
Altura Capital Group, LLC
Asset Class Research Note

January 2011

US Large Cap Core



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Asset Class Report: Large Cap Core

Summary

Emerging Large Cap Core managers seem to be able to add value in what is considered to be a very challenging universe. US large cap stocks are considered to be an efficiently priced universe, and are therefore thought of as being hard to manage from a value-add perspective.

Altura has conducted an analysis of the Large Cap Core managers in its Emerging and Diverse Manager Information Platform (Altura Information Platform) as of September 30, 2010. Our research shows that strong alpha opportunities exist in this universe, with the following highlights:

- There is a broad opportunity set of firms, with 118 products that qualify.
- Diversity of talent also is prevalent, with a high level of Women and Minority Business Enterprise (WMBE) representation among the firms offering these products.
- These firms generally have attractive asset sizes, at levels that allow for firm infrastructure and scale, and flexibility in trading. There is some evidence that there is a goldilocks effect in size, with the very largest and the very smallest firms underperforming the medium sized firms.
- Finally, we note that there is large dispersion of returns between the performance quartiles, which might provide opportunities for manager selection and diversification (depending on client mandate). Additionally, there are firms that have outperformed by a large margin over each measured time period.

If you are a manager who offers large cap core products, we invite you to join our database at www.alturacap.com or send an e-mail to qa@alturacap.com.

If you are interested in more information about any of the managers in the Altura Emerging and Diverse Manager Platform please visit us at www.alturacap.com, or send an e-mail to sales@alturacap.com, or call us at (212) 378-7133.

Number of Products

This report is based on performance and AUM data ending September 30th, 2010. The data was extracted from the Altura Emerging and Diverse Manager Information Platform (Altura Information Platform) as of December 15th, 2010.

Benchmarks
S&P 500
Russell 1000
Russell 200

Altura allows managers to select from multiple benchmarks. The S&P 500, the Russell 200 and Russell 1000 are the benchmarks that we use to search for large cap core products.

There are 118 large cap core products¹ in the Altura Information Platform. Of the 118 products, 39 (33.1%) are run by Women or Minority Business Enterprises (WMBEs).² As a point of comparison, there are between 38 and 49 products in each US small cap style³, and a total of 127 products across all three small cap styles⁴, indicating that there is much richer set of products in the emerging large cap core space as compared to the emerging small cap space. In the small cap space, WMBE participation ranged from 24% to 33%, indicating that the large cap space is just as well populated with diverse managers.

¹ A product is counted if it meets all of the following criteria:

- The firm has picked one of the benchmarks listed above as the appropriate benchmark for the product.
- The firm has provided assets under management data (AUM) for the “as of date” of this analysis. In this case, the AUM is of September 30, 2010.
- The firm has provided at least 3 months (1 calendar quarter) of monthly performance data ending on the same “as of date” of September 30, 2010.

² A product is considered run by a WMBE if more than 50% of the firm running the product is owned by women or minorities, or some combination thereof.

³ The US small cap style information is from the Altura research note “US Small Cap” produced in December 2010.

⁴ Small cap products are divided into small cap value, small cap growth and small cap core styles.

Average Firm Size by Quartile⁵	
Largest Quartile	\$2,505,303,037
2 nd Quartile	\$543,231,692
3 rd Quartile	\$148,734,231
4 th Quartile	\$32,772,754
Entire Large Cap Core	\$816,315,652

The firms are distributed widely by size, with the average firm in each quartile being about 4 times as big as the average firm in the next quartile. The average firm in the entire set has a respectable size of just over \$800 million. Given the asset class and its liquidity, flexibility would not be expected to be an issue for even the largest managers in this set.

Performance by Size				
	Last Quarter	Year to Date	Last year ⁶	Last 3 years ⁷
Largest Quartile	10.54%	4.02%	10.89%	-5.32%
2 nd Quartile	11.89%	5.12%	12.18%	-3.52%
3 rd Quartile	10.68%	4.64%	11.08%	-4.58%
4 th Quartile	9.47%	4.37%	9.50%	-6.33%
All Large Cap Core	10.64%	4.53%	10.91%	-4.93%
Russell 1000	11.55%	4.41%	10.75%	-6.79%
Universe Size	118	117	112	98

If one breaks down the performance by the size quartiles one can see that:

- The average of the universe outperforms the benchmark except during the past quarter. Performance is significant over the 3-year period, and matches the benchmark over the past year.
- There appears to be a link between size and performance, with the largest and smallest managers doing worse than the middle two quartiles. It could be that the smallest managers are finding that the resources necessary to compete in this asset class are more than they are able to bring to bear.

⁵ The quartiles are calculated by taking the number of qualifying products, dividing by 4 and rounding. For example, with 49 products, the first quartile would have 49/4 or 12.25 products, which would round to 12 products. The second quartile would then take the number of products that are left (49-12 or 37) and divide that number by 3 and round, which would be 37/3 or 12.33, which would round to 12. The third quartile would then have 37-12 or 25, which would be divided by 2, giving us 12.5, which would round to 13. The remainder would be in the fourth quartile.

