
Altura Capital Group, LLC
Asset Class Research Note

April 2011

Core International Equity



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Table of Contents

DISCLAIMER & COPYRIGHT INFORMATION	1
DISCLAIMER	1
COPYRIGHT	1
ASSET CLASS REPORT: CORE INTERNATIONAL EQUITY	3
SUMMARY	3
NUMBER OF PRODUCTS	4
BENCHMARKS	4
AVERAGE FIRM SIZE BY QUARTILE	5
PERFORMANCE BY SIZE	5
PERFORMANCE BY RETURN QUARTILE	6
CONCLUSION	7
ABOUT ALTURA CAPITAL	8
OUR RESEARCH TEAM	8
DISCLAIMER.....	9

Asset Class Report: Core International Equity

Summary

Emerging managers seem to be able to add considerable value in the Core International asset class. There may be several factors that have contributed to this large alpha, including significant benefits from size, region and emerging market investments by active managers.

Altura has conducted an analysis of the Core International Equity managers in its Emerging and Diverse Manager Information Platform (Altura Information Platform) as of December 31, 2010. Our research shows that strong alpha opportunities exist in this universe, with the following highlights:

- There is a significant opportunity set of firms, with 37 products that qualify.
- Diversity of talent also is prevalent, with a very high level of Women and Minority Business Enterprise (WMBE) representation among the firms offering these products. Talent also exists at all levels of firms, with firms ranging in size from a few million in AUM, to multiple billion in AUM.
- 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 firms in the middle two quartiles in size outperforming the smallest and the largest 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 core International Equity 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 December 31st, 2010. The data was extracted from the Altura Emerging and Diverse Manager Information Platform (Altura Information Platform) as of March 15th, 2011.

Benchmarks
MSCI EAFE
MSCI World ex US

Altura allows managers to select from multiple benchmarks. The MSCI EAFE and the MSCI World ex US are the benchmarks that we use to search for core international products.

There are 37 core international products¹ in the Altura Information Platform. Of the 37 products, 19 (51.4%) are run by Women or Minority Business Enterprises (WMBEs)², indicating that there is a rich set of international equity products and that there appears to be a very diverse set of managers running those products.

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 December 31, 2010.
- The firm has provided at least 3 months (1 calendar quarter) of monthly performance data ending on the same “as of date” of December 31, 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.

Average Firm Size by Quartile ³	
Largest Quartile	\$4,085,390,393
2 nd Quartile	\$930,197,308
3 rd Quartile	\$128,540,148
4 th Quartile	\$25,109,815
Entire Group	\$1,260,856,192

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 over \$1.2 billion. 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	Last year ⁴	Last 3 years ⁵
Largest Quartile	7.77%	11.55%	-3.66%
2 nd Quartile	8.56%	14.85%	-2.38%
3 rd Quartile	8.06%	11.56%	-2.82%
4 th Quartile	7.79%	13.07%	-4.19%
All Core International Equity	8.05%	12.74%	-3.20%
MSCI EAFE Index	6.65%	8.21%	-6.55%
Universe Size	37	34	31

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

- The average of the universe outperforms the benchmark by a significant amount over each time period.
- There appears to be a link between size and performance, with the largest and smallest managers not doing as well as 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, and the larger firms managing the next level of firm growth.
- It is also worth noting that return of the emerging managers in the universe has probably been impacted by some very strong trends over the past three years. In particular:

³ 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.

⁴ The Last Year is the past four calendar quarters of performance.

⁵ The three-year return number is annualized performance. Performance numbers for periods of 1 year or less are not annualized.

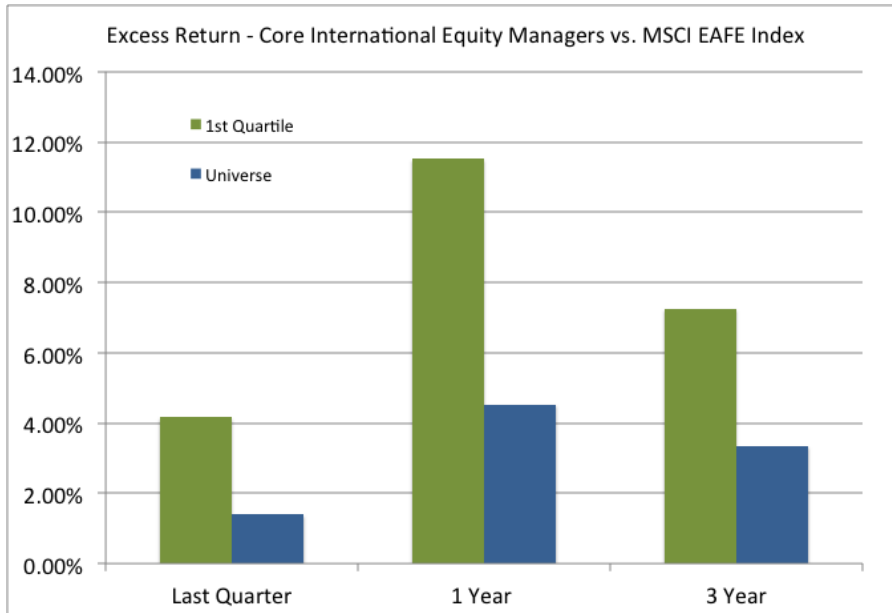
- Smaller stocks have outperformed larger stocks internationally by about 5% per year. To the extent that the managers were underweight the giants (typically because of a skew towards equal weighting) and overweight mid cap and small cap stocks, a performance tail wind would have existed.
- Emerging markets stocks have outperformed developed markets stocks by about 6% per year. To the extent that managers held any emerging market stocks, this would have created a performance tail wind.
- Pacific markets have outperformed European markets by about 6% per year. To the extent that managers were underweight European markets, they would have tended to outperform the benchmark.

Performance by Return Quartile ⁶			
	Last Quarter	Last year	Last 3 years ⁵
Top Quartile	10.81%	19.72%	0.70%
2nd Quartile	8.38%	13.79%	-2.60%
3rd Quartile	7.29%	10.16%	-4.48%
4th Quartile	5.78%	6.73%	-6.89%
All Core International Equity	8.04%	12.74%	-3.20%
MSCI EAFE Index	6.65%	8.21%	-6.55%
Universe Size	37	34	31

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.

⁶ 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.



Conclusion

A review of Altura's core international universe shows compelling opportunities to add value. It is gratifying to see that emerging managers have been able to generate such results. Performance of top quartile products is particularly compelling, and the asset sizes of the firms involved allow for investment 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

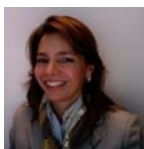
Altura Capital was established in March 2005 with the mission of creating new alpha generating opportunities for institutional investors by unleashing the economic potential of undiscovered, under-utilized or undercapitalized investment talent and markets, frequently described as “Emerging Managers.”

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 other offices in Seattle, Washington and Chicago, IL. 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.



Jay Garcia *Chief Financial Officer & Chief Operating Officer*

Mr. Garcia is responsible for oversight and management of Altura’s financials, operations, and infrastructure. He also provides research insight and strategic guidance based on his experience as a director of securities analysis and partner/portfolio manager.

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