Altura Capital Group, LLC
Asset Class Research Note

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US Mid Cap

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Asset Class Report: Mid Cap

Summary

Altura has conducted an analysis of the Mid Cap managers in its Emerging and Diverse Manager Information Platform (Altura Information Platform) as of March 31, 2011. Our research shows that strong alpha opportunities exist in this universe, with the following highlights:

- There is a small opportunity set with 31 products across all three styles. The managers are fairly well distributed in style, with a little less representation in the Value style.
- Diversity of talent is prevalent, with a high level of Women and Minority Business Enterprise (WMBE) representation among the firms offering these products.
- Over longer periods the managers have generally added value, as represented by the average performance in each group compared to the appropriate index. Mid Cap Growth managers have had more difficulty generating excess return, as represented by the average. This result is similar to the results of earlier research in the Large Cap space, where Growth managers had a harder time adding excess return as compared to Core and Value managers. Previous analysis by Altura shows that there are firms with outperformance in the Mid Cap Growth space.
- All three styles of managers have attractive asset sizes, at levels that allow for firm infrastructure and scale, and yet flexibility in trading.
- 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).

If you are a manager who offers mid cap products, we invite you to join our database at www.alturacap.com or send an email 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 email to sales@alturacap.com, or call us at (212) 378-7133.

Manager Segmentation by Style

This report is based on performance and AUM data ending March 31st, 2011. All data was extracted from the Altura Emerging and Diverse Manager Information Platform (Altura Information Platform) as of June 14th, 2011.

In previous research reports, we have looked at the Mid Cap Core and the Mid Cap Growth segments of the emerging manager universe. In this report, we look at Mid Cap Value managers, and the characteristics of the mid cap space in general. We also compare the three styles[1]: core, value and growth, to see if there are any characteristics unique to a particular style.

Altura allows managers to select from multiple benchmarks. The benchmarks used to define the various mid cap styles are shown in the table below.

Benchmarks

Mid Cap Value	***Mid Cap Core***	***Mid Cap Growth***
Russell MidCap Value	Russell MidCap	Russell MidCap Growth
	S&P 400	

Number of Products by Style

	Mid Cap Value	***Mid Cap Core***	***Mid Cap Growth***	***Mid Cap Total***
Number of Products	8	11	12	31
Number of WMBE Products	5 (62.5%)	4 (36.4%)	8 (66.7%)	17 (54.8%)
Style As Percent of Total Mid Cap Set	25.8%	35.5%	38.7%	100%

[1] Each style is defined by the benchmarks listed in the table titled "Benchmarks." For instance, any product benchmarked to either the Russell 1000 index, the Russell 200 index or the S&P 500 index is considered to be a Large Cap Core product. Managers in the Altura Information Platform have a limited set of benchmarks from which they can select.

There are 31 mid cap products[2] in the Altura Information Platform. Of the 31 products, 17 (54.8%) are run by Women or Minority Business Enterprises (WMBEs).[3] It is also worth noting that there are many more large cap and small cap products than there are mid cap products. In a previous research note, we had found 214 large cap products and 127 small cap products. We believe that this paucity of mid-cap products is due partially to a lack of institutional demand that is driven by asset allocations between large cap and small cap in the Russell 1000 and Russell 2000 paradigm, since the Russell Mid Cap Index is completely subsumed within the Russell 1000 Index.

Average Firm Size by Quartile[4]

	Mid Cap Value	*Mid Cap Core*	*Mid Cap Growth*
Largest Quartile	$3,420,486,926	$4,148,659,381	$4,558,564,463
2nd Quartile	$1,978,837,099	$2,732,448,229	$1,611,747,260
3rd Quartile	$991,358,274	$705,270,646	$721,732,988
4th Quartile	$233,450,000	$146,254,486	$266,759,987
Entire Mid Cap Set	$1,656,033,075	$2,095,603,977	$1,789,701,174

The firms are distributed widely by size. In all styles the average firm is large enough to have scale, but not too big for flexibility.

2 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 March 31, 2011.
- The firm has provided at least 3 months (1 calendar quarter) of monthly performance data ending on the same "as of date" of March 31, 2011.

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

4 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.

