



IQS Commentary for February 2010

IQS

- The IQS model was up 3.18% for the 4 weeks ending February 27, while the sector-neutral model was up 1.49%. Year-to-Date, the IQS model is up .62%. IQS top decile of stocks has returned 2.1% YTD.
- A 180% reversal from last month. Momentum, Balance Sheet and Sentiment added to performance. Value and Improving Financials underperformed.

IQS – No Financials

- Without Financial Stocks, the IQS model was up 2.48% for the 4 weeks ending February 27. YTD, IQS model, non-financials, is up 3.24%.

IQS 1000

- The IQS 1000 model was up 2.87% for the 4 weeks ending February 27, and up 2.4% YTD. IQS top decile of stocks has returned 2.3% YTD.

Random Thoughts

- YTD, the models are performing well.
- A situation we have seen more and more over the past few years – the categories that outperform one month underperform the next. Factor volatility remains large.
- Over the past year, the VIX is trending downwards, but the shorter term interim moves have become more volatile.
- After hitting its' low around the second week of February, the market has been clawing back and is around the values at the start of the year.
- Small caps continue to outperform large caps. After runs like these, large caps typically outperform over the next couple of months.
- Is the run in small caps a sign that investors believe an economic recovery is underway?
- Don't be fooled by unemployment numbers (or for that matter, most macroeconomic numbers released) – the job situation is still dismal.

Factor Weights

The IQS Weighting Scheme:

- Diversified weights across the categories. Turnover higher than typical in this increased factor volatility environment.

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

Summary of IQS Results for 4 Weeks Ending 2/27/2010

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

Week Ending	IQS Universe		Net
	Top Decile	Bottom Decile	
6-Feb	-1.53%	-2.30%	0.77%
13-Feb	3.21%	2.04%	1.17%
20-Feb	3.52%	2.28%	1.24%
27-Feb	-0.47%	-0.42%	-0.05%
MTD	4.71%	1.54%	3.18%
YTD	2.12%	1.50%	0.62%

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

Week Ending	Sector Neutral		Net
	Top Decile	Bottom Decile	
6-Feb	-1.75%	-1.11%	-0.64%
13-Feb	3.06%	2.47%	0.59%
20-Feb	3.61%	2.23%	1.38%
27-Feb	-0.47%	-0.64%	0.17%
MTD	4.42%	2.93%	1.49%
YTD	0.74%	0.76%	-0.02%

Weekly IC for IQS Composite Model and Components

Week Ending	IQS	BAL	VAL	MOM	IMP	SEN
6-Feb	0.025	0.085	-0.002	-0.015	-0.002	0.037
13-Feb	0.077	0.076	-0.075	0.122	0.009	-0.009
20-Feb	0.089	0.041	0.062	0.113	-0.034	-0.094
27-Feb	-0.011	-0.049	0.030	0.002	-0.036	0.025
MTD	0.045	0.038	0.004	0.056	-0.016	-0.010
YTD	0.013	-0.006	0.038	0.006	0.003	-0.018

Weekly Top and Bottom Decile Returns for IQS Component Models

Week Ending	BALANCE SHEET			VALUE		
	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
6-Feb	-1.25%	-2.17%	0.92%	-1.61%	-0.89%	-0.72%
13-Feb	2.17%	1.97%	0.20%	2.01%	3.92%	-1.91%
20-Feb	3.45%	2.85%	0.60%	3.31%	2.21%	1.10%
27-Feb	-0.62%	0.36%	-0.98%	0.02%	-1.29%	1.31%
MTD	3.73%	2.97%	0.76%	3.71%	3.91%	-0.20%
YTD	-0.16%	3.20%	-3.36%	1.06%	-1.51%	2.57%

Week Ending	MOMENTUM			IMPROVING FINANCIALS		
	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
6-Feb	-1.39%	-1.59%	0.20%	-1.51%	-1.54%	0.03%
13-Feb	3.46%	2.15%	1.31%	2.21%	2.28%	-0.07%
20-Feb	4.07%	2.52%	1.55%	3.14%	3.56%	-0.42%
27-Feb	-0.37%	-0.45%	0.08%	-0.38%	-0.41%	0.03%
MTD	5.78%	2.60%	3.19%	3.43%	3.86%	-0.43%
YTD	2.36%	0.13%	2.23%	1.79%	1.49%	0.30%

