

InvestmentNews™

crain

The Leading News Source for Financial Advisers

InvestmentNews.com

SMA's ranked by second-quarter returns

U.S. large-cap equity

Product Name, Location	Quarterly return	1-year return	3-year return	5-year return	5-year std dev	5-year Sharpe ratio	Product assets (\$M)	Manager
Neuberger Berman - Socially Responsive Investing New York	-6.7%	20.29%	-7.09%	2.33%	18.29%	-0.02%	\$2,311	Team
Eagle Capital Management LLC - Eagle Equity New York	-7.61	23.60	-4.74	2.66	18.22	-0.01	5,726	Ravenel B. Curry III
Legg Mason Inc. - ClearBridge Dividend Strategy Baltimore	-8.13	14.99	-3.40	2.59	13.67	-0.01	1,259	Team
RNC Genter Capital Management - Dividend Income Los Angeles	-8.41	14.90	-6.18	1.99	15.77	-0.05	288	Team
JAG Advisors - Large Cap Growth Equity St. Louis	-8.43	20.81	-6.78	3.13	23.28	0.02	\$197	Team
Metropolitan West Capital Mgmt LLC - Large Cap Intrinsic Value*, Newport Beach, Calif.	-8.60	17.26	-5.32	4.64	18.19	0.1	12,376	Team
Legg Mason Inc. - Legg Mason ClearBridge Appreciation Baltimore	-8.94	15.75	-3.77	3.00	14.88	0.02	1,595	Team
Eagle Asset Management - Equity Income Retail St. Petersburg, Fla.	-8.98	16.29	-6.82	1.82	16.18	-0.06	310	Team
Crawford Investment Counsel - Dividend Growth Wrap Atlanta	-9.09	11.76	-6.99	0.48	14.7	-0.16	881	Team
Navellier & Associates Inc. - Large Cap Growth Portfolio Reno, Nev.	-9.12	15.75	-6.78	-0.11	21.00	-0.14	1,925	Team
S&P 500	-11.43	14.43	-9.81	-0.79	18.53	-0.19		

2Q commentary by Nathan Behan

DOMESTIC EQUITY

The second quarter opened up with high hopes and generally positive expectations for the remainder of the year. As noted last quarter, there was a wide variety of opinions on the strength of the recovery but a strong majority believed a recovery was in fact under way.

The Russell domestic style indexes exploded out of the gate in

April, ranging from the Russell 1000 Growth Index up 3.6% to the Russell 2000 Value Index's 11% gain. This would, however, prove to be the peak for the quarter, as rumblings from Europe sent investors scrambling for cover over the next five weeks.

The indexes fell sharply over that period. For example, by the end of May, the Russell 2000 Value Index was down 2% for the quarter. Uncertainty continued to domi-

nate the market in June, with weak economic numbers in employment, housing and consumer confidence.

The indexes were down again for the month, ranging from a decline of 6.6% for the Russell 2000 Growth Index to a loss of 8.4% for the Russell 2000 Value Index. For the quarter, the losses ranged from 9.2% for the Russell 2000 Growth Index to 11.75% for the Russell 1000 Growth Index.

With risk aversion driving

investors' thought processes, it is unsurprising to find that the most conservative industries were the best performers in the quarter. Within the Russell 1000 Index, the utilities sector was the best performer, down just 3.8%, followed by telecommunications (-4.9%) and consumer staples (-8.5%). Among smaller companies, represented by the Russell 2000 Index, utilities (-3.2%) and consumer staples (-6.4%) were the leaders.

SMA ranked by second-quarter returns

U.S. municipals

Product Name, Location	Quarterly return	1-year return	3-year return	5-year return	5-year std dev	5-year Sharpe ratio	Product assets (\$M)	Manager
Gannett Welsh & Kotler LLC - Municipal Bond Strategy, Boston	2.76%	10.11%	6.46%	4.79%	4.54%	0.45%	\$7,432	Team
Lord Abbett & Co. LLC - SMA Intermediate Municipal, Jersey City, N.J.	2.65	8.53	6.79	4.90	3.86	0.55	459	Daniel S. Solender
McDonnell Investment Mgmt LLC - Medium Duration Muni Bond, Oak Brook, Ill.	2.62	8.24	6.36	4.64	4.06	0.46	5,355	Team
Nuveen Asset Management - Intermediate Municipal Bond, Chicago	2.38	7.79	5.73	4.34	3.59	0.44	15,265	Team
Eagle Asset Management Inc. - High Quality Tax-Free Retail, St. Petersburg, Fla.	2.30	7.14	5.37	4.10	3.03	0.44	769	Team
Lord Abbett & Co. LLC - SMA Municipal Jersey City, N.J.	2.21	10.19	5.75	4.59	5.03	0.36	5,835	Daniel S. Solender
Appleton Partners - Tax-Exempt Municipal* Boston	2.19	7.08	6.32	4.66	3.04	0.62	2,452	Team
Eaton Vance - Intermediate Municipal Boston	2.05	6.87	6.27	4.55	3.27	0.54	1,376	Team
SeaCap Investment Advisors - Interm Muni Bond Composite, Seattle	2.04	6.19	5.77	4.42	2.81	0.59	488	Team
Breckinridge Capital Advisors Inc. - BCA Interm Tax-Exempt Muni Bond, Boston	2.03	6.27	6.19	4.60	2.80	0.66	10,845	Team
Barclays Municipal Bond	2.03	9.61	5.50	4.40	4.27	0.38		

*Preliminary results

At the end of the first quarter, most managers were anticipating the end of the beta play in equities and were focusing on more-fundamentally sound and higher-quality companies. This was certainly the case during the quarter. The outlook for growth in the short term is mixed, reflecting the fading effects of last year's government stimulus, the sluggish state of the housing market and continuing high unemployment.

However, some managers believe that the recent market pullback, combined with record low interest rates and high levels of cash on corporate balance sheets, have created the opportunity to buy these high-quality companies at very reasonable valuations.

MUNICIPAL BONDS

Municipal issues had a somewhat disappointing quarter after

getting off to a strong start in April. The Barclays Municipal Index finished the quarter up 2.03% but was up just six basis points in June. Municipal bond prices were essentially flat for shorter maturities for the month and down 40 to 65 basis points in maturities greater than 10 years. The Barclays 10-Year Municipal Index was the best performer for the quarter at 2.68%.

The municipal market's under-

performance relative to the Treasury market in the second quarter is in part attributable to rising concerns over the credit quality of state and local governments.

In addition, the municipal market does not typically benefit from a global flight to quality at the same level the Treasury market does, which was likely responsible for a significant portion of the performance differential.

Data provided by Prima Capital. The separately managed account 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 Aug. 3. 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 isn't 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.

Returns are shown gross of fees. For a list of fees and charges, please see program offering documents.

The Publisher's sale of this reprint does not constitute or imply any endorsement or sponsorship of any product, service or organization. Crain Communications 732.723.0569. DO NOT EDIT OR ALTER REPRINTS. REPRODUCTIONS ARE NOT PERMITTED. #2395