IQS Commentary for August 2010

IQS

- The IQS model was up 2.46% for the 5 weeks ending September 4, while the sector-neutral model was up 1.31%. Year-to-Date, the IQS model is down .11%. IQS top decile of stocks has returned +3.1% YTD, while (according to the WSJ) the DJIA has returned +0.2% YTD, S&P 500 has returned -.9% YTD, and The Total Stock Market has returned .2% YTD.
- Factor categories that added to performance were led by Momentum, Improving Financials, Balance Sheet and Value. Only Sentiment detracted from performance.

IQS 1000

- The IQS 1000 model was up 4.19% for the 5 weeks ending September 4, and down 1.84% YTD. IQS 1000 top decile of stocks has returned 2.0% YTD.

IQS Financial Sustainability Model

- The IQS Financial Sustainability (FS) model was up 2.33% for the 5 weeks ending September 4, and up 3.22% YTD. IQS FS top decile of stocks has returned 2.4% YTD.

Random Insights

- Volatility has declined a bit since the May highs in the 40's, but is essentially oscillating around the 20-25 range.
- Stock Market is trading around the end of year levels, with small gains and losses periodically. We still expect it end the year more or less flat.
- We continue to see Large Caps over Small Caps. For Value or Growth, we don't ascertain a trend.

Factor Weights

The IQS Weighting Scheme:

- Overall momentum/value weight for September remains about the same.

Notes:

- IQS model includes the IQS top 3000 stocks by capitalization
- IQS 1000 includes the IQS top 1000 stocks by capitalization
- IQS Financial Sustainability model includes IQS Value and Financial Statement models only – no earnings or price momentum is included. The results for this model is based on the IQS 3000 stock universe.

Note: Results are specific to the IQS analysis. Real time results will vary depending on universe, frequency of trading, and other manager specific strategies.

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Summary of IQS Results for 5 Weeks Ending 9/4/2010

All returns are equal-weighted
The results below are from paper portfolios, and are not based on actual trading.
No transaction costs are included.

Weekly Top and Bottom Decile Returns for IQS Composite Model

	IQS Universe		
Week Ending	Top Decile	Bottom Decile	Net
7-Aug	-0.03%	0.45%	-0.48%
14-Aug	-4.96%	-6.20%	1.24%
21-Aug	0.70%	-0.59%	1.29%
28-Aug	0.27%	-0.13%	0.40%
4-Sep	3.76%	3.78%	-0.02%
MTD	-0.46%	-2.92%	2.46%
YTD	3.14%	3.25%	-0.11%

Weekly Top and Bottom Decile Returns for IQS Composite Model, Sector Neutral

	Sector Neutral		
Week Ending	Top Decile	Bottom Decile	Net
7-Aug	0.20%	0.82%	-0.62%
14-Aug	-4.99%	-6.16%	1.17%
21-Aug	0.31%	-0.29%	0.60%
28-Aug	0.41%	-0.12%	0.53%
4-Sep	3.64%	4.08%	-0.44%
MTD	-0.62%	-1.93%	1.31%
YTD	2.40%	3.04%	-0.65%

Weekly IC for IQS Composite Model and Components

Week Ending	IQS	BAL	VAL	MOM	IMP	SEN
7-Aug	0.001	-0.015	0.073	-0.026	0.031	-0.032
14-Aug	0.096	-0.002	0.102	-0.007	0.160	-0.020
21-Aug	0.104	0.073	-0.072	0.096	0.045	0.058
28-Aug	0.022	-0.038	-0.016	0.039	0.046	-0.007
4-Sep	0.006	0.009	0.006	0.082	-0.096	0.082
MTD	0.046	0.005	0.019	0.037	0.037	0.016
YTD	0.006	0.000	0.026	-0.009	0.005	0.000