Week Ending	SENTIMENT		
	Top Decile	Bottom Decile	Net
6-Feb	-0.65%	-1.65%	1.00%
13-Feb	2.07%	2.49%	-0.42%
20-Feb	3.06%	3.82%	-0.76%
27-Feb	-0.09%	-0.57%	0.48%
MTD	4.42%	4.05%	0.36%
YTD	0.53%	1.79%	-1.25%

Notes:

IQS represents the IQS composite model.
 IC or Information Coefficient 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

Summary of IQS (No Finance Stocks) Results for 4 Weeks Ending 2/27/2010

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

Week Ending	IQS Universe		Net
	Top Decile	Bottom Decile	
6-Feb	-1.52%	-1.30%	-0.22%
13-Feb	3.42%	2.72%	0.70%
20-Feb	3.66%	2.06%	1.60%
27-Feb	-0.71%	-1.09%	0.38%
MTD	4.83%	2.35%	2.48%
YTD	2.17%	-1.06%	3.24%

Weekly IC for IQS Composite Model

Week Ending	IQS
6-Feb	-0.015
13-Feb	0.050
20-Feb	0.083
27-Feb	0.024
MTD	0.036
YTD	0.032

Notes:

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IC or Information Coefficient 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

Summary of IQS Results (Top 1000 Stocks) for 4 Weeks Ending 2/27/2010

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

Week Ending	IQS Universe		Net
	Top Decile	Bottom Decile	
6-Feb	-1.15%	-1.91%	0.76%
13-Feb	2.68%	1.64%	1.04%
20-Feb	3.77%	2.16%	1.61%
27-Feb	-0.31%	0.27%	-0.58%
MTD	5.00%	2.13%	2.87%
YTD	2.27%	-0.13%	2.40%

Weekly IC for IQS Composite Model

Week Ending	IQS
6-Feb	0.075
13-Feb	0.053
20-Feb	0.106
27-Feb	-0.008
MTD	0.057
YTD	0.048

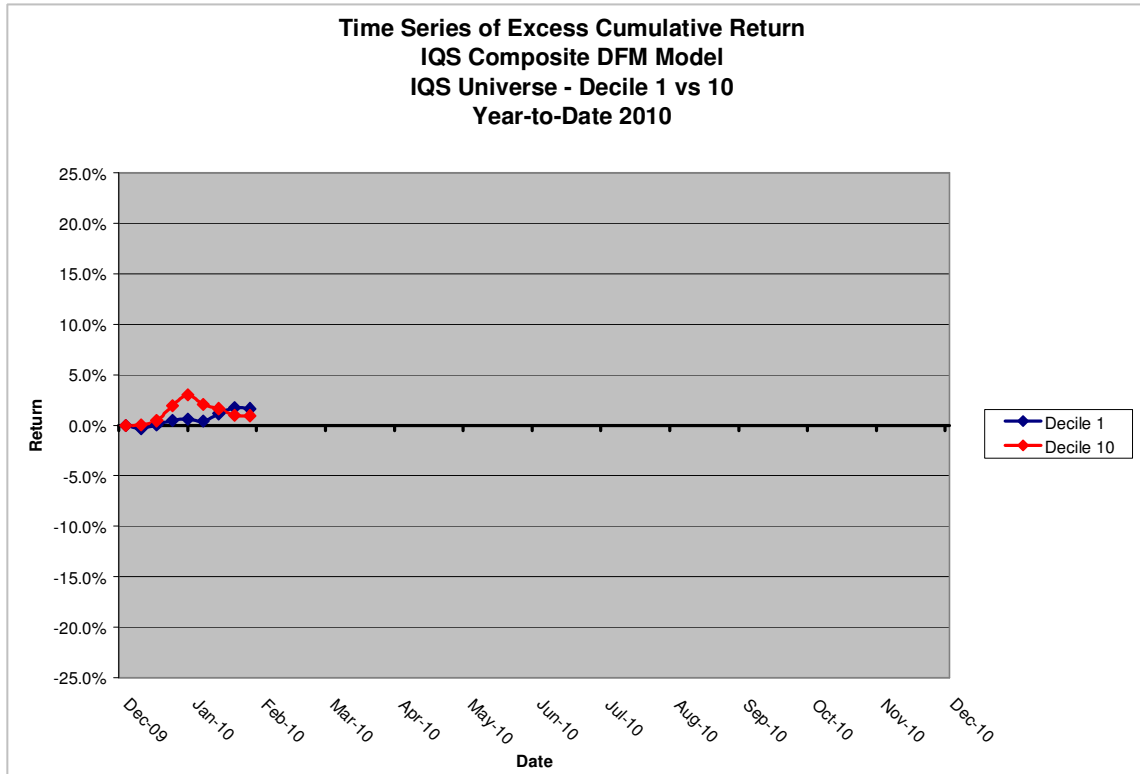
Notes:

