

Essex Growth Equity Team Finding Success With Marketing

The domestic growth equity team at Essex Investment Management has seen its total asset base nearly double to \$195 million as of July 31, 2017 from \$100 million in 2015, Co-CEO and Senior Portfolio Manager Nancy Prial said.

The exponential growth coincided with the hiring that same year of third-party marketer Arrow Partners, which has assisted the team in delivering its message to potential clients, refining its message and digital content, crafting pitches and producing visual materials for consultants and client meetings, Prial said.

"They've been very instrumental in getting us out there," Prial said. "We consider ourselves an undiscovered firm in many regards, or a firm that needs to be rediscovered."

The recent growth is exponential given the Evanston, Ill.-based team's small-cap, small- to mid-cap growth and micro-cap growth strategies have been around for decades; the small and micro-cap strategies launched in 2000 and the smid-cap strategy in 1986.

The small-cap growth strategy has experienced the greatest dollar-value growth. It has \$145 million in assets today, while the smid-cap growth and micro-cap growth strategies hold down ap-

Two Years Ago

Essex Domestic Growth Equity Team Expands Marketing Efforts

Essex Investment Management's domestic growth equity team focuses on identifying and uncovering investment opportunities, but has enhanced its marketing efforts to ensure it doesn't fall into the same category.

The Evanston, Ill.-based team of Essex, which manages roughly \$130 million in assets across domestic micro-cap, small-cap and smid- to mid-cap strategies, has brought on third-party marketing firm Arrow Partners to assist with introducing the firm to institutional investors.

"We are very excited to be working with Arrow. We want to get the message out there. We think we are a little like some of our undiscovered companies," said Nancy Prial, co-CEO and senior portfolio manager of the firm.

The firm believes its investment process positions it uniquely in a sector of the market that has continued to grow in average market cap over the years. The firm's weighted average in its small-cap strategy is \$1.66 billion as of June 30, compared to an average market cap of the Russell 2000 Growth Index of \$2.1 billion, according to eVestment.

"We see our positioning and we think over time it adds significant value," Prial said of the early window the firm's position pro-

kept pace than those traditional small-cap managers," she said.

The smid-cap strategy has a track record dating back to 1998, while the small-cap strategy dates back to 2000 and the micro-cap strategy was launched in late 2007.

The firm's process focuses on identifying companies that are at an inflection point where their growth rate is improving, Prial said.

"There is a big time between when fundamentals improve and when investors identify those improvements," she said.

The process focuses on revenue and earnings growth, with the firm holding the belief that stock prices will follow earnings growth assuming it is real, Prial said. She added that revenue growth is important because a true growth company needs to have an increase in revenue greater than what the industry can achieve.

The initial screen looks for companies in their first or second quarter of business improvement.

Following those screens, the firm begins its fundamental research, which looks to identify the growth catalyst and also evaluate whether the management team has the ability to execute on the growth prospects.

The final broad analysis the firm looks for are companies with an impressive business following a concrete restructuring, continues

proximately \$36 million and \$15 million, respectively, Prial said.

"Although we like all three of our strategies, we thought there was probably the best near-term opportunity in small and micro and that smid would be a longer-term growth opportunity," she said.

While small-cap has gained the most momentum thus far, the smid-cap growth strategy has maintained long-term out-performance and the micro-cap growth strategies have great potential to attract more investor interest moving forward, Prial said.

"There's a tremendous amount of room to add alpha," Prial said. "In many ways the micro-cap market is where the small-cap market was in the 1980s – much less developed institutionally and certainly much less followed."

Arrow's influence has also had a significant impact on the team's standing in the emerging manager-of-managers space, Prial said, noting the firm has helped to "continue and expand those relationships."

Most recently, the team secured a \$7 million small-cap growth investment with the Atlanta General Employees Pension Fund through manager-of-managers Legato Capital Management in the second quarter (see story, Page 17).

Prial emphasized that the Essex strategies should appeal across the investor landscape, noting that the team has secured a number of direct mandates since its inception.

"We really think we should appeal to a broad variety and type of clients as we have in the past," Prial said. "We have some different vehicles. Some separate accounts and a mutual fund that should accommodate smaller funds."

For now, the firm will move forward with its recent success and the relationship with Arrow to build on its current growth.

"To continue to get our story out there," Prial said when asked about the firm's next steps. "Get better known, have people recognize our process and continue to grow."

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