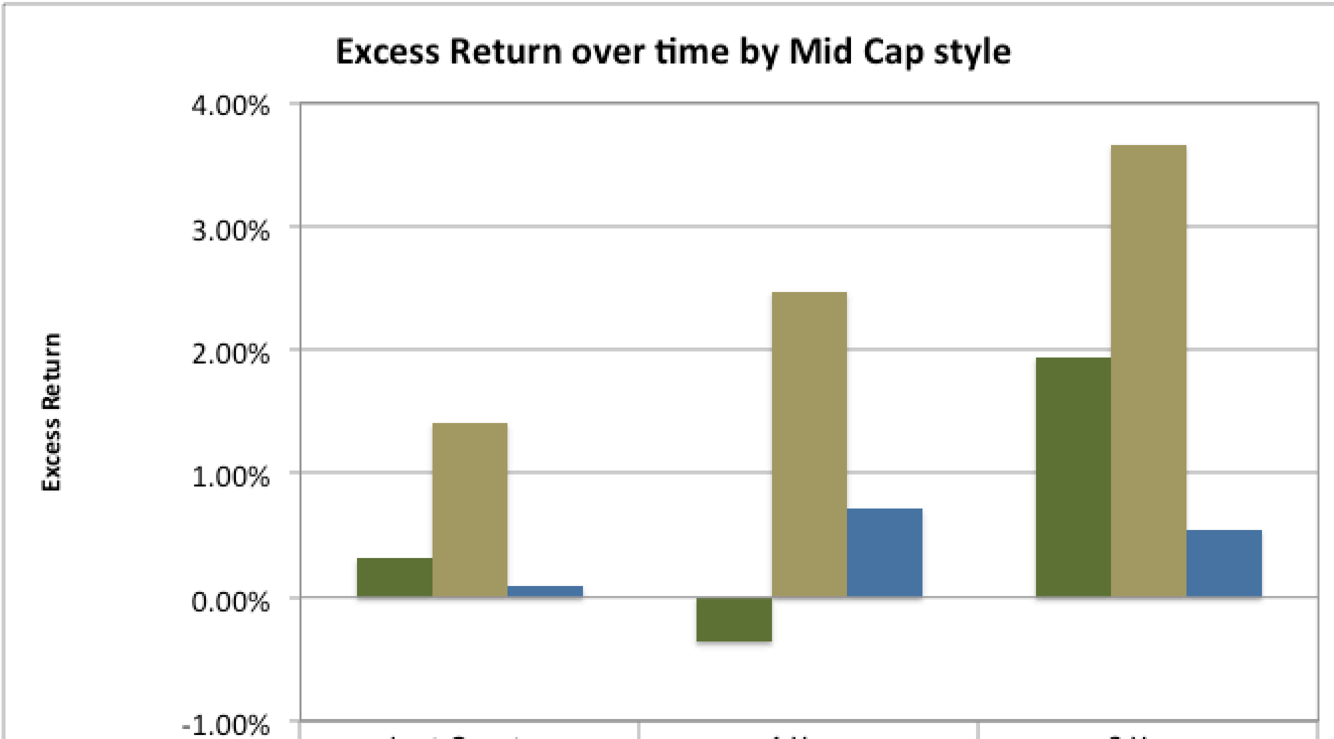
Mid Cap Value Performance by Size			
	Year to Date	Last year[5]	Last 3 years[6]
Largest Quartile	7.51%	25.06%	8.64%
2nd Quartile	6.85%	19.31%	7.89%
3rd Quartile	7.33%	17.73%	6.76%
4th Quartile	9.21%	25.48%	10.90%
All Mid Cap Value	7.73%	21.90%	8.55%
Russell MidCap Value	7.42%	22.26%	6.61%
Universe Size	8	8	8

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

- The average of the universe is close to the benchmark during the more recent and shorter time periods, but outperforms significantly over the past 3 years.
- Over the longer term, smaller managers appear to have an advantage over their larger peers in the mid cap value space.

[5] The Last Year is the past four calendar quarters of performance.

[6] The three year return number is annualized performance. Performance numbers for periods of 1 year or less are not annualized.



	Last Quarter	1 Year	3 Year
Mid Cap Value	0.31%	-0.36%	1.94%
Mid Cap Core	1.41%	2.47%	3.66%
Mid Cap Growth	0.09%	0.71%	0.54%

If one compares the excess returns[7] of the three styles over both short and long time frames one can see that:

- Core managers seem to be able to add the most consistent value.
- Growth managers have had the hardest time adding value over the long run.
- Value managers have had a harder time adding value recently, but a respectable record of excess return over the past 3 years.

