represented 3.50%, 2.22%, 3.54%, 0.00%, 1.73% and 1.95% of the Scout TrendStar Small Cap Fund's total net assets, respectively. Portfolio composition will change due to ongoing management of the Fund. References to specific securities or sectors should not be construed as recommendations by the Fund, its Advisor or Distributor.

Please see page 2 for the Scout TrendStar Small Cap Fund's total returns as of December 31, 2010.

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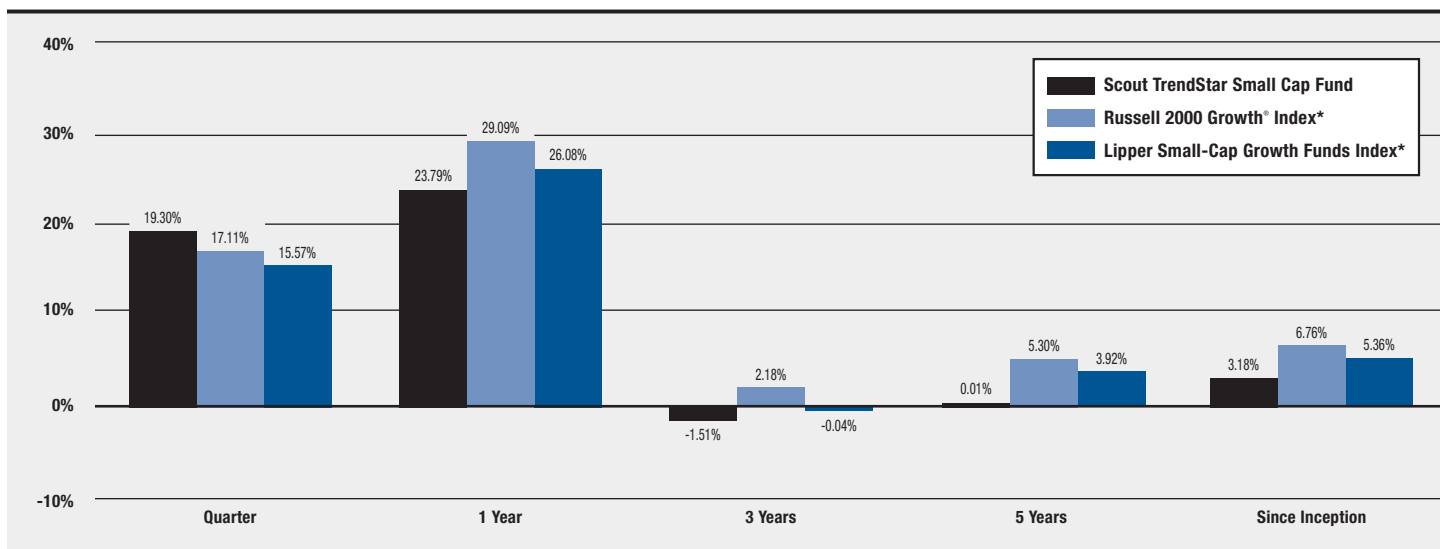
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HYPOTHETICAL GROWTH OF \$10,000 (UNAUDITED)



For illustrative purposes only; may not represent your returns.

HISTORICAL PERFORMANCE (UNAUDITED)



	TOTAL RETURNS					Gross Expense 6/30/10	Net Expense 6/30/10
	Quarter	1 Year	3 Years	5 Years	Since Inception		
Scout TrendStar Small Cap Fund	19.30%	23.79%	-1.51%	0.01%	3.18%	2.51%⁽¹⁾	1.31%⁽¹⁾
Russell 2000 Growth® Index*	17.11%	29.09%	2.18%	5.30%	6.76%		
Lipper Small-Cap Growth Funds Index*	15.57%	26.08%	-0.04%	3.92%	5.36%		

The Fund's inception date was October 31, 2003.

* Unmanaged index of stocks, bonds or mutual funds. It is not possible to invest directly in an index. The Russell 2000 Growth® Index measures the performance of the small-cap growth segment of the U.S. equity universe. The Lipper Small-Cap Core Funds Index invests in small capitalization companies without a specific growth orientation.

⁽¹⁾ Scout Investment Advisors, Inc. has entered into an agreement to limit the fees and/or make expense payments through October 31, 2011 so that actual total annual fund operating expenses of the Scout TrendStar Small Cap Fund does not exceed 1.30%. The expense ratios noted in the table above include "Acquired Fund Fees and Expenses," as required by applicable rules, and therefore, may be higher than the expense cap previously noted.

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

Returns for periods greater than one year are compounded average annual rates of return.

The performance data quoted represents past performance and past performance 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.

The performance returns for the Fund reflect a fee waiver in effect. In absence of such waiver, the returns would be reduced.

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

SECTOR ALLOCATION (UNAUDITED)

Relative Portfolio Weight vs. Benchmark		Sector	Scout TrendStar Small Cap*	Russell 2000 Growth***	
	10.7%	Information Technology	37.9%	27.2%	
	5.4%	Financials	10.2%	4.8%	
	0.4%	Energy	5.5%	5.1%	
-0.1%		Utilities	0.0%	0.1%	
-1.3%		Health Care	17.7%	19.0%	
-1.4%		Telecommunication Services	0.0%	1.4%	
-2.0%		Consumer Staples	0.9%	2.9%	
-2.5%		Materials	2.5%	5.0%	
-5.5%		Industrials	11.7%	17.2%	
-7.0%		Consumer Discretionary	10.3%	17.3%	
-10	-5	0	5	10	15
Percent					

PORTFOLIO CHARACTERISTICS (UNAUDITED)

