



## **IQS Commentary for June 2010**

### **IQS**

- The IQS model was up 1.87% for the 5 weeks ending July 3, while the sector-neutral model was up 2.47%. Year-to-Date, the IQS model is down 1.12%. IQS top decile of stocks has returned -3.5% YTD, while (according to the WSJ) the DJIA has returned -7.1% YTD, S&P 500 has returned -8.3% YTD, and The Total Stock Market has returned -7.3% YTD.
- Factor categories that added to performance were led by Improving Financials, Value and Balance Sheet. Momentum and Sentiment underperformed.
- Value and Improving Financials had positive (or zero) Decile 1-10 spreads in all 5 weeks of June. Momentum had a positive spread in only one week in June.

### **IQS 1000**

- The IQS 1000 model was down 1.07% for the 5 weeks ending July, and down .38% YTD. IQS 1000 top decile of stocks has returned -6.3% YTD.

### **Random Insights**

- The 10<sup>th</sup> decile (best shorts) continues to outperform the universe.
- Large caps outperformed small caps. We would not be surprised to see this continue over the rest of the year.
- Cross-sectional volatility of monthly returns across the “growth” stocks has declined over the year. For all stocks, the cross-sectional volatility has been relatively consistent during 2010 but much lower than in 2009.

### **Factor Weights**

The IQS Weighting Scheme:

- Small changes in the weights for July compared with June. Value and Improving Financials make up around 50% of the weight.

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 5 Weeks Ending 7/3/2010

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	
5-Jun	-2.72%	-4.19%	1.47%
12-Jun	2.01%	1.98%	0.03%
19-Jun	2.66%	2.20%	0.46%
26-Jun	-3.15%	-2.51%	-0.64%
3-Jul	-6.19%	-6.84%	0.65%
MTD	-7.44%	-9.31%	1.87%
YTD	-3.53%	-2.41%	-1.12%

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

Week Ending	Sector Neutral		Net
	Top Decile	Bottom Decile	
5-Jun	-3.00%	-4.08%	1.08%
12-Jun	2.12%	1.80%	0.32%
19-Jun	3.08%	2.25%	0.83%
26-Jun	-2.64%	-2.71%	0.07%
3-Jul	-6.29%	-6.64%	0.35%
MTD	-6.84%	-9.31%	2.47%
YTD	-4.64%	-3.65%	-0.99%

### Weekly IC for IQS Composite Model and Components

Week Ending	IQS	BAL	VAL	MOM	IMP	SEN
5-Jun	0.087	0.024	0.131	-0.077	0.128	-0.011
12-Jun	0.005	-0.022	0.114	-0.003	-0.017	-0.049
19-Jun	0.016	-0.042	0.035	0.019	0.008	0.015
26-Jun	-0.055	-0.024	-0.024	-0.076	-0.015	0.007
3-Jul	0.032	0.182	0.116	-0.214	0.121	-0.033
MTD	0.017	0.024	0.074	-0.070	0.045	-0.014
YTD	0.001	-0.001	0.022	-0.014	0.005	-0.002

### 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
5-Jun	-2.79%	-3.21%	0.42%	-2.72%	-3.97%	1.25%
12-Jun	1.72%	1.89%	-0.17%	2.63%	1.43%	1.20%
19-Jun	2.16%	3.11%	-0.95%	2.87%	2.87%	0.00%
26-Jun	-2.92%	-2.48%	-0.44%	-2.40%	-2.59%	0.19%
3-Jul	-4.85%	-7.92%	3.07%	-5.90%	-8.04%	2.14%
MTD	-6.69%	-8.69%	2.00%	-5.68%	-10.24%	4.57%
YTD	-4.27%	-2.22%	-2.05%	-3.44%	-7.97%	4.52%

Week Ending	MOMENTUM			IMPROVING FINANCIALS		
	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
5-Jun	-4.21%	-2.73%	-1.48%	-2.43%	-4.50%	2.07%
12-Jun	2.21%	2.56%	-0.35%	2.21%	2.01%	0.20%
19-Jun	3.62%	2.65%	0.97%	2.50%	2.37%	0.13%
26-Jun	-3.46%	-2.68%	-0.78%	-2.51%	-2.50%	-0.01%
3-Jul	-8.59%	-4.60%	-3.99%	-5.04%	-7.64%	2.60%
MTD	-10.47%	-4.92%	-5.55%	-5.37%	-10.19%	4.82%
YTD	-6.65%	0.42%	-7.07%	0.19%	-4.79%	4.98%

