INNOVATIVE
QUANT SOLUTIONS, LLC

IQS Commentary for November 2009

Summary

- The IQS model was up 1.48% for the 5 weeks ending December 5, while the sector-neutral model was up .30%.
- Momentum and Sentiment dominated during the month – a reversal from the prior month.

Random Market Thoughts

- Volatility is at historical average levels, while trending slowly downwards – see chart of the month.
- Sentiment and Momentum are both relevant again. Is this a good sign?
- Who would have thought 2009 would be such a strong year for equities?

Weights

For December, the IQS Weighting Scheme shuffles around the weights, as the volatility in factor performance continues to be high.

Current Weights

Balance Sheet and Improving Financials (changes in a company's own financials) are the prominent weight categories.
Value (which highlights stock price) weight is low/moderate.
Momentum and Sentiment weight is low/moderate, but relevant.

Sectors

IQS Model most attractive sectors:

Retail
Consumer Staples
Medical
Technology

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

52 Pickering Street | Needham, MA 02492 | t: 781.559.3127 | f: 781.559.3129 | e: info@innovativequant.com | www.innovativequant.com

INNOVATIVE QUANT SOLUTIONS, LLC

Summary of IQS Results for 5 Weeks Ending 12/5/2009

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-Nov	3.41%	1.57%	1.84%
14-Nov	1.21%	0.65%	0.56%
21-Nov	-0.29%	-0.02%	-0.27%
28-Nov	-0.58%	-1.12%	0.54%
5-Dec	2.80%	4.07%	-1.27%
MTD	6.66%	5.18%	1.48%
YTD	33.61%	20.69%	12.92%

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

	Sector Neutral		
Week Ending	Top Decile	Bottom Decile	Net
7-Nov	3.37%	2.29%	1.08%
14-Nov	1.37%	0.85%	0.52%
21-Nov	-0.33%	-0.42%	0.09%
28-Nov	-0.90%	-0.77%	-0.13%
5-Dec	2.84%	4.12%	-1.28%
MTD	6.44%	6.13%	0.30%
YTD	30.75%	37.88%	-7.12%

Weekly IC for IQS Composite Model and Components

Week Ending	IQS	BAL	VAL	MOM	IMP	SEN
7-Nov	0.099	0.062	-0.040	0.179	0.022	0.073
14-Nov	0.065	-0.031	0.052	0.144	-0.021	0.080
21-Nov	-0.016	0.011	0.054	-0.118	0.030	-0.001
28-Nov	0.083	0.042	0.056	-0.018	0.092	-0.025
5-Dec	-0.079	-0.090	-0.103	0.053	-0.060	0.055
MTD	0.030	-0.001	0.004	0.048	0.013	0.036
YTD	0.014	0.021	0.033	-0.034	0.028	-0.008

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-Nov	2.81%	2.00%	0.81%	2.27%	3.88%	-1.61%
14-Nov	0.09%	0.86%	-0.77%	1.29%	1.08%	0.21%
21-Nov	-0.23%	-0.37%	0.14%	0.30%	-0.88%	1.18%
28-Nov	-0.88%	-0.90%	0.02%	-0.75%	-1.35%	0.60%
5-Dec	2.37%	4.52%	-2.15%	2.72%	4.65%	-1.93%
MTD	4.17%	6.17%	-1.99%	5.93%	7.45%	-1.52%
YTD	31.12%	7.53%	23.59%	47.83%	31.78%	16.05%

	MOMENTUM			IMPROVING FINANCIALS		
Week Ending	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
7-Nov	4.47%	1.01%	3.46%	2.79%	2.66%	0.13%
14-Nov	2.23%	-0.28%	2.51%	1.06%	1.51%	-0.45%
21-Nov	-0.83%	-0.02%	-0.81%	-0.46%	-0.71%	0.25%
28-Nov	-1.09%	-1.01%	-0.08%	-0.51%	-1.09%	0.58%
5-Dec	4.31%	2.85%	1.46%	2.43%	3.66%	-1.23%
MTD	9.27%	2.53%	6.74%	5.37%	6.09%	-0.71%
YTD	6.78%	61.60%	-54.82%	40.12%	9.85%	30.28%

