



IQS Commentary for January 2010

Summary –

Starting with this month, we will be including performance for multiple universes. For this month, we have three – IQS 4000, IQS 4000 (No Finance Stocks), and IQS 1000 (approx top 1000 stocks by capitalization). Many of the “shorts” are financials, and with financials so dependent upon government policies and the fed, the IQS model can not value them with full information, so we recommend using your discretion.

IQS 4000

- The IQS model was down 2.44% for the 4 weeks ending January 30, while the sector-neutral model was down 1.41%.
- Led by Value and Improving Financials with positive spreads. Balance Sheet, Momentum, and Sentiment were negative.

IQS 4000 – No Financials

- Without Financial Stocks, the IQS model was up 0.80% for the 4 weeks ending January 30.
- Improving Financials, Value, and Momentum all had positive spreads, with Balance Sheet slightly above zero. Only Sentiment was negative.

IQS 1000

- The IQS 1000 model was down .39% for the 4 weeks ending January 30.

Random Thoughts

- Financials clearly hurt the IQS model. Top 1000 stocks performed much better than the full universe, and expect that Top 1000 without financials performed even better.
- VIX broke below 20 at the beginning of January, then spiked back to 27, and has been coming back down. 21 at the time of this writing.
- January effect? Forget it. Small caps underperformed. Market down.

Factor Weights

The IQS Weighting Scheme:

- Very diversified weights across the categories. Both Momentum and Value has increased in weight. Sentiment is low.

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 1/30/2010

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	
9-Jan	3.14%	3.51%	-0.37%
16-Jan	-0.47%	-0.42%	-0.05%
23-Jan	-2.90%	-1.84%	-1.06%
30-Jan	-2.16%	-1.20%	-0.96%
MTD	-2.47%	-0.04%	-2.44%
YTD	-2.47%	-0.04%	-2.44%

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

Week Ending	Sector Neutral		Net
	Top Decile	Bottom Decile	
9-Jan	3.70%	4.56%	-0.86%
16-Jan	-1.10%	-1.11%	0.01%
23-Jan	-3.38%	-3.01%	-0.37%
30-Jan	-2.64%	-2.39%	-0.25%
MTD	-3.52%	-2.11%	-1.41%
YTD	-3.52%	-2.11%	-1.41%

Weekly IC for IQS Composite Model and Components

Week Ending	IQS	BAL	VAL	MOM	IMP	SEN
9-Jan	0.024	0.040	-0.053	0.074	-0.054	0.022
16-Jan	0.025	-0.038	0.109	-0.048	0.084	-0.030
23-Jan	-0.079	-0.078	0.123	-0.158	0.041	-0.060
30-Jan	-0.044	-0.121	0.113	-0.039	0.017	-0.031
MTD	-0.019	-0.049	0.073	-0.043	0.022	-0.025
YTD	-0.019	-0.049	0.073	-0.043	0.022	-0.025

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
9-Jan	2.51%	2.21%	0.30%	4.02%	4.81%	-0.79%
16-Jan	-1.28%	-0.22%	-1.06%	-1.04%	-1.89%	0.85%
23-Jan	-2.92%	-1.55%	-1.37%	-3.43%	-4.44%	1.01%
30-Jan	-2.03%	-0.18%	-1.85%	-1.97%	-3.54%	1.57%
MTD	-3.75%	0.22%	-3.98%	-2.55%	-5.22%	2.66%
YTD	-3.75%	0.22%	-3.98%	-2.55%	-5.22%	2.66%

Week Ending	MOMENTUM			IMPROVING FINANCIALS		
	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
9-Jan	4.86%	3.03%	1.83%	3.39%	4.62%	-1.23%
16-Jan	-0.90%	-0.79%	-0.11%	0.04%	-0.92%	0.96%
23-Jan	-4.48%	-2.44%	-2.04%	-2.81%	-3.51%	0.70%
30-Jan	-2.51%	-2.13%	-0.38%	-2.10%	-2.30%	0.20%
MTD	-3.23%	-2.40%	-0.83%	-1.59%	-2.28%	0.70%
YTD	-3.23%	-2.40%	-0.83%	-1.59%	-2.28%	0.70%

Week Ending	SENTIMENT		
	Top Decile	Bottom Decile	Net
9-Jan	5.08%	4.25%	0.83%
16-Jan	-1.85%	-1.15%	-0.70%
23-Jan	-3.75%	-2.98%	-0.77%
30-Jan	-3.01%	-2.16%	-0.85%
MTD	-3.72%	-2.18%	-1.54%
YTD	-3.72%	-2.18%	-1.54%

