

# InvestmentNews

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## SEPARATE ACCOUNTS

# A value strategy is top performer in managed accounts

By Jeff Benjamin

DETROIT — The concentrated-value strategy managed by Logan Capital Management Inc. in Ardmore, Pa., returned 3.76% during the second quarter, making it the best-performing style in the debut of the *InvestmentNews* quarterly managed account performance report.

The specific \$109.9 million Logan Capital strategy, which climbed 9.43% over the 12-month period through June 30, benefited from the stock market's shift during the quarter toward larger, value-oriented stocks.

"The equity market's gains in the first quarter of 2006 were not extended into the second quarter, as many of the major indices dripped into negative territory, though not enough to offset the positive first-quarter gains in many cases," said J. Gibson Watson, president, chief executive and founder of Prima Capital Holding Inc. in Denver.

"There was a near-complete reversal in market conditions from the last quarter," he added.

The second quarter, as illustrated by the top-performing separate account strategies, showed a move toward more-defensive areas of the mar-



**J. Gibson Watson:** *There was almost a complete reversal in market conditions.*

ket, with large-capitalization stocks beating smaller companies and with value outperforming growth.

"It was the promise of performance that drove the market over the past few years, but in the second quarter, people looked around and realized that growth isn't great," said Nathan Behan, an analyst with Prima Capital.

The Standard & Poor's 500 stock index declined 1.44% in the second quarter and was up 8.63% over the trailing 12-month period.

The \$605.7 million diversified-equity strategy managed by Gannett Welsh & Kotler LLC in Boston gained

3.37% in the quarter and was up 11.75% over the previous 12 months.

All performance data are gathered and calculated by Prima Capital, a research and technology solutions provider for the wealth management industry that maintains a universe of 700 separate-account strategies, 1,000 mutual funds and 200 exchange traded funds.

(See chart data below)

Prima Capital will be providing *InvestmentNews* with quarterly separate-account performance data in the following categories: domestic equity, international equity, domestic fixed income and domestic municipals.

In order to concentrate on those strategies geared toward and available to financial intermediaries, the performance rankings are designed to exclude the purely institutional money managers. Other criteria for inclusion are a minimum of \$250 million in firm assets under management, a minimum of \$50 million in each strategy and a track record of at least three years.

The international strategies, while strong on a 12-month trailing basis, lagged domestic equity in the second quarter.

The \$10.6 billion international equity ADR strategy managed by Delaware Investments in Philadelphia led the category with a 2.51% return for the quarter. The strategy gained 25.02% over the trailing 12 months. This compares with a 0.94% gain by the MSCI EAFE Index in the second quarter and a 27.07% 12-month return.

The Delaware strategy was followed closely during the quarter by the WHV international equity portfolio managed by Wentworth, Hauser and Vioch Investment Counsel in San Francisco.

The \$3.7 billion WHV strategy gained 2.36% in the quarter and led all other international strategies with a 12-month trailing return of 46.09%.

“An overweight in European countries would have been favorable portfolio positioning for the quarter since moderate negative returns were largely offset by the positive currency exposure,” Mr. Watson said.

The best-performing fixed-income strategy was the \$234.1 million PENN core opportunistic high-yield strategy, managed by PENN Capital Management in Cherry Hill, N.J.

The strategy gained 1.42% in the

quarter and was up 11.86% on a 12-month trailing basis.

This compared with a 0.08% decline for the Lehman Aggregate Bond Index during the quarter and a 0.18% decline over the previous 12-month period.

The second quarter saw the Federal Reserve Board raise interest rates twice, extending the streak of rate hikes to 17. “It looks like the [interest rate]-tightening cycle has done its job,” Mr. Behan said.

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# SMA ranked by second-quarter returns

## Domestic equity

Product name Location	Quarterly return	1 yr return	3 yr return	5 yr return	5 yr std dev	5 yr Sharpe ratio	Product assets	Inception	Manager
Logan Capital Management Inc. – Logan Concentrated Value Ardmore, Pa	3.76	9.43	10.69	4.12	16.73	0.11	\$109.9 M	Jan-96	Team
Gannett Welsh & Kotler LLC – Diversified Equity Strategy Boston	3.37	11.75	15.90	2.98	19.18	0.04	\$605.7 M	Jan-89	Team
Miller Howard Investments Inc. – Income-Equity Woodstock, N.Y.	3.13	9.87	13.92	5.45	14.17	0.23	\$308.2 M	May-97	Lowell G. Miller
Denver Investment Advisors LLC (Westcore) – Mid-Cap Growth Denver	2.76	23.64	16.32	8.84	21.92	0.30	\$1.9 B	May-58	Team
Metropolitan West Capital Management LLC – Large Cap Intrinsic Value Newport Beach, Calif.	2.65	23.17	25.63	10.49	18.60	0.44	\$4.4 B	Jan-92	Team
Eagle Asset Management Inc. – Large Cap Value St. Petersburg, Fla.	1.86	14.81	16.08	6.11	16.13	0.24	\$95.1 M	Jan-94	Ed Cowart
Diamond Hill Capital Management Inc. – Select Columbus, Ohio	1.85	20.85	25.42	12.77	23.50	0.45	\$200.2 M	May-00	Team
M&I Investment Management Corp. – Mid Cap Value Milwaukee	1.76	12.29	18.53	12.02	17.92	0.55	\$721.0 M	Nov-93	Matthew Fahey
Minneapolis Portfolio Management Group LLC – All Cap Value Minneapolis	1.67	21.24	21.27	14.14	22.18	0.54	\$425.0 M	Jan-95	Team
State Street Global Advisors Inc. – Large Cap Index Plus Boston	1.65	12.30	12.56	3.87	16.55	0.10	\$26.8 B	Mar-93	Team