	SENTIMENT		
Week Ending	Top Decile	Bottom Decile	Net
7-Nov	3.95%	2.14%	1.81%
14-Nov	2.09%	0.67%	1.42%
21-Nov	0.97%	-0.16%	1.13%
28-Nov	-1.08%	-1.24%	0.16%
5-Dec	4.47%	3.33%	1.14%
MTD	10.73%	4.76%	5.97%
YTD	24.84%	30.45%	-5.61%

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

Chart of the Month for November 2009
VIX is trending sideways and downward while the S&P 500 is rising!

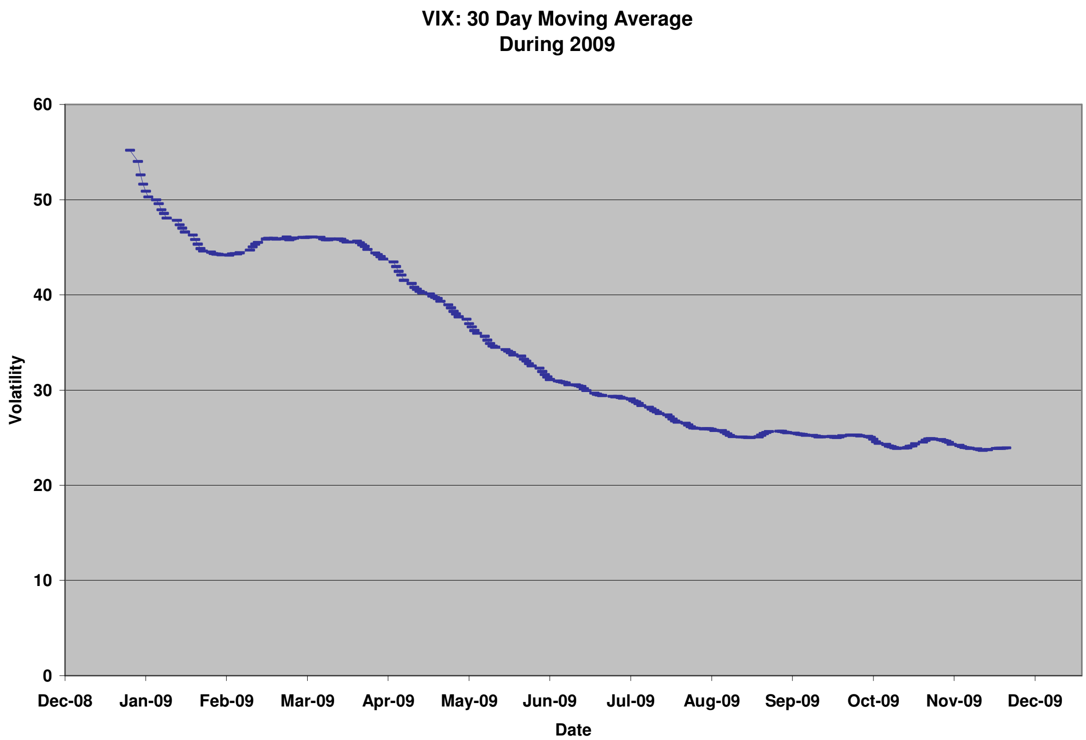
This month we look at the trend in the VIX during 2009.

The VIX started the year at unsustainably high values due to the global financial crisis. During the second quarter, when investors around the world became more confident that the great depression II was not on the horizon, the VIX started its descent. By the fourth quarter, the VIX was back to historical average levels, which is where we find ourselves right now.