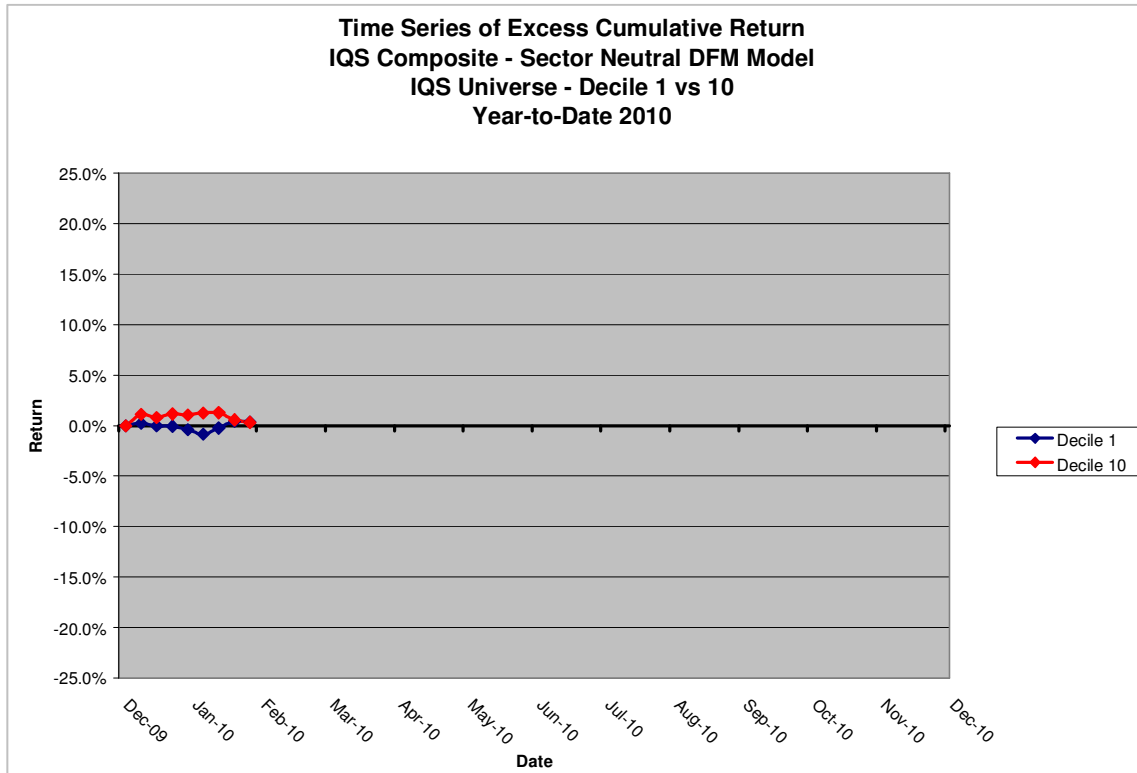
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IQS Universe includes approximately the largest 1000 stocks by market capitalization

