



LMCG Global Multi Cap: Flash Report

Update 2/28/10: No changes to GMC asset allocations

February was a positive month for returns in the LMCG Global MultiCap strategy. Global MultiCap outperformed the MSCI World Index, but trailed the S&P500 Index over the same period, mostly due to the boosting by a stronger US Dollar and improving economic fundamentals. The MSCI Emerging Markets Index has been the hardest hit equity asset class this year, led down by falls in local markets in China and India. Non-Euro currency based European countries along with the United States have led world markets so far, and small cap stocks have led large caps globally.

The Global MultiCap management team has decided to maintain tactical portfolio weights at their current levels at the end of February (see below). While our November shifts to US large cap stocks have proven premature so far, we believe much of the lag has been caused by the strong US Dollar (penalizing US exporting companies), but is a good scenario for absolute returns. We invest with a neutral outlook regarding the impact of the Greek debt crisis, but recognize the risks posed to Euro denominated equities. Valuations for small and mid-cap US stocks are stretched, however, and we believe that larger stocks, particularly US based global “brand exporters”, are at very attractive valuations. Valuations also favor growth stocks, and several LMCG managed strategies are making additional commitments to technology, business services, and consumer stocks.

The Global MultiCap management team reviewed active manager returns from our firm and make the following observations. Many of the sources of our active excess returns in 2009 – commodity exposed equities, deeply cyclical and economically sensitive companies and large technology services companies in particular – have reversed and fallen so far in 2010. We believe it is profit taking and temporary. While some strength is developing in selected parts of health care and real estate, few strong themes have yet emerged. We believe in limiting turnover from asset allocation during transitional periods like this, and we rely upon underlying manager stock selection to drive returns.

	November 30, 2009	Strategic Allocation	Tactical Allocation	Shift	Relative
US Equities					
<i>US Large Cap Core</i>		55.0%	55.0%	8.0%	0.0%
<i>US Small/Mid Growth</i>		10.0%	8.0%	-4.0%	-2.0%
<i>Small/Mid Value</i>		10.0%	10.0%	-4.0%	0.0%
TOTAL		75.0%	73.0%		-2.0%
Non-US Equities					
<i>International Large-Cap</i>		15.0%	14.0%		-1.0%
<i>International Small-Cap</i>		3.0%	6.0%		3.0%
<i>Emerging Markets</i>		5.0%	5.0%		0.0%
TOTAL		23.0%	25.0%		2.0%
Other					
Cash		2.0%	2.0%		0.0%
GRAND TOTAL		100.0%	100.0%		100.0%