Weekly Top and Bottom Decile Returns for IQS Component Models

	BALANCE SHEET			VALUE		
Week Ending	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
7-Aug	-0.03%	-0.20%	0.17%	1.45%	0.48%	0.97%
14-Aug	-4.74%	-4.82%	0.08%	-4.85%	-5.94%	1.09%
21-Aug	-0.03%	-0.83%	0.80%	-0.85%	0.26%	-1.11%
28-Aug	0.20%	0.10%	0.10%	0.20%	0.91%	-0.71%
4-Sep	3.49%	2.82%	0.67%	4.05%	3.81%	0.24%
MTD	-1.28%	-3.05%	1.77%	-0.22%	-0.74%	0.52%
YTD	1.33%	1.78%	-0.44%	5.55%	-1.50%	7.05%

	MOMENTUM			IMPROVING FINANCIALS		
Week Ending	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
7-Aug	1.06%	1.33%	-0.27%	0.42%	0.35%	0.07%
14-Aug	-5.51%	-5.26%	-0.25%	-4.34%	-6.75%	2.41%
21-Aug	0.44%	-0.72%	1.16%	-0.09%	-0.29%	0.20%
28-Aug	0.18%	-0.59%	0.77%	0.52%	-0.18%	0.70%
4-Sep	4.24%	3.33%	0.91%	2.76%	4.31%	-1.55%
MTD	0.16%	-2.10%	2.26%	-0.86%	-2.85%	1.99%
YTD	0.40%	7.77%	-7.38%	5.68%	1.14%	4.54%

	SENTIMENT		
Week Ending	Top Decile	Bottom Decile	Net
7-Aug	-0.05%	1.30%	-1.35%
14-Aug	-5.99%	-5.52%	-0.47%
21-Aug	0.54%	-0.64%	1.18%
28-Aug	0.13%	0.24%	-0.11%
4-Sep	4.43%	3.85%	0.58%
MTD	-1.22%	-1.01%	-0.21%
YTD	5.66%	4.58%	1.08%

Notes:
IQS represents the IQS composite model.
IC or Information Coeffficient is calculated as the Spearman rank correlation between the forecasted returns and actual returns.
IQS Universe includes approximately the largest 4000 stocks by market capitalization
Sector definition is determined by Zacks Information Research

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Summary of IQS Results (Top 1000 Stocks) for 5 Weeks Ending 9/4/2010

All returns are equal-weighted
The results below are from paper portfolios, and are not based on actual trading.
No transaction costs are included.

Weekly Top and Bottom Decile Returns for IQS Composite Model

	IQS Universe		
Week Ending	Top Decile	Bottom Decile	Net
7-Aug	1.61%	1.92%	-0.31%
14-Aug	-3.31%	-5.80%	2.49%
21-Aug	1.32%	-1.16%	2.48%
28-Aug	-0.45%	-1.35%	0.90%
4-Sep	3.67%	5.27%	-1.60%
MTD	2.73%	-1.45%	4.19%
YTD	1.96%	3.80%	-1.84%

Weekly IC for IQS Composite Model

Week Ending	IQS
7-Aug	-0.030
14-Aug	0.230
21-Aug	0.213
28-Aug	0.102
4-Sep	-0.172
MTD	0.069
YTD	0.007

Notes:
IQS represents the IQS composite model.
IC or Information Coeffficient is calculated as the Spearman rank correlation between the forecasted returns and actual returns.
IQS Universe includes approximately the largest 1000 stocks by market capitalization
Sector definition is determined by Zacks Information Research

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Summary of IQS Financial Sustainability Model Results for 5 Weeks Ending 9/4/2010

All returns are equal-weighted
The results below are from paper portfolios, and are not based on actual trading.
No transaction costs are included.