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 1/30/2010

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	
9-Jan	3.35%	4.97%	-1.62%
16-Jan	-0.61%	-1.23%	0.62%
23-Jan	-2.84%	-3.59%	0.75%
30-Jan	-2.34%	-3.29%	0.95%
MTD	-2.53%	-3.33%	0.80%
YTD	-2.53%	-3.33%	0.80%

Weekly IC for IQS Composite Model and Components

Week Ending	IQS	BAL	VAL	MOM	IMP	SEN
9-Jan	-0.052	-0.048	-0.044	0.043	-0.092	0.010
16-Jan	0.069	-0.004	0.122	-0.039	0.110	-0.026
23-Jan	0.031	0.047	0.121	-0.114	0.104	-0.032
30-Jan	0.069	0.005	0.095	-0.004	0.080	-0.021
MTD	0.029	0.000	0.074	-0.029	0.051	-0.017
YTD	0.029	0.000	0.074	-0.029	0.051	-0.017

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
9-Jan	2.22%	3.59%	-1.37%	4.41%	5.14%	-0.73%
16-Jan	-1.06%	-1.18%	0.12%	-1.15%	-2.12%	0.97%
23-Jan	-2.88%	-3.66%	0.78%	-3.45%	-4.59%	1.14%
30-Jan	-1.92%	-2.38%	0.46%	-2.82%	-3.89%	1.07%
MTD	-3.66%	-3.73%	0.06%	-3.16%	-5.63%	2.47%
YTD	-3.66%	-3.73%	0.06%	-3.16%	-5.63%	2.47%

Week Ending	MOMENTUM			IMPROVING FINANCIALS		
	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
9-Jan	5.10%	3.89%	1.21%	3.55%	4.90%	-1.35%
16-Jan	-0.84%	-1.30%	0.46%	-0.19%	-1.28%	1.09%
23-Jan	-4.50%	-3.14%	-1.36%	-2.84%	-4.43%	1.59%
30-Jan	-2.54%	-3.15%	0.61%	-2.31%	-3.39%	1.08%
MTD	-3.00%	-3.81%	0.81%	-1.90%	-4.39%	2.48%
YTD	-3.00%	-3.81%	0.81%	-1.90%	-4.39%	2.48%

Week Ending	SENTIMENT		
	Top Decile	Bottom Decile	Net
9-Jan	5.28%	4.79%	0.49%
16-Jan	-1.89%	-1.49%	-0.40%
23-Jan	-3.96%	-3.85%	-0.11%
30-Jan	-3.37%	-2.99%	-0.38%
MTD	-4.14%	-3.71%	-0.43%
YTD	-4.14%	-3.71%	-0.43%

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 Results (Top 1000 Stocks) for 4 Weeks Ending 1/30/2010

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	
9-Jan	3.56%	5.72%	-2.16%
16-Jan	-0.61%	-1.27%	0.66%
23-Jan	-3.55%	-3.83%	0.28%
30-Jan	-1.89%	-2.58%	0.69%
MTD	-2.60%	-2.21%	-0.39%
YTD	-2.60%	-2.21%	-0.39%

Weekly IC for IQS Composite Model

Week Ending	IQS
9-Jan	-0.098
16-Jan	0.106
23-Jan	0.082
30-Jan	0.071
MTD	0.040
YTD	0.040