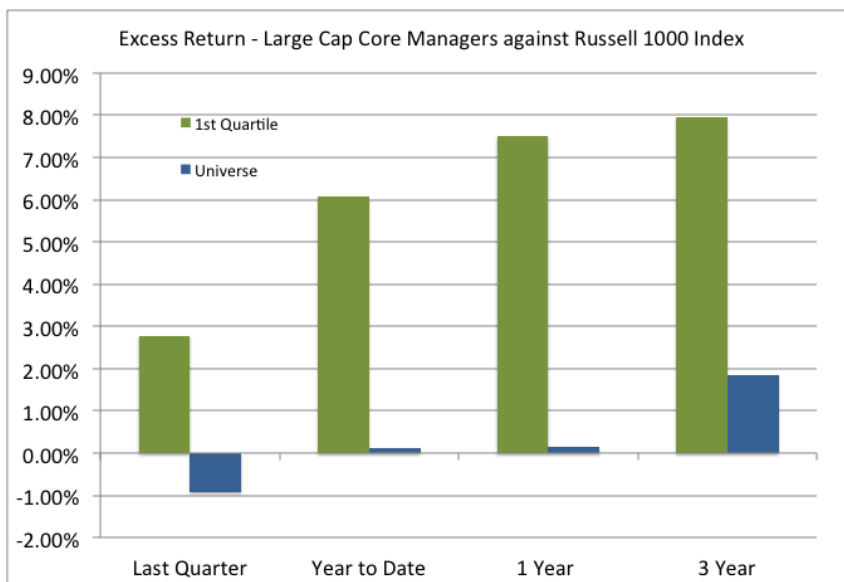
⁶ The Last Year is the past four calendar quarters of performance.

⁷ The three-year return number is annualized performance. Performance numbers for periods of 1 year or less are not annualized.

Performance by Return Quartile ⁸				
	Last Quarter	Year to Date	Last year	Last 3 years ⁷
Top Quartile	14.33%	10.48%	18.26%	1.15%
2nd Quartile	11.53%	4.84%	11.63%	-4.16%
3rd Quartile	10.20%	3.02%	9.51%	-6.06%
4th Quartile	6.40%	-0.16%	4.25%	-10.85%
All Large Cap Core	10.64%	4.53%	10.91%	-4.93%
Russell 1000	11.55%	4.41%	10.75%	-6.79%
Universe Size	118	117	112	98

If one breaks down performance by return quartiles (please see table above and chart below), one sees that:

- There is a large dispersion between the 1st and 4th quartile performers.
- The average top quartile product outperforms the index and the universe by a large amount.



Conclusion

A review of Altura’s large cap core universe shows compelling opportunities to add value. It is gratifying to see that emerging managers have been able to generate such results in an asset class viewed as difficult for excess return generation. Performance of top quartile products is particularly compelling, and the asset sizes of the firms involved allow for investment

⁸ Performance is calculated for each product for each period. The performance is then sorted from highest to lowest for each period. Quartiles are then calculated as described earlier, and the average performance for each quartile is shown. Note that a product can be in one quartile for one period and a different quartile for a different period. Also note that all quartiles within one period will have an equal number of products subject to numerical limits described earlier.

freedom as well as resourcing for research and operations. Please contact Altura at sales@alturacap.com, or (212) 378-7133 for more information.

About Altura Capital

Altura Capital was established in March 2005 with the mission of creating new alpha generating opportunities for institutional investors by unleashing the economic potential of undiscovered, under-utilized or undercapitalized investment talent and markets, frequently described as “Emerging Managers.”

Our groundbreaking and comprehensive database, coupled with the investment expertise of our team and our commitment to research and innovation in the emerging manager space, has positioned the firm as a new and compelling emerging manager-of-manager service provider. Our innovative value proposition allows investors to tap into Altura’s unique manager sourcing and investment expertise, from manager due diligence to portfolio construction and monitoring.

A flagship product of Altura is the Altura Emerging Managers Information Platform, a groundbreaking, web-based, annual subscription application. The Platform provides institutional investors with daily updated research, data, analytics, due diligence, market intelligence, and collaborative tools.

Altura Capital is headquartered in New York City and has a West Coast Office in Seattle, Washington. Altura is a Women-owned and Hispanic-owned Company.

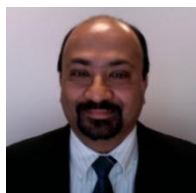
Our Research Team



Monika Mantilla

President and CEO

Ms. Mantilla is responsible for the overall strategic direction and leadership of the firm, including client relationship, marketing, product development, human capital development and financial management.



Ravindra Deo

Chief Investment Officer
Chief Technology Officer

Mr. Deo is responsible for the philosophy, process, and operation of the investment department, and for the technology infrastructure of the firm, including the management of the Emerging Manager Information Platform.



Lisa Kopp

Director of Research

Ms. Kopp is responsible for emerging manager selection and due diligence, manager of manager portfolio construction analysis, and assessment of broader manager and universe trends.



Rev. Jeffrey Van Orden

Chair, Investment Committee

Mr. Van Orden is responsible for leading Altura’s investment committee, to provide oversight and insight to manager selection, fund construction, and investment department operation.

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