## International equity

Product name Location	Quarterly return	1 yr return	3 yr return	5 yr return	5 yr std dev	5 yr Sharpe ratio	Product assets	Inception	Manager
Delaware Investments – International Equity ADR Philadelphia	2.51	25.02	23.84	13.44	18.47	0.61	\$10.6 B	Jan-97	Team
Wentworth Hauser & Violich – WHV International Equity San Francisco	2.36	46.09	36.87	18.25	20.33	0.79	\$3.7 B	Jan-95	Richard K. Hirayama
NorthRoad Capital Management LLC – International Equity New York	2.20	23.32	20.57	9.21	18.65	0.37	\$904.4 M	Apr-96	Team
UBS Global Asset Management – Global Equity New York	2.09	15.01	14.81	6.91	17.45	0.27	\$32.5 B	Jan-82	Team
INVESCO Inc. – International Equity ADR Atlanta	1.94	25.21	22.79	9.83	18.29	0.41	\$2.7 B	Jan-94	Team
AllianceBernstein Investments Inc. – International Value ADR New York	1.82	36.14	26.37	17.98	21.09	0.75	\$11.8 B	May-01	Team
AllianceBernstein Investments Inc. – Global Value Equity ADR New York	1.80	27.18	21.01	14.04	18.12	0.65	\$16.7 B	Apr-01	Sharon Fay
Brandes Investment Partners LP – European Equity San Diego	1.73	26.35	27.61	16.73	30.01	0.48	\$2.8 B	Aug-95	Team
Aberdeen Asset Management Ltd./Murray Johnstone International – EAFE Plus Philadelphia	1.69	31.66	25.93	11.37	20.72	0.44	\$458.9 M	Jan-90	Team
Jarislowsky Fraser & Co. Ltd. – International Equity Montreal	1.45	21.53	19.14	8.11	17.32	0.34	\$7.0 B	Apr-95	Team

## U.S. fixed income

Product name Location	Quarterly return	1 yr return	3 yr return	5 yr return	5 yr std dev	5 yr Sharpe ratio	Product assets	Inception	Manager
PENN Capital Management – PENN Core Opportunistic High Yield Cherry Hill, N.J.	1.42	11.86	13.60	11.15	10.71	0.83	\$234.1 M	Dec-89	Team
Payden & Rygel – High Yield Los Angeles	1.30	5.18	7.47	7.79	6.22	0.89	\$1.5 B	Jan-98	Kevin S. Akioka
Pacific Income Advisers Inc. – Ultra Short Santa Monica, Calif.	1.01	3.42	2.28	3.26	1.10	0.92	\$76.0 M	Jan-94	Team
Payden & Rygel – Short Duration Taxable Los Angeles	0.79	2.11	1.59	3.60	2.22	0.61	\$28.3 B	Jan-84	James P. Sarni
BlackRock Financial Management Inc. – Low Duration Bond New York	0.78	2.59	2.06	3.76	1.90	0.80	\$19.0 B	Dec-89	Team

## U.S. municipals

Product name Location	Quarterly return	1 yr return	3 yr return	5 yr return	5 yr std dev	5 yr Sharpe ratio	Product assets	Inception	Manager
C.W. Henderson & Associates Inc. – Short-Term Strategy T/E Chicago	0.78	2.85	2.08	2.85	0.78	0.78	\$119.0 M	Sep-91	Team
C.W. Henderson & Associates Inc. – Actively Managed T/E Chicago	0.37	1.76	2.61	3.74	1.73	0.86	\$1.4 B	Apr-91	Team
Neuberger Berman LLC – Municipal Management New York	0.26	0.80	1.32	3.12	2.19	0.40	\$10.0 B	Oct-86	Lori Canell
Sage Advisory Services Ltd. Co. – Intermediate Municipal Fixed Income Austin, Texas	0.26	0.76	1.50	3.62	2.90	0.47	\$374.0 M	Jan-97	Team
Standish Mellon Asset Management Co. – Municipal/Tax Sensitive Bond Mgmt Boston	0.26	0.72	2.19	4.23	3.17	0.63	\$12.8 B	Jan-90	Team

Data provided by Prima Capital. The separately managed account (SMA) products listed in these tables generated the highest performance for the quarter ended June 30. Rankings are based on those managers reporting performance to Prima by July 31. Past performance is no guarantee of future results, and advisers should rely on additional factors when determining whether to include SMAs in their client portfolios. Prima's SMA universe is not intended to be all inclusive but rather represents a broadly diversified group of products that are available to and suitable for the affluent retail investor.