

**Altura Capital Group, LLC**  
**Asset Class Research Note**

June 2011

**US Mid Cap Growth Equity**



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## Asset Class Report: US Mid Cap Growth Equity

### Summary

Altura has conducted an analysis of the US Mid Cap Growth 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, although the opportunity set of managers is limited:

- Emerging managers generally have added considerable value in Mid Cap Growth, with firms that have outperformed by a large margin over each measured time period.
- The universe of managers is small, with 14 products that qualify.
- Diversity of talent is prevalent, with a high level of Women and Minority Business Enterprise (WMBE) representation among the firms offering these products. Diverse talent also exists at all sizes of emerging managers, with firms ranging in size from a few million in AUM, to multiple billion in AUM.
- The largest firms seem to outperform the other firms in this space. This could be a sign of the resources needed to compete in this space, or it could be a result of the top quartile performance drawing in the assets.
- There is large dispersion of returns between the performance quartiles, which provides opportunities for manager selection and diversification (depending on client mandate).

If you are a manager who offers US Mid Cap Growth products, we invite you to join our database at [www.alturacap.com](http://www.alturacap.com) or send an e-mail to [qa@alturacap.com](mailto: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](http://www.alturacap.com), send an e-mail to [sales@alturacap.com](mailto:sales@alturacap.com), or call us at (212) 378-7133.

## Number of Products

This report is based on performance and AUM data ending December 31<sup>st</sup>, 2010. The data was extracted from the Altura Information Platform as of May 11<sup>th</sup>, 2011.

Benchmarks
Russell Mid Cap Growth

The Russell Mid Cap Growth is the benchmark that we use to search for Mid Cap Growth products.

There are 14 Mid Cap Growth products<sup>1</sup> in the Altura Information Platform. Of the 14 products, 9 (64.3%) are run by Women or Minority Business Enterprises (WMBEs)<sup>2</sup>. Clearly, there is a small set of Mid Cap Growth equity products, though there is diversity of managers running those products.

The Mid Cap Growth space is relatively sparse when compared to Large Cap Growth, which has 54 products, and Small Cap Growth, which has 53 products. Altura believes this paucity has two key influences:

- Institutional asset allocation typically focusing on a combination of large cap (Russell 1000 Growth) and small cap (Russell 2000 Growth) products, or utilization of all cap (Russell 3000 Growth) assignments, leaving no specific allocation for mid cap, or its style components.
- The frequent presence of a mid-cap overweight among larger cap active managers. These managers often underweight the market cap giants, and find more value among the middle sized names in the large cap index. This situation automatically gives investors good exposure to mid cap names, while allowing the larger cap managers to potentially add value versus their benchmarks.

It should be noted, that as many products populate the Mid Cap Growth space as the Mid Cap Core space, whereas Large Cap Core is much more populated than Large Cap Growth.

<sup>1</sup> 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.

<sup>2</sup> 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 <sup>3</sup>	
Largest Quartile	\$3,875,264,386
2 <sup>nd</sup> Quartile	\$1,535,051,513
3 <sup>rd</sup> Quartile	\$586,930,231
4 <sup>th</sup> Quartile	\$229,421,998
<b>Entire Group</b>	<b>\$1,653,014,214</b>

The firms are distributed widely by size, with the average firm in the entire set having a respectable size of over \$1.6 billion. Given the asset class and its size, flexibility generally would not be expected to be an issue for even the largest managers in this set.

Performance by Size			
	Last quarter	Last year <sup>4</sup>	Last 3 years <sup>5</sup>
Largest Quartile	15.80%	28.54%	2.13%
2 <sup>nd</sup> Quartile	14.35%	19.73%	2.12%
3 <sup>rd</sup> Quartile	16.54%	28.61%	1.51%
4 <sup>th</sup> Quartile	12.66%	25.17%	-0.74%
All US Mid Cap Growth Equity	15.03%	25.95%	1.34%
Russell MidCap Growth Index	14.01%	26.38%	0.97%
Universe Size	14	14	14

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

- The average of the universe has struggled over the past year, but outperforms the benchmark over the three-year period.
- There appears to be a link between size and performance, with performance being proportional to size. 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/or the larger firms are reaping the benefits of a good track record in the form of additional assets.

<sup>3</sup> 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.

<sup>4</sup> The Last Year is the past four calendar quarters of performance.

