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 Manager

Q: Tell me about Essex and its investment approach.

A: Essex Investment Management is a multiproduct, multi-strategy firm.

At the firm-wide level, our investment approach is guided by our belief that when it comes to evaluating change at the company level, the market is highly inefficient. What we do is identify and invest in companies whose stock price does not accurately reflect what is happening with the firm at a micro level.

Our team in Evanston is focused exclusively on managing long-only small growth products. Our specific approach is to execute a systematic, fundamental process to find early stage growth companies whose future growth has yet to be priced into the stock. We will look anywhere for growth and are really only constrained by our universe (all companies between \$50 million to \$7 billion). Companies that make it past our screen and through the fundamental research process are then allocated across micro, small and SMID cap portfolios.

Q: What is your definition of small cap?

A: Our Small product will invest in companies with market caps of between \$75 million to \$3 billion.

“...At Essex we are stock junkies...and I am the head junkie...”

Q: Where in the small cap growth style box do you fit? (momentum, quality, turnaround, GARP, etc.)

A: If I had to quantify our style it would be “inflection point investing.” We run quantitative screens to help identify companies in early stages of growth, with improving business fundamentals as close to their inflection points as we can determine. When we identify early acceleration, we want to invest in the first or second up-tick.

While this approach affords us a significant degree of independence from Wall Street’s conventional wisdom, its success relies on Wall Street eventually seeing what we see.

Q: How do you define “growth” in small cap investing?

A: We see growth in terms of the company’s life cycle. Essex looks for companies in their early or re-emerging growth stage that are flying under the radar of the big Wall Street firms, and have favorable and improving business fundamentals. One thing we don’t do is invest in speculative companies. The growth we seek must have tangible products and services, and thus actual revenues, to count.

Q: What do you believe is Essex’s secret to success?

A: I believe that at the root of every successful company you will find people who are passionate about what they do. At Essex, we are stock junkies... and I am the head junkie. I love listening to conference calls. I’m glued to my computer all day. For me personally, the challenge of finding names that are not just under the radar, but invisible to the radar, is exhilarating. It is a daily challenge, but one that I am excited about when I wake up in the morning and when I go to bed at night.

The time tested, disciplined approach I have used for our products since 1998, enables us to do our bottom up fundamental work. It helps to ensure we are covering our universe, finding growth, and not missing opportunities.

Q: How does your investment team interact?

A: Ours is a very collaborative process. Because our team and office are small, we are more or less in constant communication about the portfolio throughout the week. Still, we do have two formal meetings each week: once to discuss new ideas and again to go over fundamental changes in existing holdings.

As far as buy-sell decisions are concerned, I make the final call. The buck stops with me.

“...We’ve been around since 1976...and combine a strong institutional infrastructure with an entrepreneurial culture....”

Q: How do you attract and retain the right people?

A: We’ve been around since 1976. What’s emerged is a firm with a strong entrepreneurial culture. We focus on hiring the right people, which means people who are both qualified and a fit for the culture we’ve established. We trust our people to do their jobs without micromanagement, and offer extremely competitive compensation and benefits packages.