Weekly Top and Bottom Decile Returns for IQS Composite Model

	IQS Universe		
Week Ending	Top Decile	Bottom Decile	Net
7-Aug	2.53%	1.58%	0.95%
14-Aug	-3.03%	-5.76%	2.73%
21-Aug	0.32%	-0.71%	1.03%
28-Aug	-0.78%	-0.95%	0.17%
4-Sep	2.68%	5.46%	-2.78%
MTD	1.62%	-0.71%	2.33%
YTD	2.41%	-0.81%	3.22%

Weekly IC for IQS Composite Model

Week Ending	IQS
7-Aug	0.023
14-Aug	0.259
21-Aug	0.104
28-Aug	0.073
4-Sep	-0.280
MTD	0.036
YTD	0.007

Notes:
IQS represents the IQS financial sustainability model, which is essentially the IQS composite model without momentum.
IC or Information Coeffficient is calculated as the Spearman rank correlation between the forecasted returns and actual returns.
IQS Universe includes approximately the largest 3000 stocks by market capitalization
Sector definition is determined by Zacks Information Research

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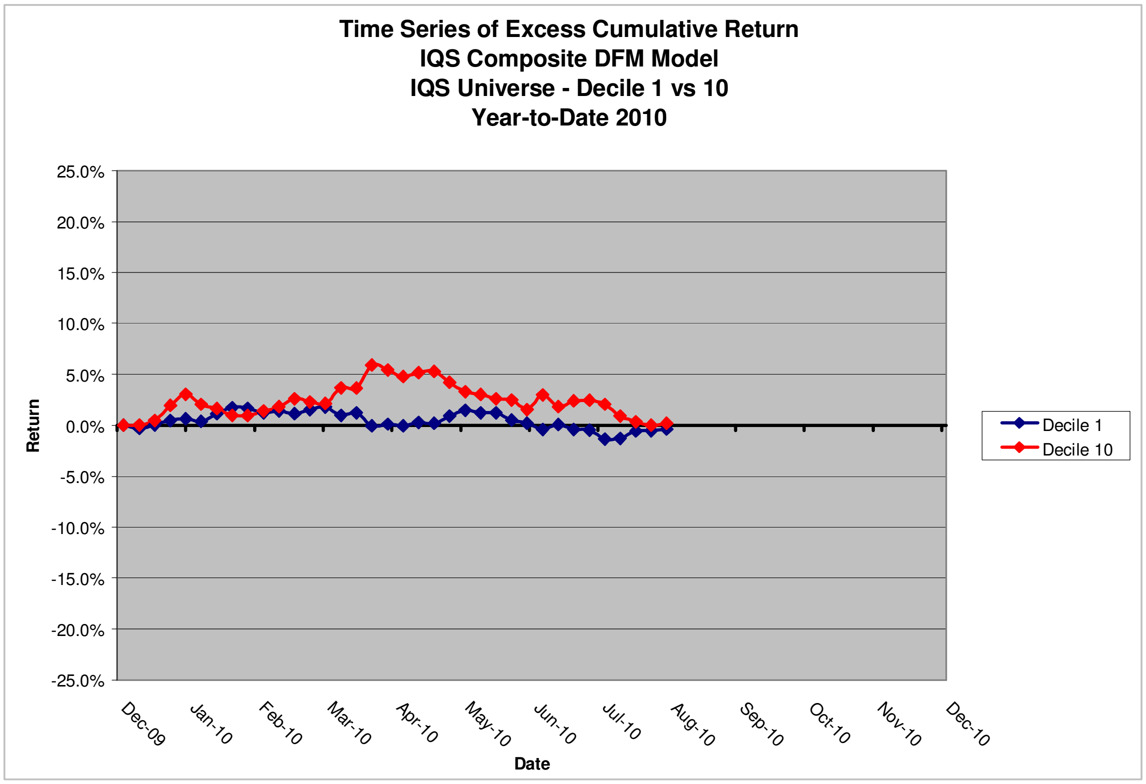
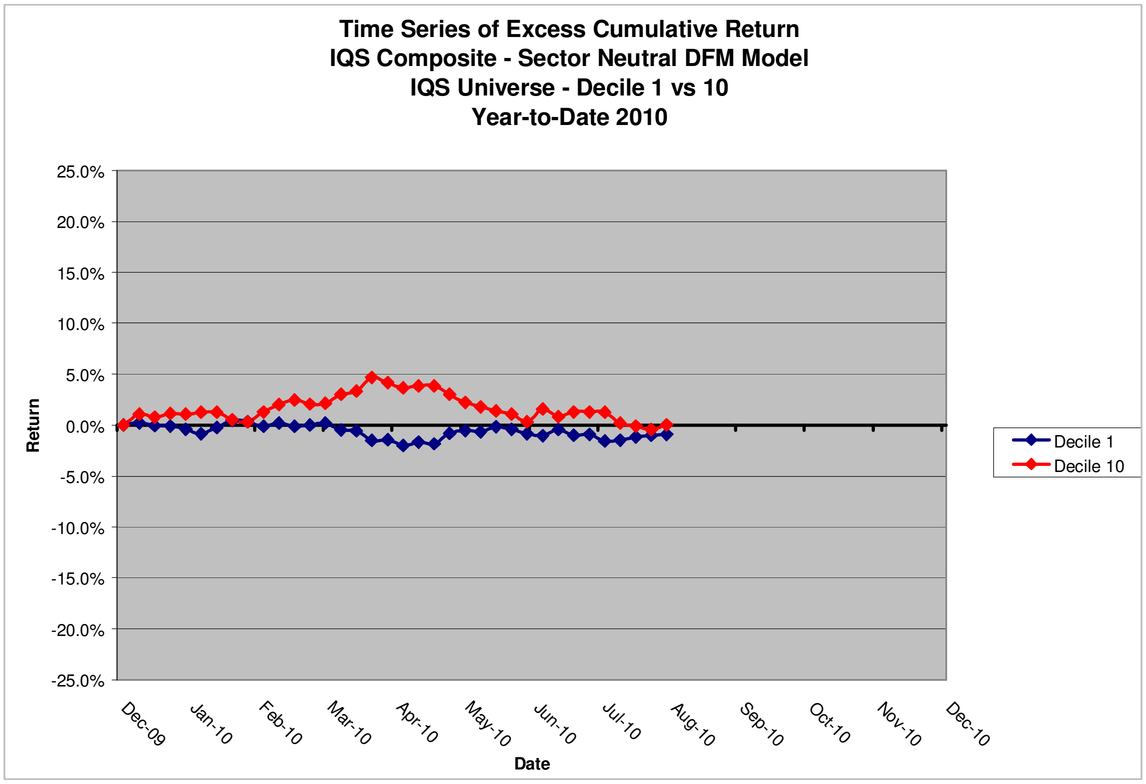
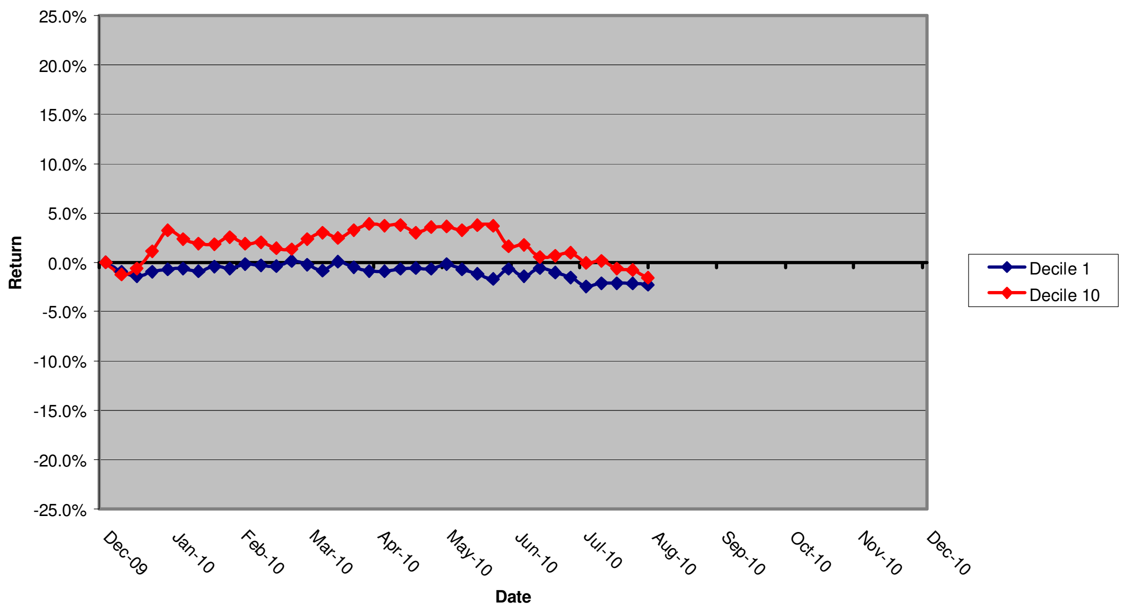
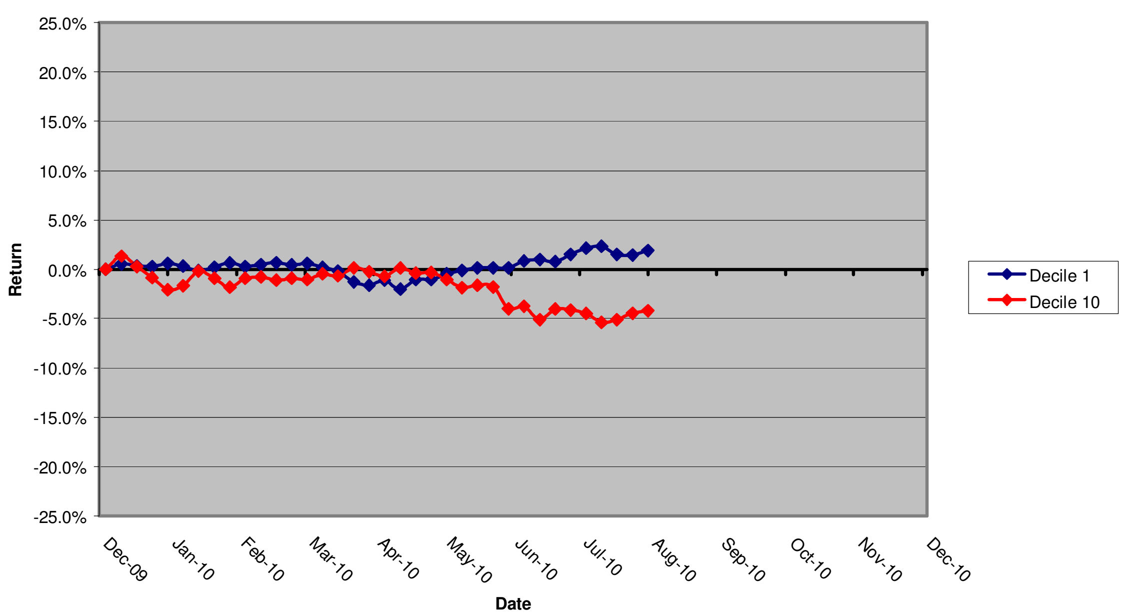



