

Monarch Garnering Institutional Attention As 3-Year Record Nears

Monarch Partners sees a wave of opportunity over the next 12 to 18 months as its domestic small-cap value strategy moves closer to its three-year mark and performance continues to outpace both the index and most active managers.

The Boston-based firm has already begun to gain traction in the emerging manager space. As reported by EMM last month, the firm was recently added to Progress Investment Management Company's portfolio for the California State Teachers Retirement System.

The firm currently manages \$140 million in assets, including eight institutional accounts.

Wayne Archambo, founder and lead portfolio manager for Monarch, said that as the assets grow to a more critical mass and the track record continues to lengthen—the small-cap strategy will have a two and-a-half year track record at the end of September—the firm has gotten onto more radar screens.

The product has one-year and two-year returns as of June 30 of 3.21% and 20.46%, outpacing the Russell 2000 Value Index, which returned -1.44% and 13.78% over the same time periods. Since inception, the strategy has returned 12.15%, an excess return of 5.43% over the benchmark.

"Certainly, our hope is the strong performance gets us more attention out in the marketplace," Archambo said.

Hank Lawlor, chief operating officer of Monarch, said the firm has benefitted from the ability to work with some of the emerging manager programs, which have provided a nice stepping stone.

According to data compiled by EMM, the firm also has a relationship with Legato Capital Management, managing assets for the San Diego County Employees Retirement Association.

Moving forward, Lawlor said the focus over the next year and-a-half will be targeting the institutional consulting space.

Archambo said the poor performance of many active small-cap value managers—which he believes are "fighting yesterday's battle" when it comes to sector weightings—should lead to manager searches in the future that Monarch will be well-positioned to take advantage of.

He said the firm focuses on adding value through stock selection, with 90% of the strategy's performance coming from stock selection.

"That is what has driven our excess returns since we started," he said. "I think this is really going to differentiate us in the marketplace over the next 12 to 18 months."

2012 Second Quarter Investment Report by eVestment Alliance and Emerging Manager Monthly

Small Cap Value	Russell 2000 Value	-3.01	8.23	-1.44	17.43
Firm Name	Product Name	MRQ	YTD	1 Yr	3 Yr
Dalton, Greiner, Hartman, Maher and Co., LLC	DGHM MicroCap Value	0.40	13.99	7.70	17.14
Monarch Partners Asset Management LLC	MPAM Small Cap Value Equity	-0.71	13.27	3.21	---
Kestrel Investment Management Corporation	Small Cap Value	-1.29	8.06	2.95	19.78
Pacific Ridge Capital Partners, LLC	Small Cap Value	-1.33	12.81	-0.88	---
Ten Asset Management, Inc.	Small Cap Value	-1.81	12.47	1.56	19.38
Baird Investment Management	Small Cap Value	-1.87	9.43	4.82	16.54
McClain Value Management, LLC	Small Cap Value	-1.87	22.83	0.51	16.76
Bernzott Capital Advisors	Bernzott Small Cap Equity	-1.87	5.03	3.91	16.53
Irving Magee Investment Management, LLC	Irving Magee Small Cap Equity	-2.24	7.78	3.04	18.33
Cove Street Capital, LLC	Classic Value Small Cap	-2.30	15.67	13.76	23.19

Small-Mid Cap Value	Russell 2500 Value Index	-3.01	8.15	-1.49	18.78
Firm Name	Product Name	MRQ	YTD	1 Yr	3 Yr
Monarch Partners Asset Management LLC	MPAM SMID Cap Value Equity	0.08	13.54	3.57	---
Kestrel Investment Management Corporation	Small-Mid Cap Value	-1.40	7.08	1.19	17.52
Baird Investment Management	Small/Mid Cap Value	-1.87	8.61	4.41	17.23
Monarch Partners Asset Management LLC	MPAM Concentrated Value Equity	-2.20	14.04	-0.19	---
Cardinal Capital Management, L.L.C.	Cardinal Best Ideas	-2.23	6.92	0.76	17.01
Cardinal Capital Management, L.L.C.	Cardinal SMID Cap Value	-2.71	6.64	0.84	---
Steinberg Asset Management, LLC	SMID Cap Value Equity	-2.86	4.36	-4.12	19.76
Fiduciary Management Associates, LLC	Small-Mid Cap Value Strategy	-3.68	7.33	0.79	---
Breithorn Capital Management LLC	Breithorn Value Equity	-3.80	6.49	-4.00	20.18
Huber Capital Management, LLC	Small-Mid Cap Value	-5.15	11.05	---	---