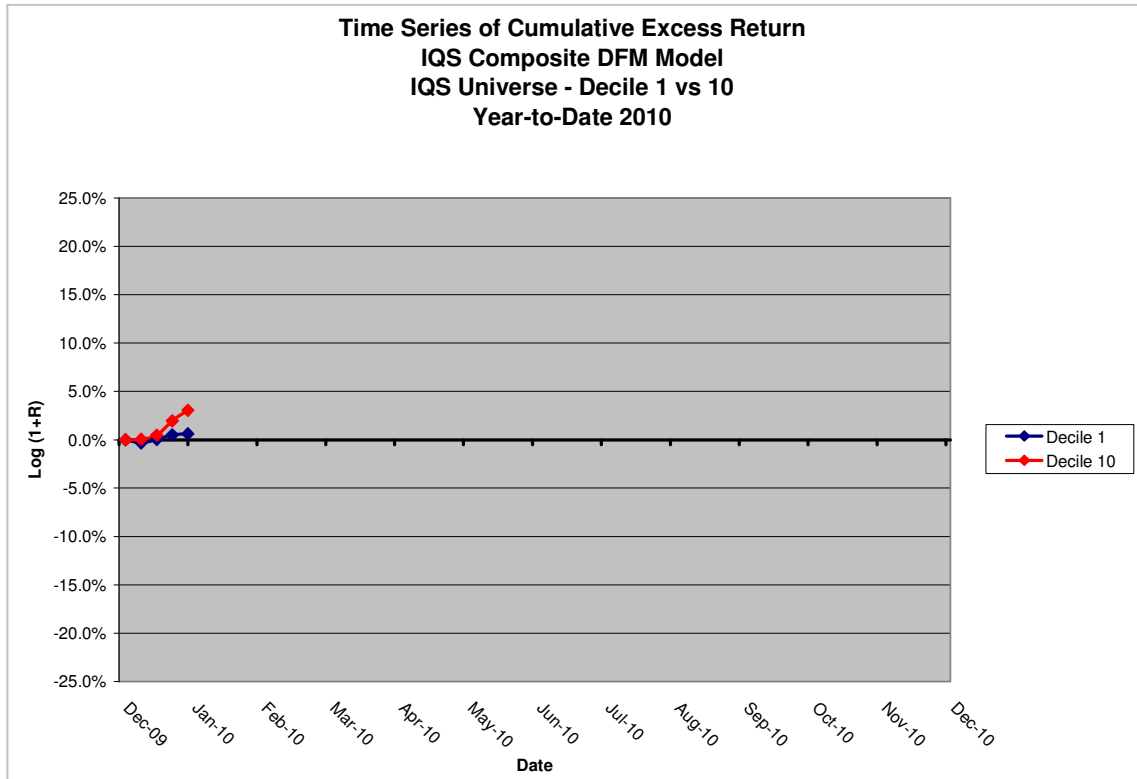
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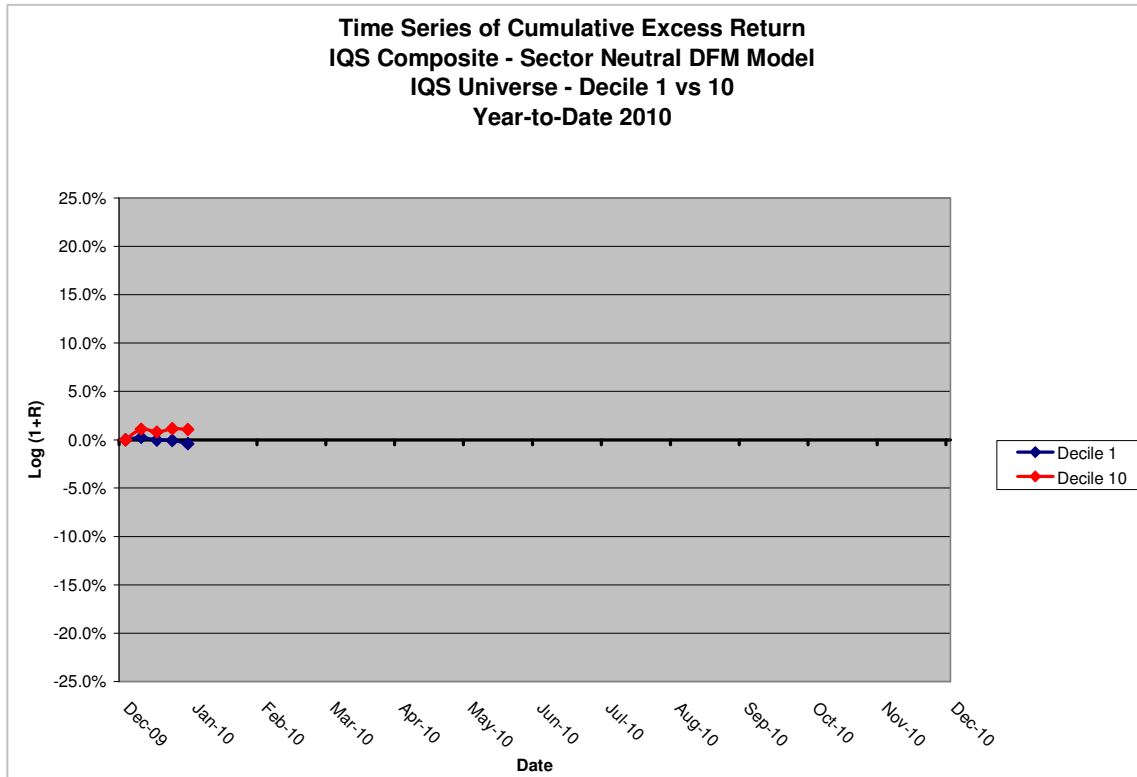
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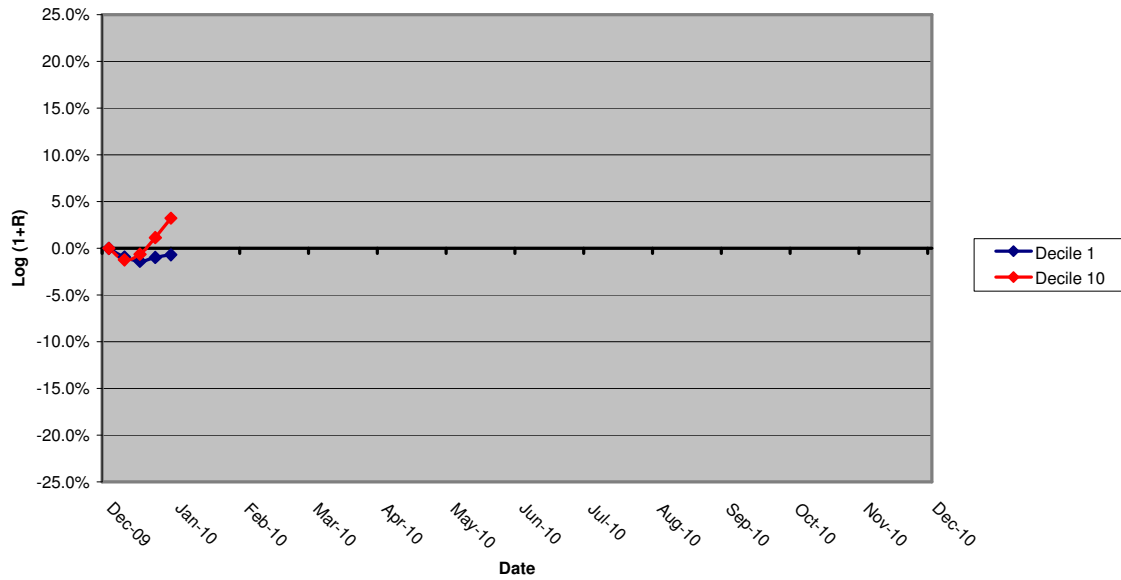
Sector definition is determined by Zacks Information Research