Week Ending	SENTIMENT		
	Top Decile	Bottom Decile	Net
5-Jun	-4.43%	-4.39%	-0.04%
12-Jun	2.39%	2.23%	0.16%
19-Jun	3.29%	2.38%	0.91%
26-Jun	-3.74%	-3.10%	-0.64%
3-Jul	-6.35%	-5.65%	-0.70%
MTD	-8.88%	-8.51%	-0.37%
YTD	-1.85%	-2.42%	0.58%

#### 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 5 Weeks Ending 7/3/2010**

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**

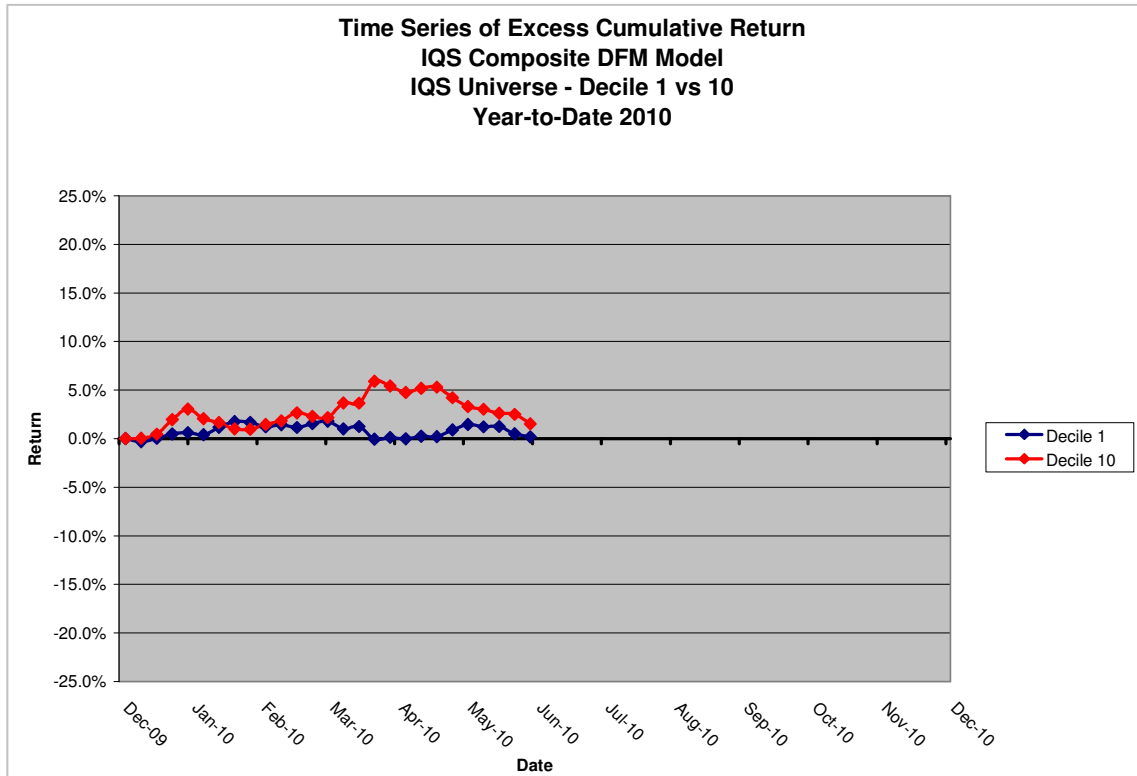
<u>Week Ending</u>	<u>IQS Universe</u>		<u>Net</u>
	<u>Top Decile</u>	<u>Bottom Decile</u>	
5-Jun	-2.09%	-2.75%	0.66%
12-Jun	2.48%	3.98%	-1.50%
19-Jun	1.94%	3.11%	-1.17%
26-Jun	-3.78%	-3.60%	-0.18%
3-Jul	-5.26%	-6.17%	0.91%
MTD	-6.76%	-5.69%	-1.07%
YTD	-6.25%	-5.87%	-0.38%