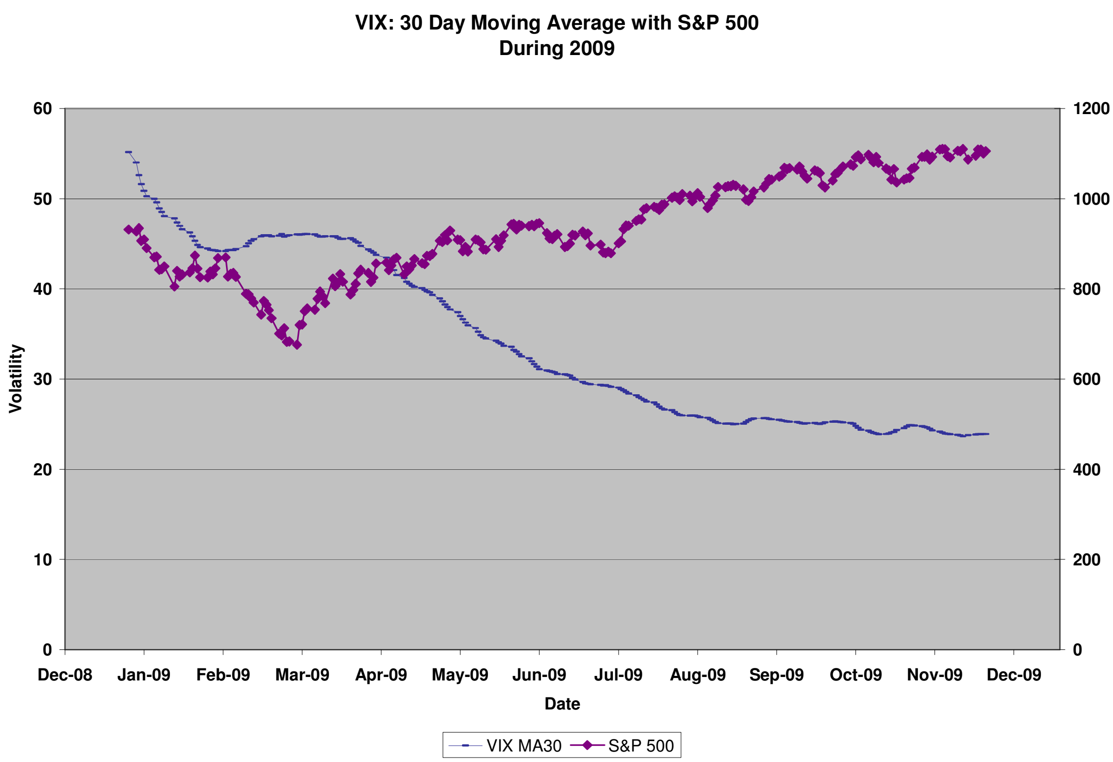
What about the S&P 500? When the VIX started to fall, the S&P 500 began to rise, and has continued to do so since then. While the VIX is moving sideways and slightly downward recently, the S&P 500 is also moving sideways but slightly upwards.

If you calculate the correlation between the 30 day moving average VIX and the level of the S&P 500 during 2009, the result is a correlation of -.87!!!

