



LMCG Global Multi Cap: Flash Report

Update 3/31/10: Elimination of emerging markets and reduction in mid cap value allocation. Increases to international small cap and small/mid cap growth

March was a continuation of the strong performance from last month as our allocations were boosted by the strong US Dollar and improving economic fundamentals. At the end of the quarter, we took profits from US mid cap value stocks as valuations surged since the start of the year. At the same time, we eliminated our allocation to emerging markets as growth expectations have become elevated and valuations stretched. We re-invested the proceeds into international small cap and US small/mid cap growth stocks.

Since the beginning of the year, we have slightly favored small/mid cap value over growth due to valuation. We have changed to a more growth oriented stance by taking 2% out of mid cap value and increasing small/mid growth by 5%. Our shift from small/mid cap value into small/mid cap growth was based on our valuation work as growth stocks have lagged their value counterparts over the last six months. Historically, growth stocks have traded at a premium to value stocks and that premium has narrowed. Our shift was not only a valuation call from growth to equity, but also a bet on our internal growth strategy that has underperformed over the last twelve months. Our SMID growth team led by Drew Beja and Tom Holman has a unique strategy that identifies companies that can grow their revenues above 20% and are reasonably valued. This secular growth approach used by our SMID growth team is positioned well as investors rotate from lower quality names into growth names that can demonstrate both top and bottom line long-term growth.

The Global Multi Cap management team eliminated our previous 5% emerging markets tactical asset allocation. Over the last twelve months, emerging markets have been the best performing equity asset class and growth expectations continue to be raised to levels that may not be attainable. We continue to have exposure to emerging markets through our Global Brand Exporter portfolio, which invests in US companies who have a portion of their revenues derived from the emerging market regions. We increased our allocation to international small cap stocks with a portion of the emerging market proceeds. International small cap stocks are trading at reasonable valuation levels with solid growth expectations going forward. We have raised our international small cap allocation by 2%.

	November 30, 2009	Strategic Allocation	Tactical Allocation	Shift	Relative
US Equities					
	<i>US Large Cap Core</i>	55.0%	55.0%		0.0%
	<i>US Small/Mid Growth</i>	10.0%	13.0%	5.0%	3.0%
	<i>Small/Mid Value</i>	10.0%	8.0%	-2.0%	-2.0%
	TOTAL	75.0%	76.0%		1.0%
Non-US Equities					
	<i>International Large-Cap</i>	15.0%	14.0%		-1.0%
	<i>International Small-Cap</i>	3.0%	8.0%	2.0%	5.0%
	<i>Emerging Markets</i>	5.0%	0.0%	-5.0%	-5.0%
	TOTAL	23.0%	22.0%		-1.0%
Other					
	Cash	2.0%	2.0%		0.0%
	GRAND TOTAL	100.0%	100.0%		100.0%