



# RICE HALL JAMES & ASSOCIATES, LLC

## RHJ SMALL CAP EQUITY

2007

THIRD  
QUARTER

### Strategy Name Change

While we are not changing in any way our investment discipline or approach, we are changing the name of the RHJ SmallMid Cap Strategy to the RHJ Small Cap Strategy. This is simply a name change to account for the dramatic increases in capitalization ranges for all of the Russell indices this past June. The upper end of the Russell 2500 capitalization range jumped to \$6.3 billion from \$4.9 billion a year earlier and the upper end of Russell Midcap is now over \$18 billion. Given the fact that the weighted average market cap in this portfolio strategy has ranged between \$1.5 billion and \$2.1 billion during the past five years (\$1.9 billion currently) and the new weighted average market cap of the Russell 2500 has now risen to \$2.9 billion, we believe that going forward, the footprint of this strategy will most closely approximate that of the Russell 2000 Index (weighted average market cap currently at \$1.3 billion).

As a bottom-up fundamental manager, we continue to believe that the greatest pricing inefficiencies (i.e. opportunities for alpha generation) remain in the \$1 billion to \$2 billion dollar range, and, therefore, should remain the focus of our research. We feel it would not be in the best interest of our clients to change our investment focus simply to mirror the rapidly rising capitalization of the benchmark.

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