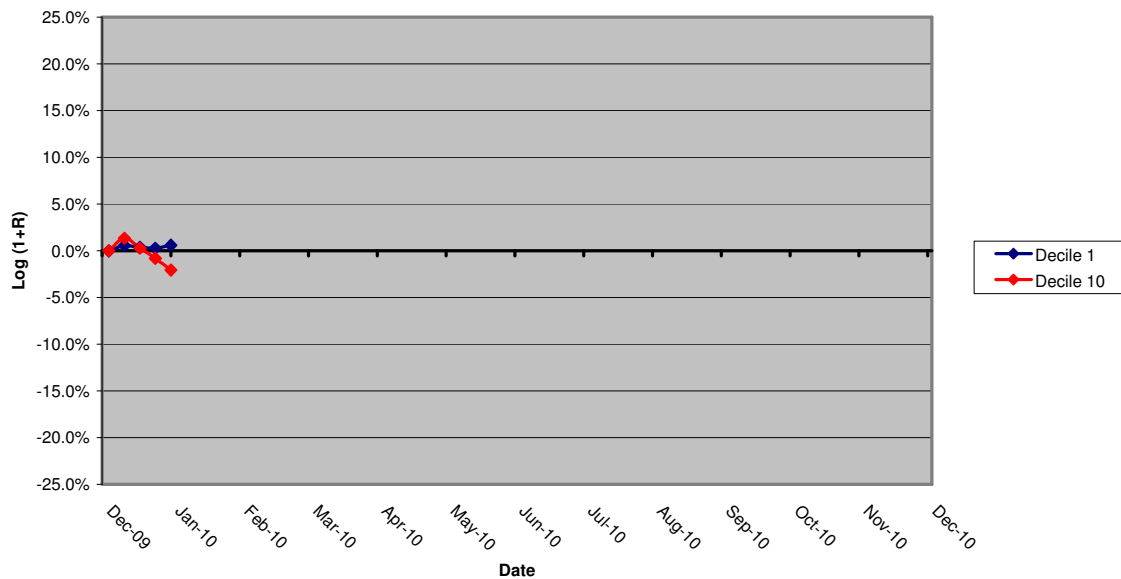




Time Series of Cumulative Excess Return
IQS Component - Balance Sheet
IQS Universe - Decile 1 vs 10
Year-to-Date 2010