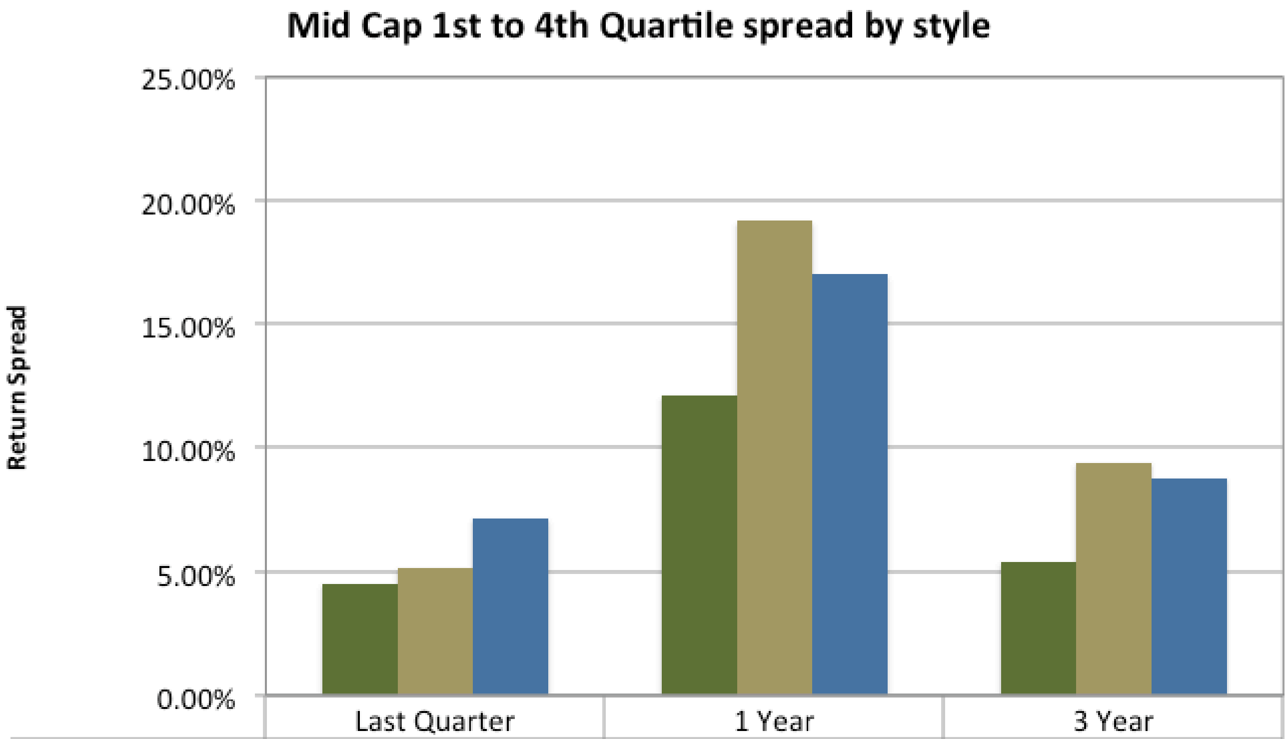
[7] The excess return for each style is the average performance of the products in each style minus the return for the benchmark. The benchmark for the Mid Cap Value is the Russell MidCap Value index. The benchmark for the Mid Cap Core is the Russell MidCap Index, and the benchmark for the Mid Cap Growth is the Russell MidCap Growth Index. The data for the Mid Cap Value Average Performance and the Russell MidCap Value Index are provided in this research report in the table titled “Mid Cap Value Performance by Size”. The data for the Mid Cap Core and Mid Cap Growth average and benchmarks are provided in previously published papers.

Mid Cap Value Performance by Return Quartile[8]			
	Year to Date	Last Year	Last 3 Years[6]
Top Quartile	10.29%	28.12%	12.06%
2nd Quartile	7.68%	23.95%	8.63%
3rd Quartile	7.13%	19.50%	6.84%
4th Quartile	5.78%	16.01%	6.66%
All Mid Cap Value	7.72%	21.90%	8.55%
Russell MidCap Value	7.42%	22.26%	6.61%
Universe Size	8	8	8

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

- There is a large dispersion between the 1st and 4th quartile performers, indicating the potential for manager research to add significant value. This conclusion must be looked at in the context of the small data set, which may argue that manager research may only be able to distinguish between above average and below average managers, which would still be a significant difference in performance.
- The average top quartile product outperforms the index and the universe by a large amount.

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.



	Last Quarter	1 Year	3 Year
Mid Cap Value	4.51%	12.11%	5.40%
Mid Cap Core	5.15%	19.17%	9.42%
Mid Cap Growth	7.17%	16.99%	8.77%

As can be seen from the chart above, there is a significant spread[9] between top quartile and bottom quartile managers in every style, during all measured time periods.

Conclusion

A review of Altura's mid cap universes across Growth, Core, and Value styles shows meaningful opportunities to add value and generally validates the case that emerging managers have superior performance. Performance of these products is generally attractive, and asset sizes allow for investment maneuverability as well as resourcing for research and operations. The Mid Cap products are a relatively small universe, and we believe that extra research must be applied to assess manager effectiveness. Differences in returns among managers over time also indicate opportunities for manager selection and diversification to meet specific client mandates. Please contact Altura at sales@alturacap.com or (212) 378-7133 for more information.

[9] The spread is calculated by subtracting the average performance of a 4th quartile product from the average performance of a 1st quartile product. The quartiles are defined as described earlier. Data for the quartiles for Mid Cap Value products are shown in the table titled "Mid Cap Value Performance by Return Quartile". Data for Mid Cap Core and Mid Cap Growth were shown in previously published research reports.

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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