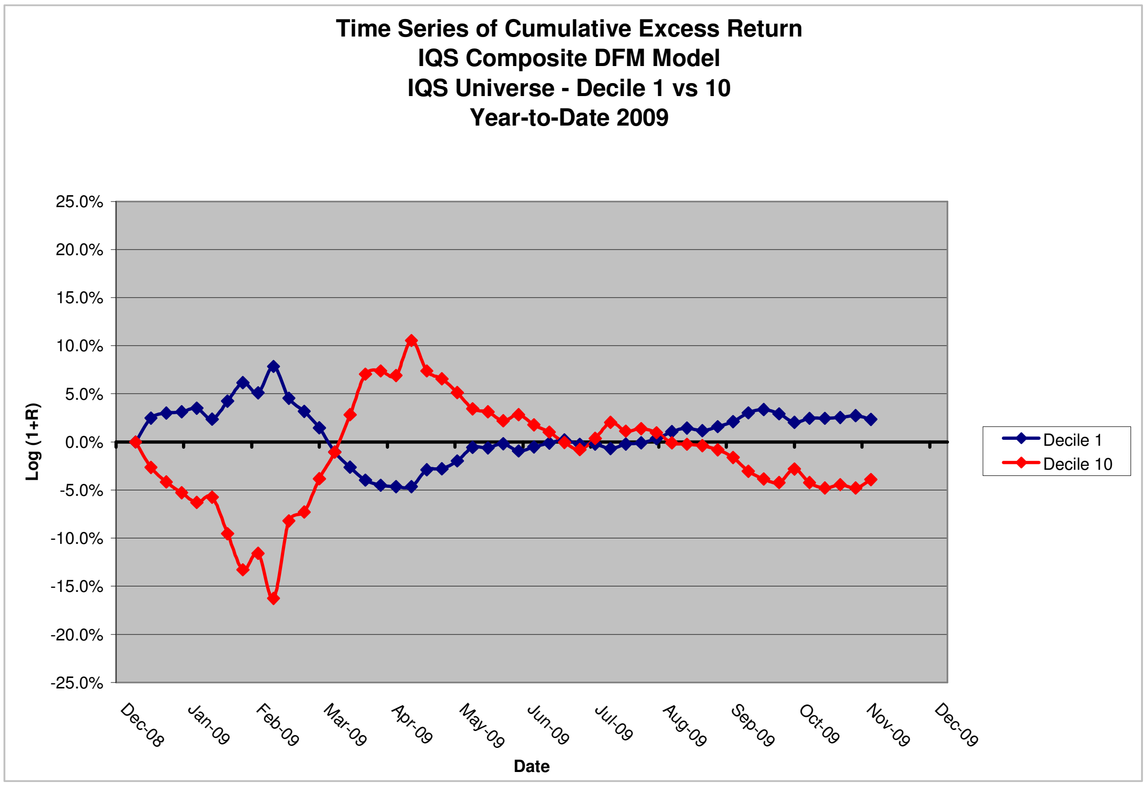
52 Pickering Street | Needham, MA 02492 | t: 781.559.3127 | f: 781.559.3129 | e: info@innovativequant.com | www.innovativequant.com


VIX: 30 Day Moving Average
During 2009
Volatility
60
50
40
30
20
10
0
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Jun-09
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Date