Time Series of Excess Cumulative Return
IQS Composite - Sector Neutral DFM Model
IQS Universe - Decile 1 vs 10
Year-to-Date 2010
Return
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
Dec-09
Jan-10
Feb-10
Mar-10
Apr-10
May-10
Jun-10
Jul-10
Aug-10
Sep-10
Oct-10
Nov-10
Dec-10
Date
Decile 1
Decile 10

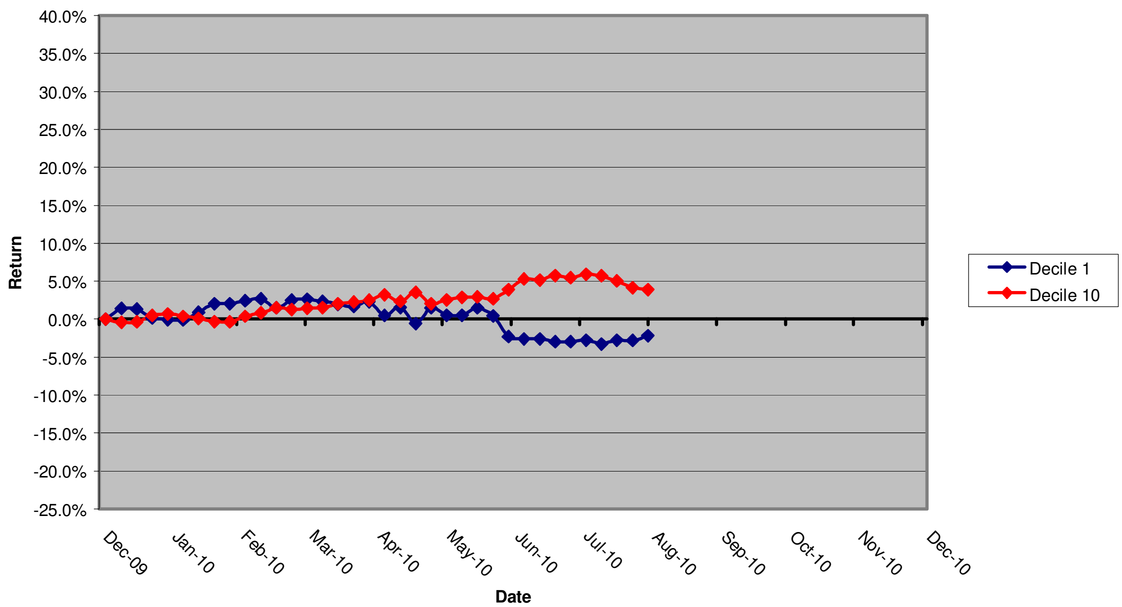
Time Series of Excess Cumulative Return
IQS Component - Balance Sheet
IQS Universe - Decile 1 vs 10
Year-to-Date 2010



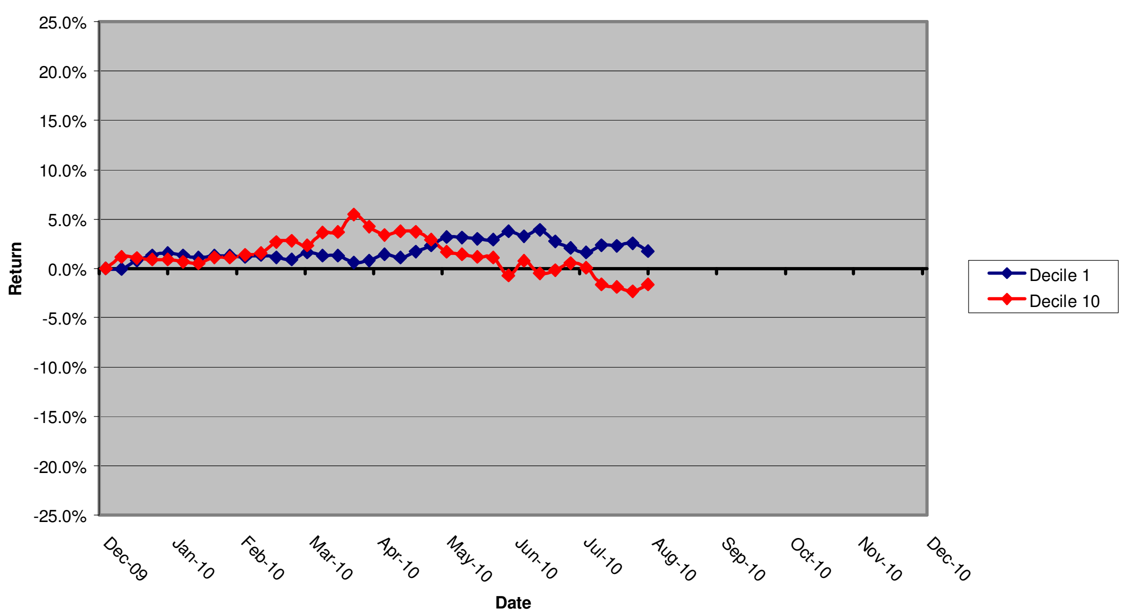
Time Series of Excess Cumulative Return
IQS Component - Value
IQS Universe - Decile 1 vs 10
Year-to-Date 2010