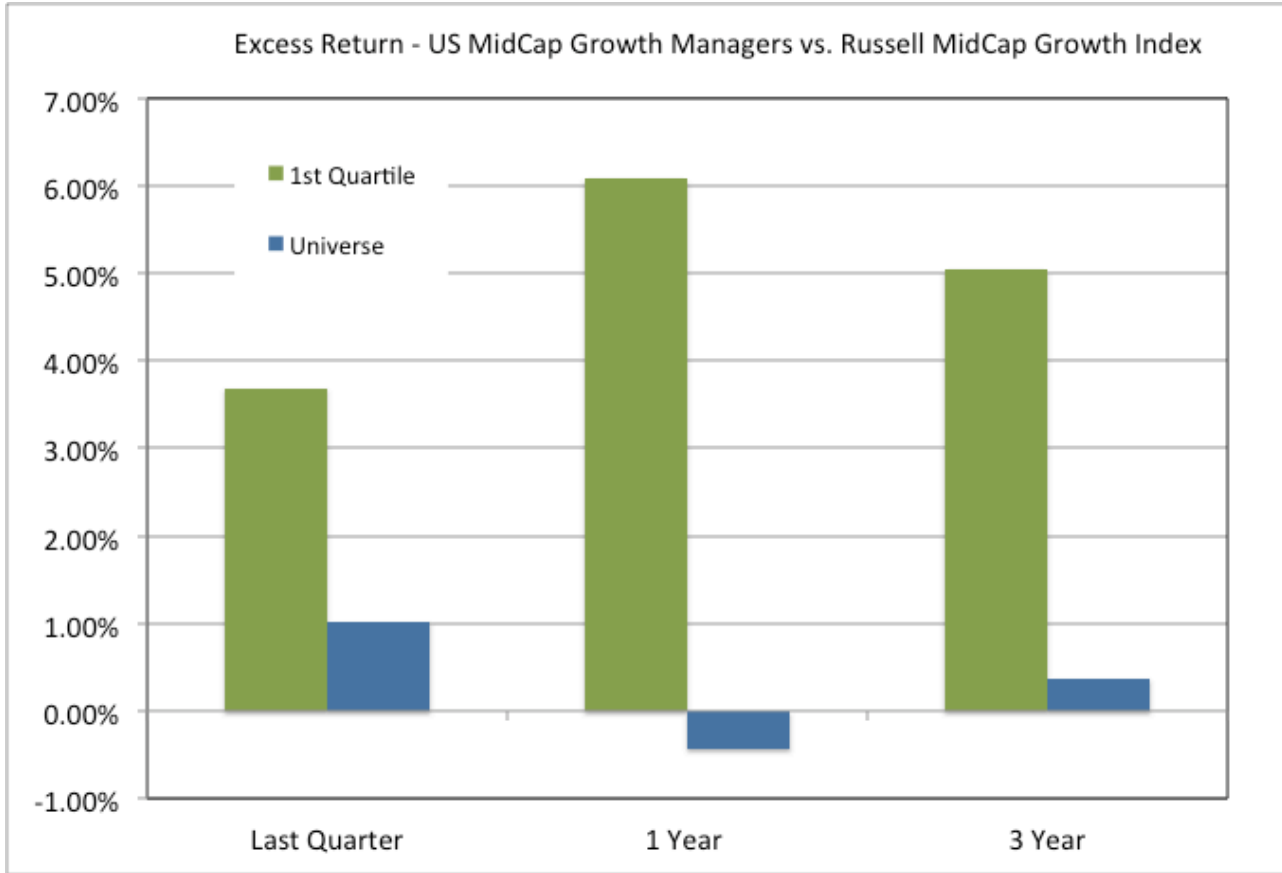
<sup>5</sup> The three-year return number is annualized performance. Performance numbers for periods of 1 year or less are not annualized.

Performance by Return Quartile <sup>6</sup>			
	Last Quarter	Last year	Last 3 years <sup>5</sup>
Top Quartile	17.70%	32.46%	6.01%
2nd Quartile	16.39%	26.30%	2.12%
3rd Quartile	13.79%	24.25%	0.01%
4th Quartile	11.74%	19.20%	-3.91%
All US Mid Cap Growth Equity	15.03%	25.95%	1.34%
Russell MidCap Growth Index	14.01%	26.38%	0.97%
Universe Size	14	14	14

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 1<sup>st</sup> and 4<sup>th</sup> quartile performers.
- The average top quartile product outperforms the index and the universe by a large amount.

<sup>6</sup> 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 US Mid Cap Growth universe shows good opportunities to add value. 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. The universe of products is limited, however, so continued tracking of new entrants via a tool like the Altura Information Platform is key. Please contact Altura at [sales@alturacap.com](mailto: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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