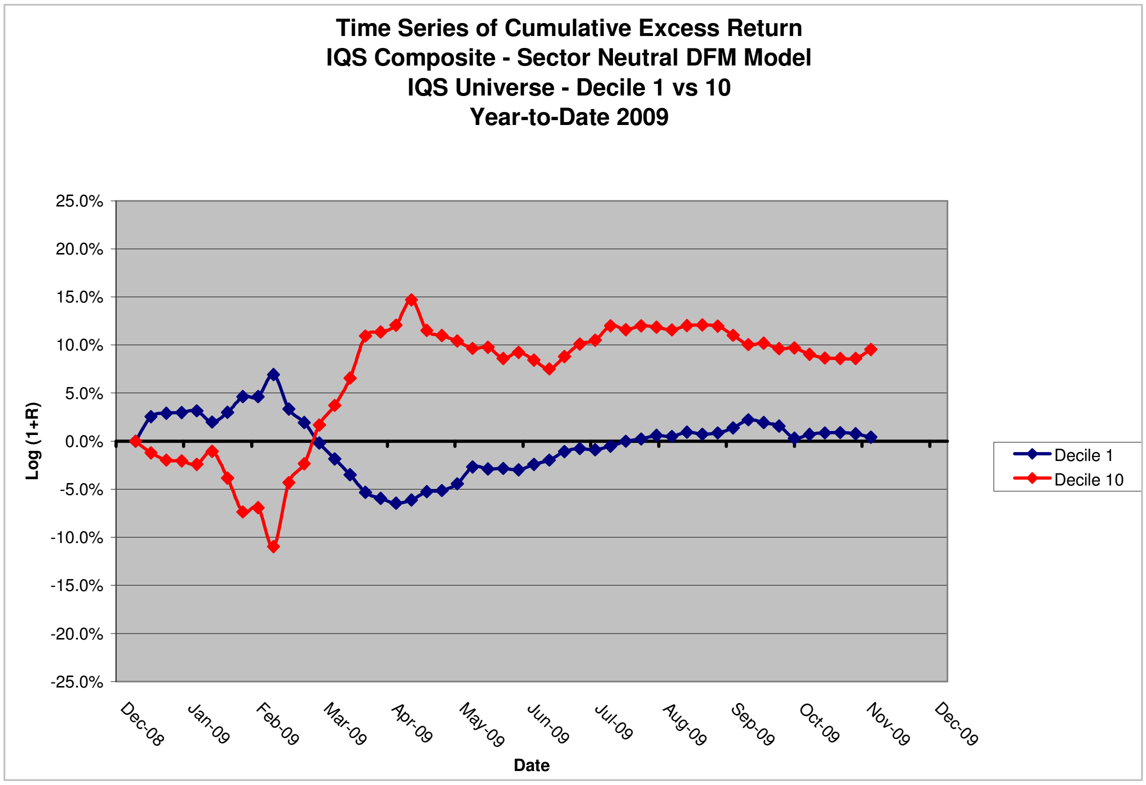
INNOVATIVE
QUANT SOLUTIONS, LLC



INNOVATIVE
QUANT SOLUTIONS, LLC

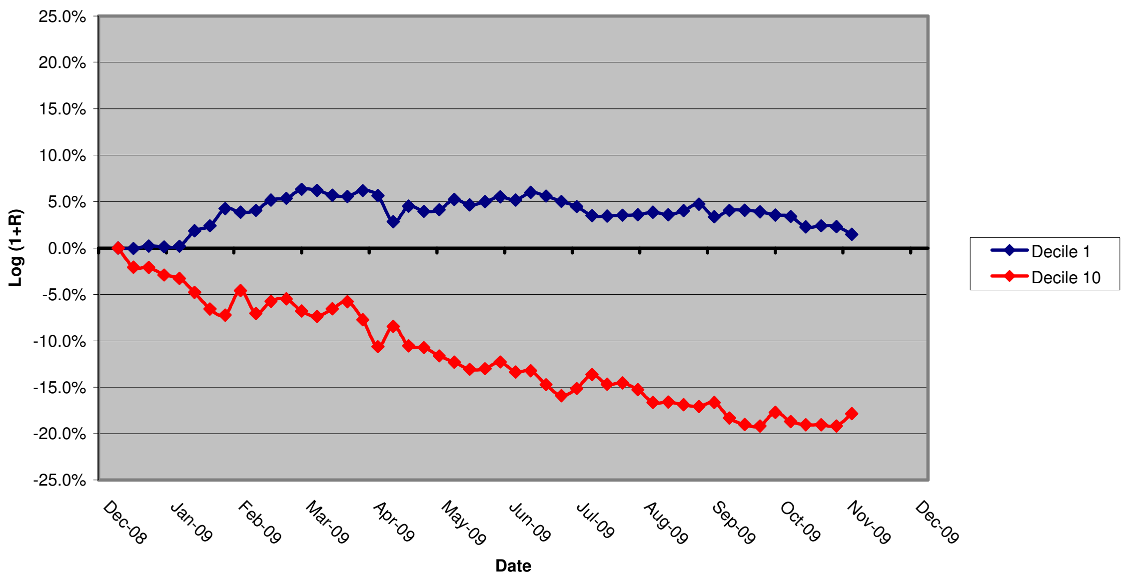


52 Pickering Street | Needham, MA 02492 | t: 781.559.3127 | f: 781.559.3129 | e: info@innovativequant.com | www.innovativequant.com