Time Series of Excess Cumulative Return
IQS Component - Momentum
IQS Universe - Decile 1 vs 10
Year-to-Date 2010



Time Series of Excess Cumulative Return
IQS Component - Improving Financials
IQS Universe - Decile 1 vs 10
Year-to-Date 2010



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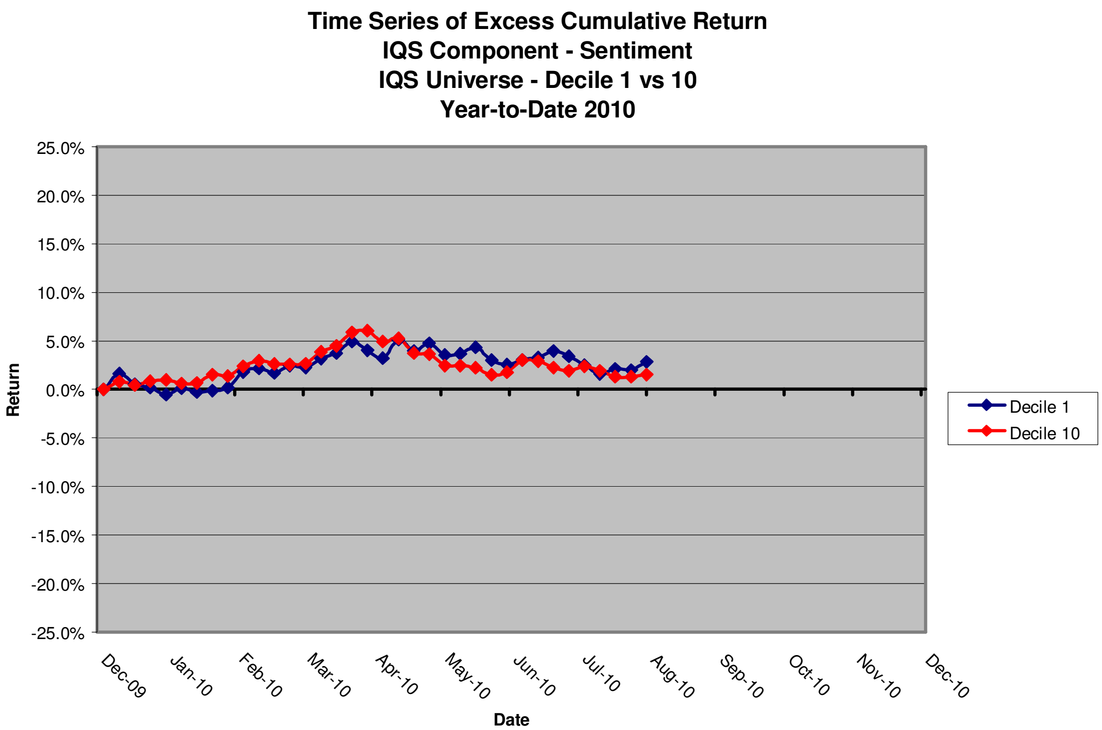

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