

SURZ/SENIOR CONSULTANT STYLE ANALYSIS

Portfolio Opportunity Distributions For The Year 1999

Portfolio Opportunity Distributions (PODs) are constructed by forming all of the portfolios that could be held in a particular style of management. These cyberclone peer groups are far better than traditional approaches because they do not have their numerous biases. This is particularly important for non-U.S. performance evaluation where old-fashioned peer groups are particularly lousy. The following summarizes POD results for calendar 1999:

- An 18.87% fourth quarter domestic return outshone a very good 10.38% gain in foreign markets. Foreign markets were outperforming the U.S. coming in to the fourth quarter, led by a recovery in Japan. As a result of the fourth quarter U.S. catch up, annual returns are about the same. The U.S.

returned 25.96% for the year, slightly ahead of a 24.08% non-U.S. return.

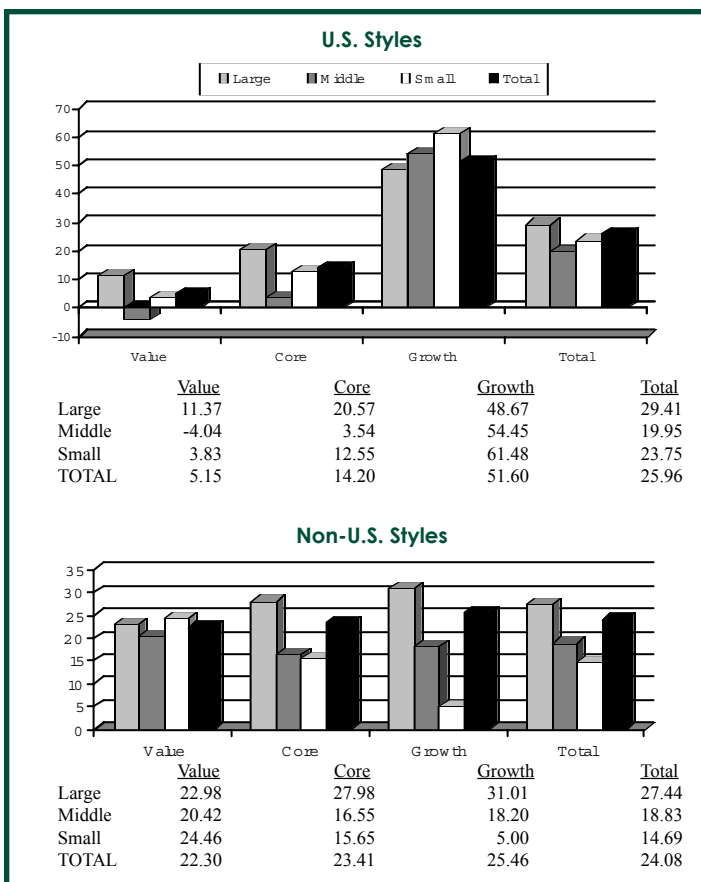
- Management style, as usual, was a powerful determinant of performance. This year there were substantial differences between what worked domestically and what worked outside the U.S. Domestically, small cap growth dominated with a 61.48% median return, which is 65% higher than the 4.04% loss suffered by the worst performing mid-cap value style. Small cap technology stocks returned 124% in 1999. By contrast, Japan led foreign markets with a 44% return, making large cap growth the favored style.

In light of this wide range of style-based returns, managers should be evaluated relative to the opportunities available to their style of

management. The tables below provide these PODs.

As can be seen in the U.S. table, a skillful large-cap value manager could have returned 17% for the year, but this same return would be unacceptable for a growth stock manager. Similarly this 17% return would be quite good for a non-U.S. small-cap growth manager, but not for any other style. Because U.S. managers have generally underweighted Japan and emerging markets, the U.S. practice in investing abroad tends to be a mix of large-cap core and large-cap value, which have performed in line with the overall foreign market. ■

This analysis is provided by PPCA, Inc. Visit them at www.pcca-inc.com.



U.S. Return Distributions

		5th Percentile	Top Quartile	Median	Bottom Quartile	95th Percentile
Large	Value	23.9	16.9	11.4	4.4	-7.2
	Core	31.9	24.0	20.6	14.5	2.3
	Growth	90.6	64.0	48.7	35.8	24.6
Middle	Value	6.4	-2	-4.0	-9.2	-18.4
	Core	26.8	10.6	3.5	-3.0	-12.6
	Growth	123.6	72.0	54.5	34.2	6.4
Small	Value	26.5	12.8	3.8	-2.9	-14.1
	Core	61.9	24.1	12.6	3.1	-19.4
	Growth	145.1	86.4	61.5	37.0	11.0
Market		59.4	35.6	26.0	16.5	3.6

U.S. Return Distributions

		5th Percentile	Top Quartile	Median	Bottom Quartile	95th Percentile
Large	Value	39.4	31.2	23.0	14.3	5.1
	Core	43.6	33.4	28.0	22.0	14.9
	Growth	51.7	40.2	31.0	21.4	4.2
Middle	Value	39.4	27.6	20.4	12.6	5.6
	Core	38.9	22.3	16.5	10.5	-6
	Growth	40.8	27.6	18.2	12.3	4.0
Small	Value	44.8	31.5	24.5	15.9	3.6
	Core	43.0	24.2	15.6	8.1	-1.4
	Growth	32.2	13.8	5.0	-3.9	-15.4
Market		44.2	31.9	24.1	16.6	7.4

Source: PPCA (<http://www.pcca-inc.com>)