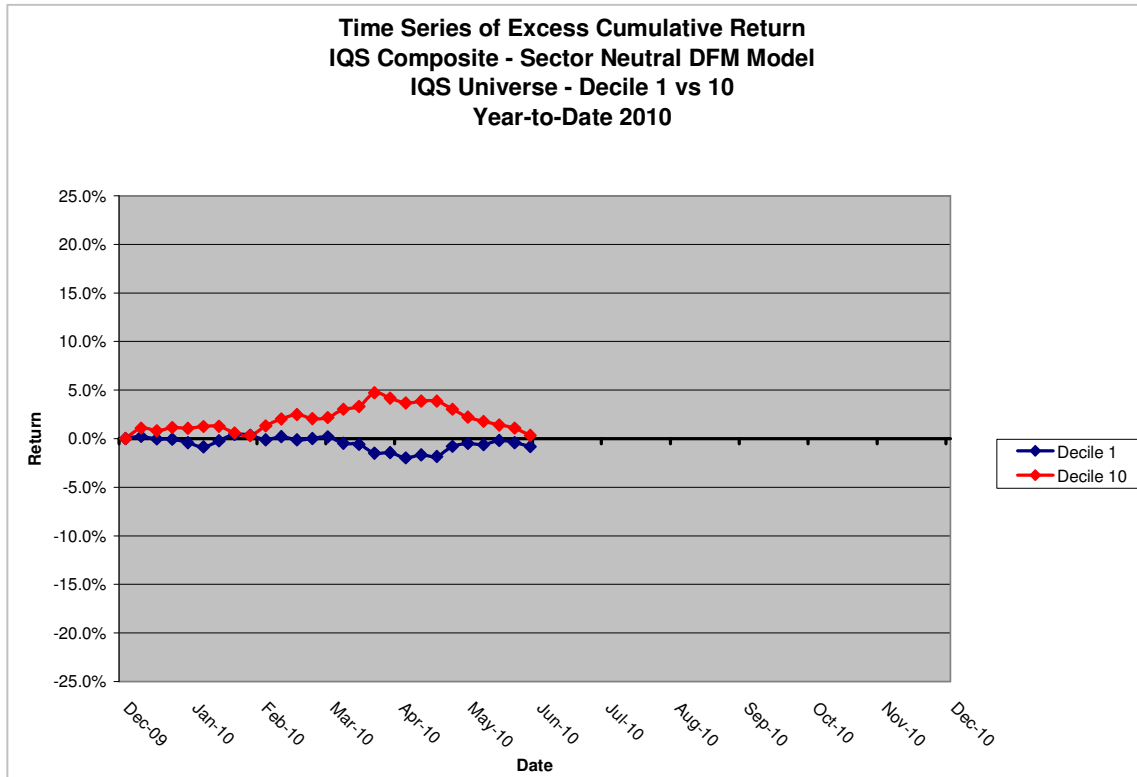
**Weekly IC for IQS Composite Model**

<u>Week Ending</u>	<u>IQS</u>
5-Jun	0.076
12-Jun	-0.094
19-Jun	-0.064
26-Jun	-0.071
3-Jul	0.043
MTD	-0.022
YTD	0.009