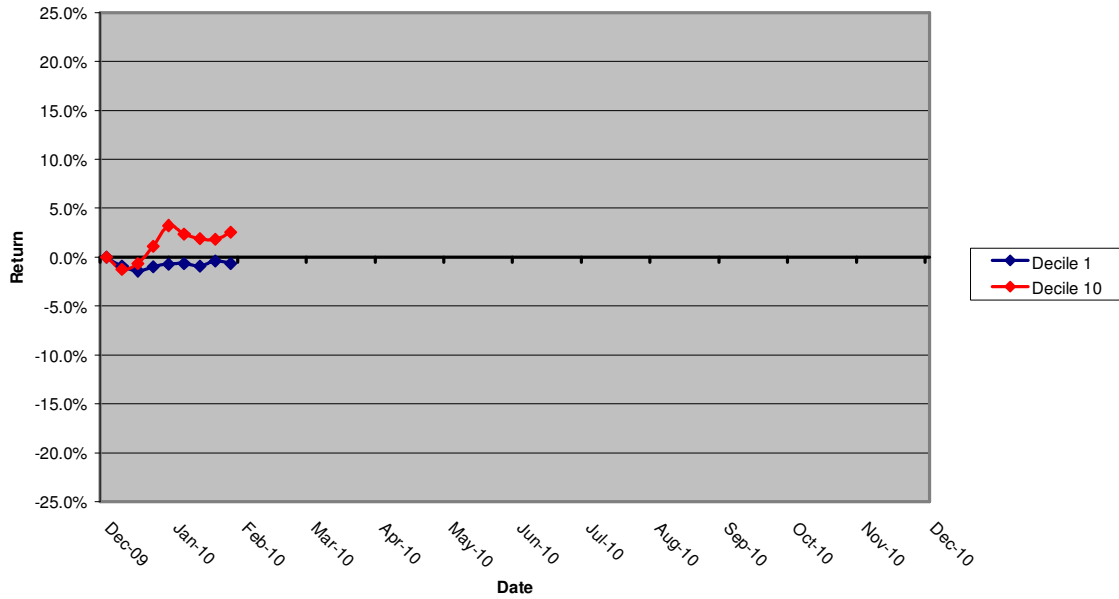
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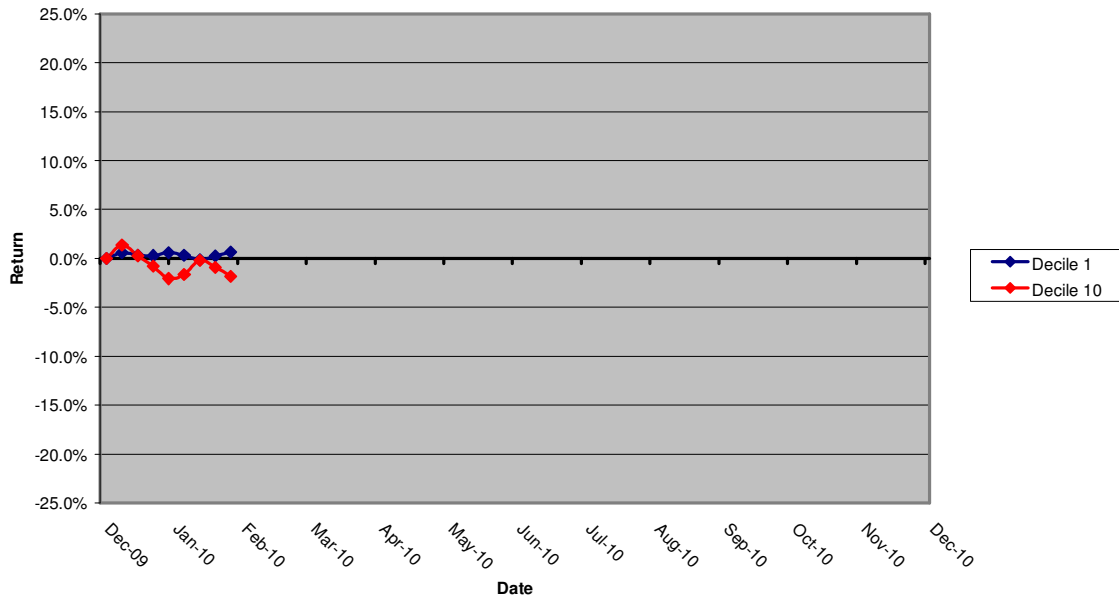




**Time Series of Excess Cumulative Return
IQS Component - Balance Sheet
IQS Universe - Decile 1 vs 10
Year-to-Date 2010**