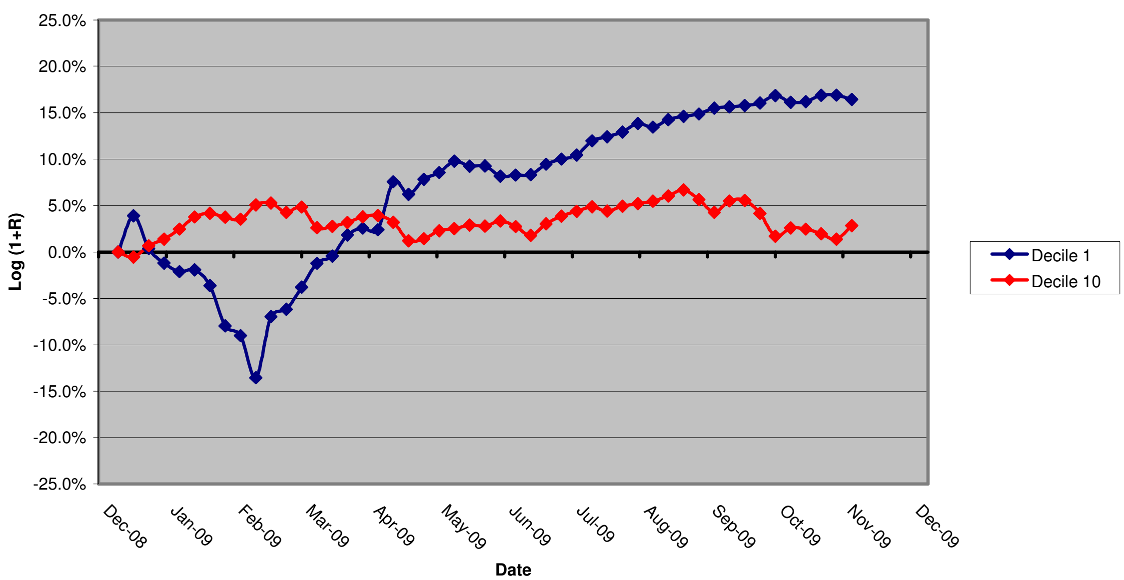

Time Series of Cumulative Excess Return
IQS Composite - Sector Neutral DFM Model
IQS Universe - Decile 1 vs 10
Year-to-Date 2009
25.0%
20.0%
15.0%
10.0%
5.0%
0.0%
-5.0%
-10.0%
-15.0%
-20.0%
-25.0%
Log (1+R)
Dec-08
Jan-09
Feb-09
Mar-09
Apr-09
May-09
Jun-09
Jul-09
Aug-09
Sep-09
Oct-09
Nov-09
Dec-09
Date
Decile 1
Decile 10

INNOVATIVE
QUANT SOLUTIONS, LLC

Time Series of Cumulative Excess Return
IQS Component - Balance Sheet
IQS Universe - Decile 1 vs 10
Year-to-Date 2009