**Notes:**

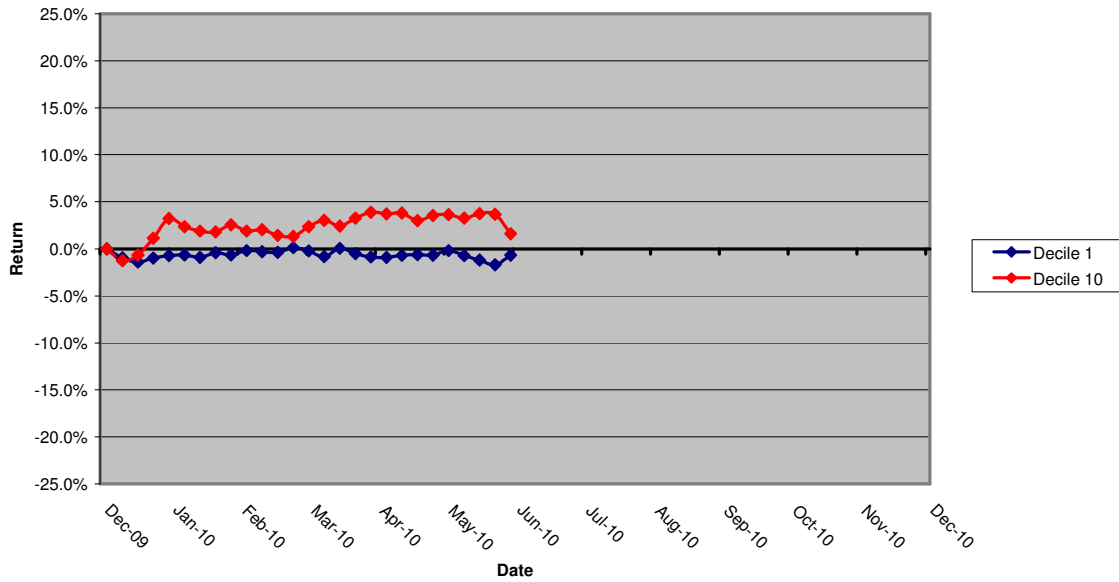
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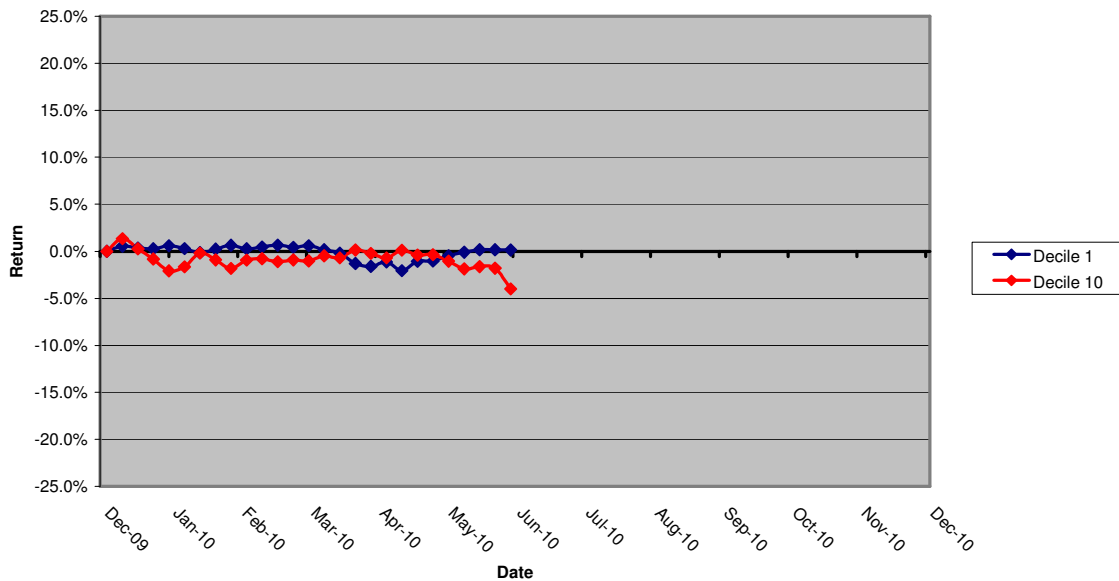




**Time Series of Excess Cumulative Return  
IQS Component - Balance Sheet  
IQS Universe - Decile 1 vs 10  
Year-to-Date 2010**

