

Altura Capital Group, LLC
Asset Class Research Note

May 2011

US Mid Cap Core Equity



DISCLAIMER & COPYRIGHT INFORMATION

Disclaimer

All information set forth herein has been voluntarily provided by the participating firms and compiled both electronically and manually by Altura Capital Group (Altura). Because of the possibility of technical and human error as well as other factors, such information is provided “as is,” and Altura makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness or reliability of the data, as it has not been verified by Altura.

This report is not intended to be an offer, solicitation, encouragement or recommendation to engage any emerging manager or an endorsement of the investment strategies pursued by such emerging managers. Accordingly, any institutional investor interested in any of the emerging managers assessed herein should deem this assessment as only one of many possible factors to be weighed in the investment decision process and is encouraged to conduct its own study and evaluation of the data and other factors relevant to its investment decision. Reference to any emerging manager in this assessment does not constitute a preference, an appraisal, audit or endorsement as to the operating or financial condition of the emerging manager. Neither Altura nor any affiliate thereof shall be liable, in whole or in part, to any person or entity for any claim, loss, demand, suit, action, judgment, cost, charge or expense, including court costs or attorneys’ fees, or damages of any nature whatsoever, resulting from, or relating to, any error (negligent or otherwise), or other circumstance or contingency within or outside of Altura’s or any of its affiliates’ or employees’ control in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of such data, incurred by the user arising out of the use of (or the inability to use) this assessment, even if advised of the possibility of such.

For further information, please refer to the disclaimer at the back of this assessment or visit us at www.alturacap.com.

Copyright

Copyright © Altura Capital Group, LLC 2011. All rights reserved. The material is proprietary and may not be reproduced, transferred or distributed in any form without the prior written consent of Altura. Altura is not in the business of providing legal or tax advice.

Table of Contents

DISCLAIMER & COPYRIGHT INFORMATION	1
DISCLAIMER	1
COPYRIGHT	1
ASSET CLASS REPORT: US MID CAP CORE 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: US Mid Cap Core Equity

Summary

Altura has conducted an analysis of the US Mid Cap Core 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 Core, with firms that have outperformed by a large margin over each measured time period.
- The universe of managers is small, with 13 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.
- As with some other asset classes we have reviewed (Large Cap Core and Large Cap Growth), 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.
- 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 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, 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 Information Platform as of April 12th, 2011.

Benchmarks
Russell Mid Cap
S&P 400

Altura allows managers to select from multiple benchmarks. The Russell Mid Cap and the S&P 400 are the benchmarks that we use to search for Mid Cap Core products.

There are 13 Mid Cap Core products¹ in the Altura Information Platform. Of the 13 products, 4 (30.8%) are run by Women or Minority Business Enterprises (WMBEs)². Clearly, there is a small set of Mid Cap Core equity products, though there is diversity of managers running those products.

The Mid Cap Core space is relatively sparse when compared to Large Cap Core, which has 109 products, and Small Cap Core, which has 39 products. Altura believes this paucity has two key influences:

- Institutional asset allocation typically focusing on a combination of large cap (Russell 1000) and small cap (Russell 2000) products, or utilization of all cap (Russell 3000) assignments, leaving no specific allocation for mid cap.
- 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 managers to potentially add value versus the benchmark.

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	\$4,074,074,926
2 nd Quartile	\$2,549,734,746
3 rd Quartile	\$261,345,474
4 th Quartile	\$59,210,214
Entire Group	\$1,622,649,350

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 liquidity, 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 ⁴	Last 3 years ⁵
Largest Quartile	12.72%	22.46%	2.40%
2 nd Quartile	14.91%	28.95%	4.21%
3 rd Quartile	13.06%	19.64%	2.46%
4 th Quartile	10.75%	19.25%	-0.22%
All US Mid Cap Core Equity	12.88%	22.35%	2.23%
Russell MidCap Index	13.07%	25.48%	1.05%
Universe Size	13	13	13