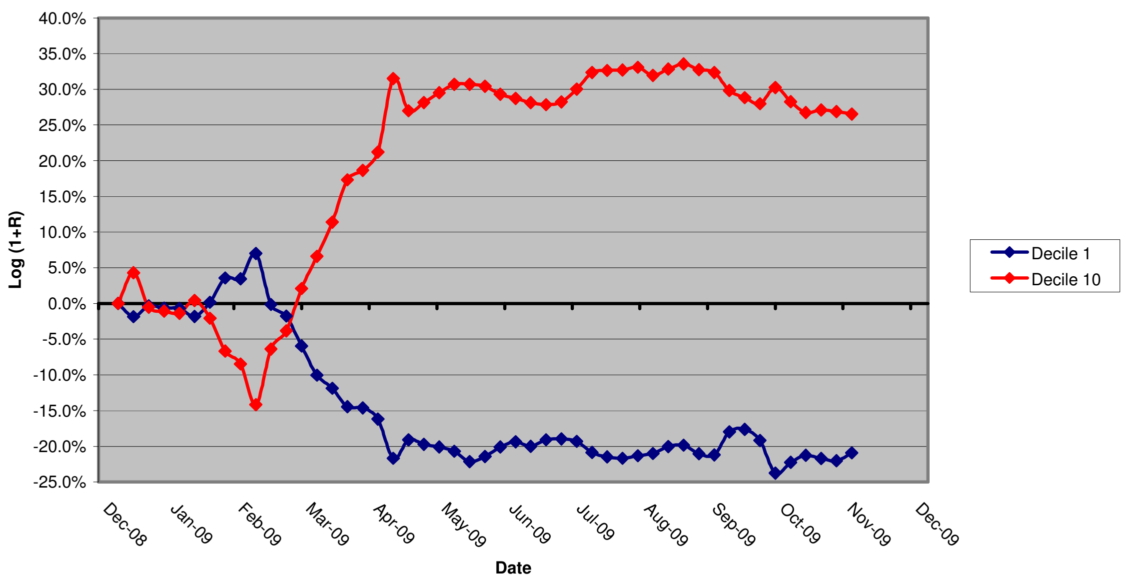


Time Series of Cumulative Excess Return
IQS Component - Value
IQS Universe - Decile 1 vs 10
Year-to-Date 2009

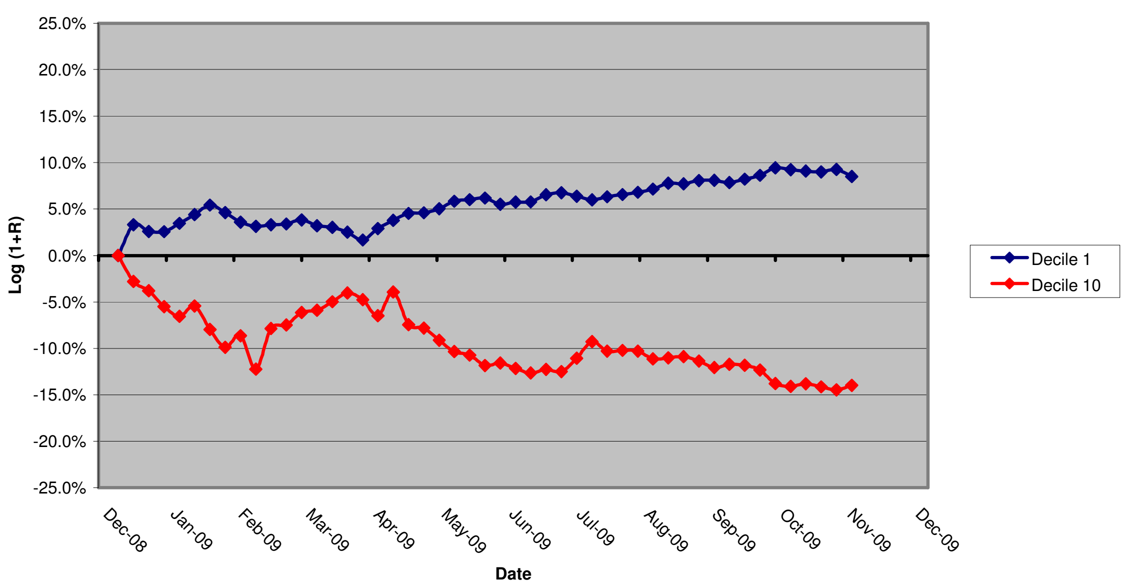


52 Pickering Street | Needham, MA 02492 | t: 781.559.3127 | f: 781.559.3129 | e: info@innovativequant.com | www.innovativequant.com

Time Series of Cumulative Excess Return
IQS Component - Momentum
IQS Universe - Decile 1 vs 10
Year-to-Date 2009



Time Series of Cumulative Excess Return
IQS Component - Improving Financials
IQS Universe - Decile 1 vs 10
Year-to-Date 2009



INNOVATIVE
QUANT SOLUTIONS, LLC

Time Series of Cumulative Excess Return
IQS Component - Sentiment
IQS Universe - Decile 1 vs 10
Year-to-Date 2009