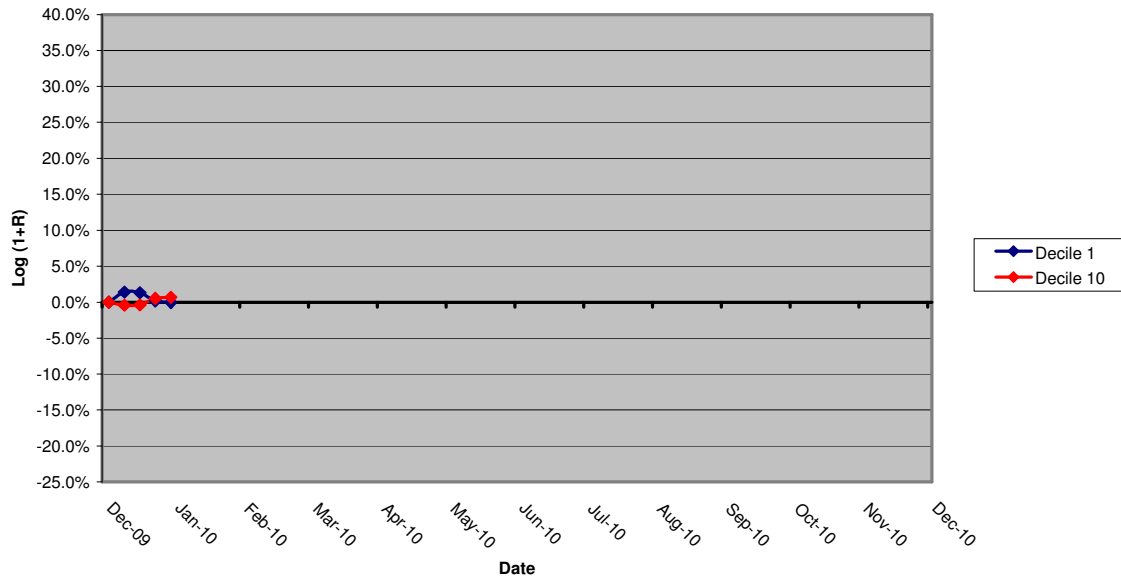


Time Series of Cumulative Excess Return
IQS Component - Value
IQS Universe - Decile 1 vs 10
Year-to-Date 2010

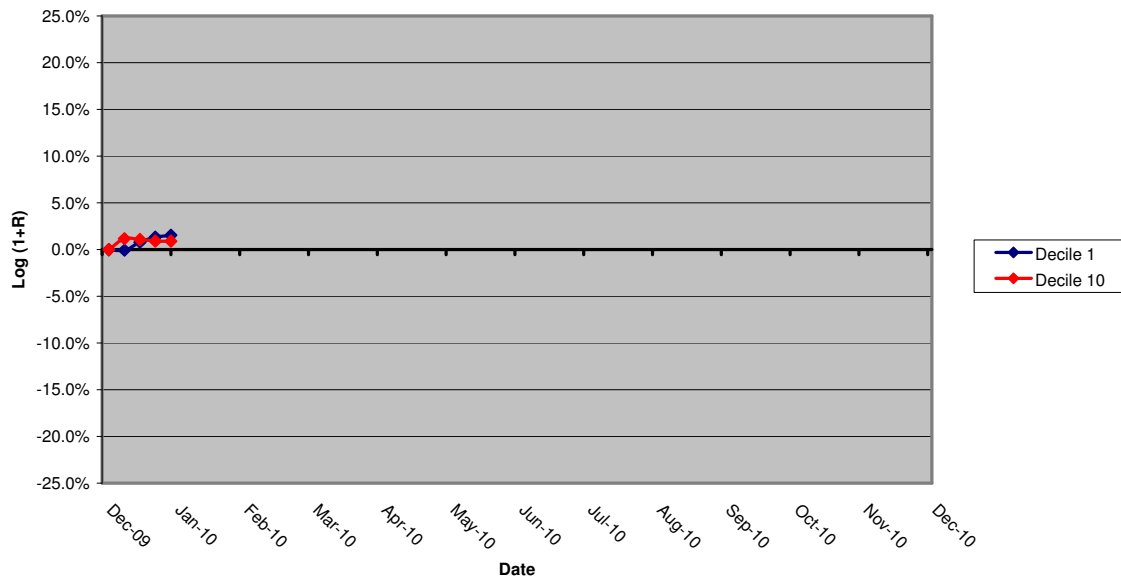




Time Series of Cumulative Excess Return
IQS Component - Momentum
IQS Universe - Decile 1 vs 10
Year-to-Date 2010



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





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