	Scout TrendStar Small Cap	Russell 2000 Growth***
Number of Holdings	55	1,269
Median Market Cap	\$1,311m	\$555m
Wtd Avg Market Cap	\$2,244m	\$1,369m
5 Year Historical EPS Growth	8.9%	10.1%
12 Mo Historical P/E (Avg)	22.0	43.6
Price/Book	2.3	3.7
Return on Equity	6.3%	7.2%
Sharpe Ratio (3 Year)†	-0.09	0.05
R2 (3 Year)†	0.93	1.00
Std Deviation (3 Year)†	25.67%	28.09%
Beta (3 Year)†	0.88	1.00
Alpha (3 Year)†	-3.60%	—
Turnover Ratio (Trailing 1 Year)	30%	—
Total Assets (in millions)	\$13.0m	—
Inception Date	10/31/03	—

TOP TEN EQUITY HOLDINGS (UNAUDITED)

	Percent of Total Net Assets
Cree, Inc.	4.0%
Varian Semiconductor Equipment Associates, Inc.	3.5%
Daktronics, Inc.	3.5%
Forward Air Corp.	3.0%
Acuty Brands, Inc.	2.7%
IXYS Corp.	2.7%
Amsurg Corp.	2.6%
Black Box Corp.	2.6%
National Instruments Corp.	2.6%
Jack Henry & Associates, Inc.	2.5%
Top Ten Equity Holdings Total	29.7%

*Sector holdings do not equal 100% as cash equivalents are not applicable and are based on total net assets.

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

†Measure against the Russell 2000 Growth® Index.

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.

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helping drive Daktronic's backlog. Diodes produces discrete semiconductor devices for a broad range of applications in consumer electronics, lighting, automotive, computing and other industrial end markets. During the period, the company reported strong revenue growth and the best gross profit margins in company history. Varian Semiconductor designs and manufactures semiconductor processing equipment and is the dominant supplier for products using ion implantation. The company has continued to see strong market share gains and has been leveraging its technology to make inroads into the solar equipment market.

Portfolio holdings hurting performance during the fourth quarter included: Boston Private Financial Holdings, Inc. (NASDAQ: BPFH); Akamai Technologies, Inc. (NASDAQ: AKAM); and Jos. A Bank Clothiers, Inc. (NASDAQ: JOSB). The position in Boston Private was liquidated during the quarter. Continued credit issues with California lending and additional non-performing loan issues led to the liquidation of this holding. Akamai provides global delivery services for accelerating and improving content and applications over the Internet. The stock has been a strong performer during the year, up 86%, but concerns over Netflix adding Level 3 Communications as a prime provider added uncertainty over future pricing. Jos. A Bank sells classic men's clothing through retail stores in the U.S. Third quarter sales and earnings fell short of expectations. In addition, concerns over higher cotton and other production input costs pressured the stock.

The next year is not without risk, but recalling our comparison to 1998 and its equivalent price level, today we have much higher earnings, dividends, GDP, and lower interest rates — all positive for stocks. However, the negatives are quite real. We have much higher levels of government and household debt, record personal bankruptcies due to the collapse of housing prices, and rising commodity prices. Much of the past twelve years have been about growing into the inflated stock valuations of the late 1990s. The rise in equity prices over the past two years suggests that we may have finally completed that necessary process. In twelve years, our economy is larger by almost two-thirds — roughly the equivalent of creating a new China within our shores. Our expectation is that the market can perform well if we see continued economic expansion, despite rising interest rates. If anything, the past twelve years demonstrate that the U.S. still possesses a vibrant growth engine driven by innovation and population growth. It is our task to position the portfolio to take advantage of this growth. As always, thank you for your support, and we look forward to reporting our progress in the next quarter.

In considering this investment, please keep in mind that, due to the limited focus of this Fund, the Scout TrendStar Small Cap 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.

Scout Funds

See Further

INVESTMENT CATEGORY

- Small Cap Growth

INVESTMENT OBJECTIVE

- Long-term growth of capital

INVESTMENT PROCESS

The Fund is a diversified portfolio consisting primarily of equity securities of small capitalization companies. Equity securities include common stocks, preferred stocks, securities convertible or exchangeable into common stocks, rights, warrants, and REITs. Under normal circumstances, at least 80% of the Fund's net assets will be invested in common stocks of domestic small capitalization companies. The Fund may invest up to 10% of the portfolio in foreign companies, American Depositary Receipts ("ADRs") or Global Depositary Receipts ("GDRs").

The Fund defines small capitalization companies as those whose market capitalization fall within or below the market capitalization ranges of companies included in the S&P Small Cap 600® Index or the Russell 2000® Index within the previous three years of purchase. As of December 31, 2008, the S&P Small Cap 600® Index included companies with market capitalizations ranging from \$15 million to \$2.3 billion, and the Russell 2000® Index included companies with market capitalizations ranging from \$7 million to \$3.3 billion. You should be aware that the market capitalization ranges for these indices are not fixed and may change from time to time.



Portfolio Management Team: (Left to Right)
Thomas W. Laming and James R. McBride

LEAD PORTFOLIO MANAGER:

Thomas W. Laming

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

CO-PORTFOLIO MANAGER:

James R. McBride, CFA

- Joined the Advisor 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.
- More than 19 years of investment management experience.

Shares of the Scout Funds are not deposits or obligations of, nor guaranteed by, UMB Bank, n.a. or any other banking institution; nor are they insured by the Federal Deposit Insurance Corporation ("FDIC") or any other government agency. These shares involve investment risks, including the possible loss of the principal invested.

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. Please read the Prospectus carefully before investing.

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