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Cardinal Capital Management Launches Non-U.S. Equity Portfolio

Cardinal Capital Management has launched a non-U.S. equity portfolio and has begun marketing efforts for the first time in its 15-year history. The fund, launched July 1, will look to take advantage of a “less efficient” international market, said **Glenn Andrews**, president of Cardinal Capital.



Raleigh, N.C.-based Cardinal Capital has \$135 million in assets under management in two domestic equity portfolios, with the majority in a taxable domestic equity portfolio.

Andrews said the firm will use similar quantitative methods in its initial screens for the international portfolio, with a focus on providing increased returns and reduced volatility compared to its benchmark, the **MSCI EAFE Index**. The model, using absolute and relative value concepts, will screen the 12,000 stock universe for companies trading below their price-to-value figures that also meet particular growth criteria. Once the screening has identified potential investments, the firm conducts its own fundamental analysis. Overall, the portfolio is expected to hold about 40 names.

Andrews said the motivation for launching a non-U.S. portfolio was driven by client demand. “We had a number of our clients saying, ‘We would like to have some non-U.S. exposure and we would like you guys to do it,’” he said.

The portfolio was launched with \$5 million in client money,

“We had a number of our clients saying, ‘We would like to have some non-U.S. exposure and we would like you guys to do it.’”

Glenn Andrews
President
Cardinal Capital Management

Andrews said. “We hope for it to be as big or bigger than the U.S. portfolio,” he added.

The firm is interested in bringing in a third-party marketer to assist with the marketing efforts. Andrews said Cardinal has never done much marketing of its portfolios and the majority of its assets are with high-net-worth individuals. The firm has spoken with a few emerging manager programs recently and has also filled out a couple of RFPs. “We would certainly be interested in institutional money,” Andrews said.

While the fund does not yet have a track record, Andrews said that 10-year backtesting “turned out as good or better than we expected.” “Companies that met our criteria significantly outperformed the EAFE,” he said.



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CARDINAL CAPITAL TO OFFER NON-U.S EQUITY INVESTMENTS

Raleigh-based Cardinal Capital Management has announced the creation of a non-U.S. stock investment management service, adding a major complement to the company's 15-year history of managing investments in domestic companies.

According to Cardinal Capital President Glenn Andrews, "The added diversification is very attractive for our clients and we have effectively doubled the investment opportunities available to them."

Cardinal Capital, which now manages more than \$135 million for a range of individual and institutional clients, has historically monitored and analyzed data on approximately 10,000 domestic companies. With the new overseas service, more than 12,000 companies headquartered outside the U.S. will be added to their data base.

Company founder and Chief Investment Officer Joel Millikan noted, "We have adapted our domestic valuation model to non-U.S. stock data and back-tested the last 10 years to compare outcomes. The results were strikingly similar in both domestic and overseas stocks."

Cardinal Capital plans an investment emphasis on countries in Europe and the Far East, along with Australia, specifically those companies covered by the Morgan Stanley Capital International Inc. EAFE Index (Europe, Australia, Far East). Additional companies which may be selected include firms based in Canada, Mexico and India.

Andrews added, "Our objective with the non-U.S. fund, just as it has been domestically with the S&P 500 index, is to be in the top quartile of managers who also benchmark against the

EAFE index and to beat the EAFE standard net of our fees with considerably less risk for clients over full market cycles.”

Cardinal Capital Management, Inc. is an independent, fee-based investment firm with more than \$135 million under management. The company serves individual investors, institutions, charitable foundations and fiduciaries in the Triangle and throughout the nation. More information is available at www.cardinalcapitalmanagement.com.