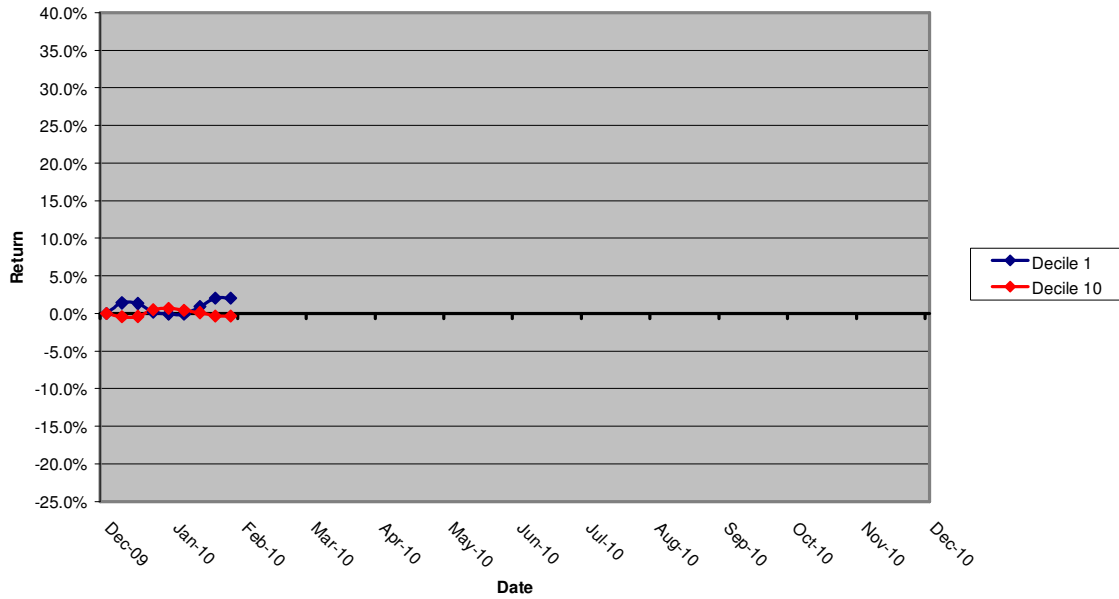


**Time Series of Excess Cumulative Return
IQS Component - Value
IQS Universe - Decile 1 vs 10
Year-to-Date 2010**

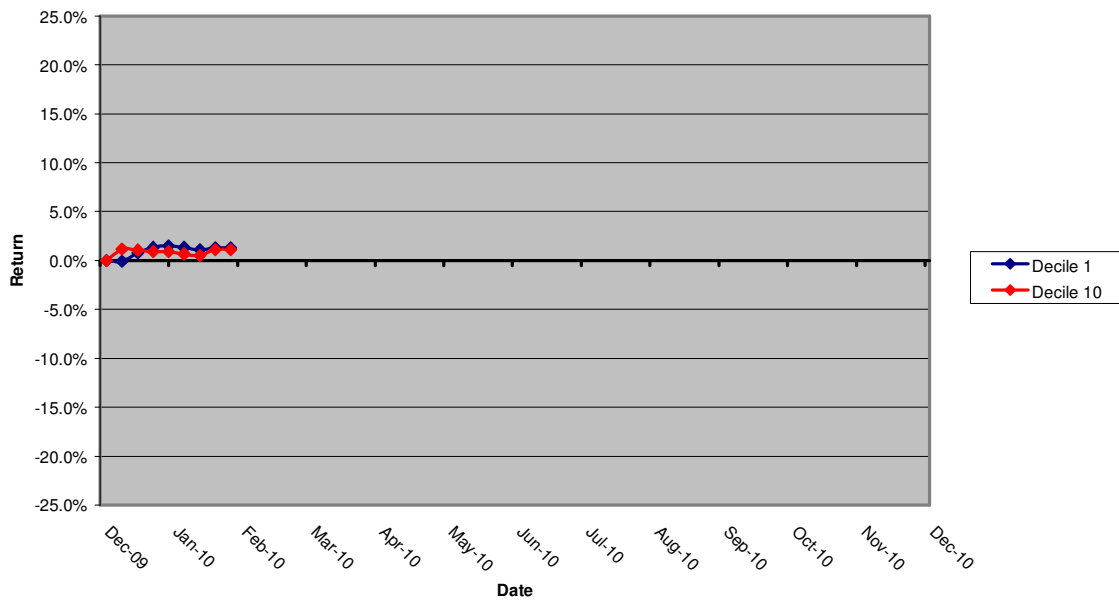




**Time Series of Excess Cumulative Return
IQS Component - Momentum
IQS Universe - Decile 1 vs 10
Year-to-Date 2010**



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





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