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

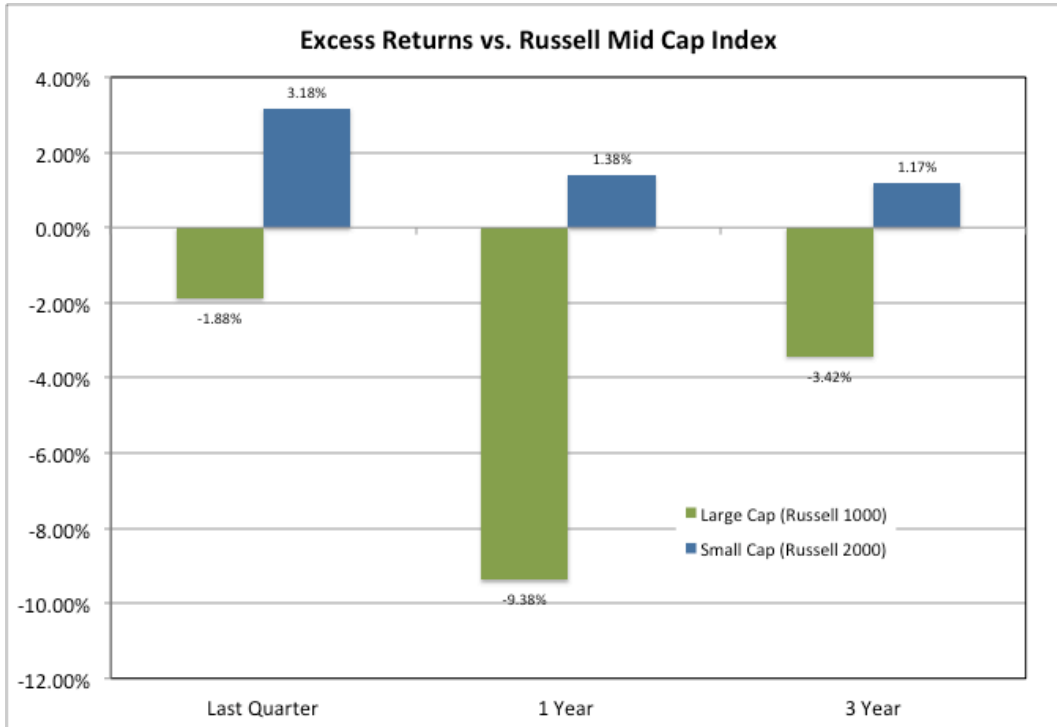
- The average of the universe has struggled over the past quarter and the past year, but outperforms the benchmark over the three year period.
- There appears to be a link between size and performance, with the largest and smallest managers not doing as well as the middle two quartiles. It could be that 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 are managing transitional issues as they prepare for the next level of growth.

It is also worth noting that the Russell Mid Cap Index has outperformed the Russell 1000 by a very large margin over the past year, particularly when one considers that the entire index is a subset of the Russell 1000 index. This has made the benchmark a much harder hurdle than the Russell 1000 index.

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.



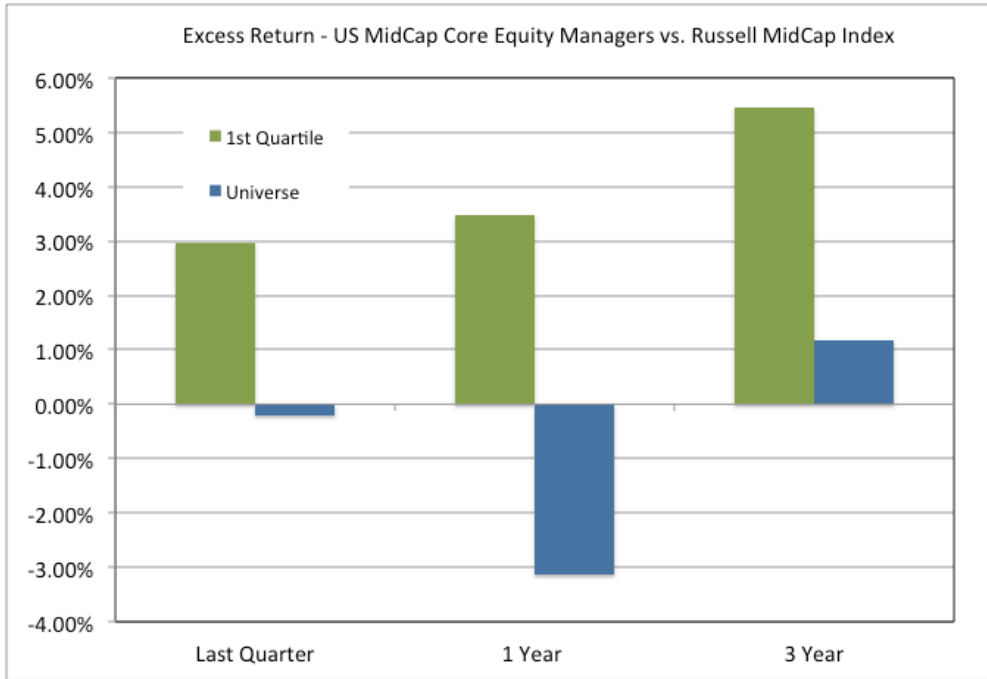
Performance by Return Quartile ⁶			
	Last Quarter	Last year	Last 3 years ⁵
Top Quartile	16.04%	28.95%	6.51%
2nd Quartile	13.59%	24.35%	2.92%
3rd Quartile	12.32%	20.35%	1.47%
4th Quartile	9.72%	16.41%	-1.72%
All US Mid Cap Core Equity	12.87%	22.35%	2.23%
Russell MidCap Index	13.07%	25.48%	1.05%
Universe Size	13	13	13