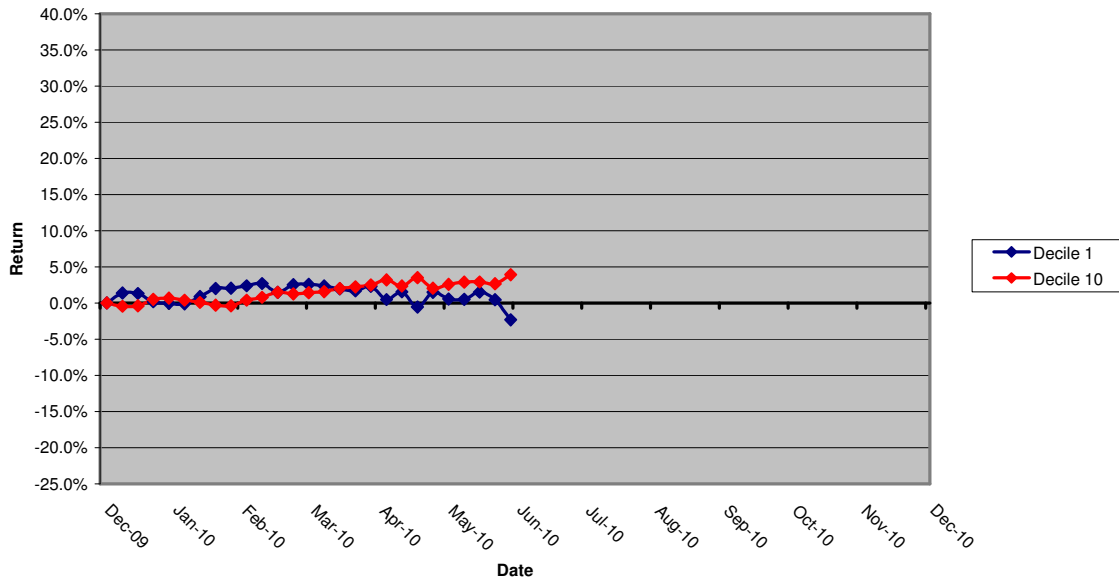


**Time Series of Excess Cumulative Return  
IQS Component - Value  
IQS Universe - Decile 1 vs 10  
Year-to-Date 2010**

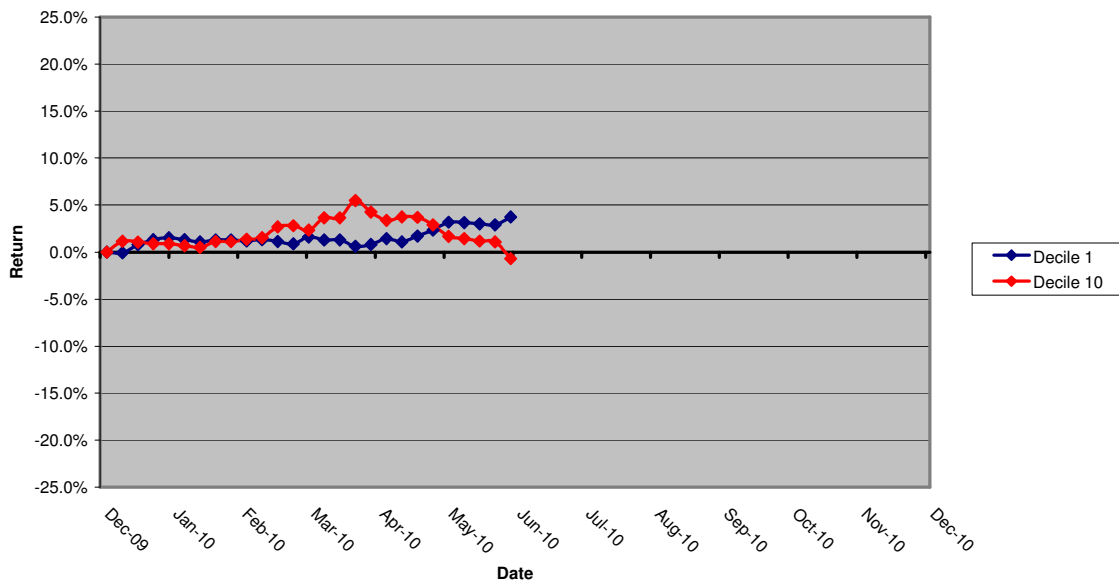




**Time Series of Excess Cumulative Return  
IQS Component - Momentum  
IQS Universe - Decile 1 vs 10  
Year-to-Date 2010**



**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**