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.

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.

- The average top quartile product outperforms the index and the universe by a large amount.



Conclusion

A review of Altura’s US Mid Cap Core 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. 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, 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.

DISCLAIMER

All information set forth herein has been voluntarily provided by the participating firm and compiled both electronically and manually by Altura Capital Group (Altura). Because of the possibility of technical and human error as well as other factors, such information is provided “as is,” and Altura makes no representation or warranty, express or implied, as to the accuracy, timeliness, completeness, merchantability, fitness or reliability of the data, as it has not been verified by Altura.

Altura’s ratings and assessment as set forth herein must be construed as statements of opinion and not statements of fact. This report is not intended to be an offer, solicitation, encouragement or recommendation to engage any emerging manager or an endorsement of the investment strategies pursued by any such emerging manager. Accordingly, any institutional investor interested in any emerging manager assessed herein should deem this assessment as only one of many possible factors to be weighed in the investment decision process and is encouraged to conduct its own study and evaluation of the data and other factors relevant to its investment decision. Reference to any emerging manager in this report does not constitute a preference, an appraisal, audit or endorsement as to the operating or financial condition of the emerging manager. Neither Altura nor any affiliate thereof shall be liable, in whole or in part, to any person or entity for any claim, loss, demand, suit, action, judgment, cost, charge or expense, including court costs or attorneys’ fees, or damages of any nature whatsoever, resulting from, or relating to, any error (negligent or otherwise), or other circumstance or contingency within or outside of Altura’s or any of its affiliates’ or employees’ control in connection with the procurement, collection, compilation, analysis, interpretation, communication, publication or delivery of such data, incurred by the user arising out of the use of (or the inability to use) this assessment, even if advised of the possibility of such.

Altura prohibits its analysts and investment personnel from investing personal assets with any emerging manager covered by Altura’s research department. However, such analysts and investment personnel will be permitted to participate in any manager of managers fund structure to which Altura allocates client assets and that is advised by a covered emerging manager, provided that Altura does not then currently have a negative opinion regarding such emerging manager.

Analyst compensation is not linked to (i) any transaction into which Altura may enter into on behalf of its clients, or (ii) any allocation of assets to any emerging manager covered by its research department.

The material set forth in this assessment has not been prepared nor tailored for the benefit of any particular investor and the appropriateness of an emerging manager or the investment strategies engaged in by such emerging managers will depend on each investor’s individual circumstances and investment objectives. Each institutional investor should consider this assessment as one of many possible factors in making an investment decision.

Altura has no obligation to inform an investor who receives this assessment when information contained herein becomes stale or changes. Altura makes no representation or warranty with respect to the accuracy or completeness of this material nor is it obligated to provide updated information on the emerging manager assessed herein.

The benchmark information has been generated by information compiled by Zephyr Associates Inc. Technical or human error is possible by Zephyr or Altura. Altura makes no representation or warranty as to the accuracy and reliability of the data, as such has not been verified by Altura. All benchmarks are the property of their owners, and no rights of distribution are assumed or implied.

Copyright © Altura Capital Group, LLC 2011. All rights reserved. The material is proprietary and may not be reproduced, transferred or distributed in any form without prior written permission from Altura Capital. Altura Capital is not in the business of providing legal or tax advice.