



IQS Commentary for October 2010

Random Insights

- On the back of a historic September, October continued the run of strong positive returns.
- IQS models performed well across all factors.
- IQS model weights similar to the weights in November 2009, when IQS models outperformed in November and December 2009.
- Small Caps over Large Caps and Growth over Value. We forecast a reversal in the near-term: Large Caps and Value outperforming.

IQS

- The IQS model was up 2.09% for the 4 weeks ending October 30, while the sector-neutral model was up 1.90%. Year-to-Date, the IQS model is up 3.77%. IQS top decile of stocks has returned +13.5% YTD, while (according to the WSJ) the DJIA has returned +6.6% YTD, S&P 500 has returned 6.1% YTD, S&P 600 has returned 12.3% and The Total Stock Market has returned 8.0% YTD.
- All factor categories added to performance in October!

IQS 1000

- The IQS 1000 model was up 1.21% for the 4 weeks ending October 30, and up .64% YTD. IQS 1000 top decile of stocks has returned 11.4% YTD.

IQS Financial Sustainability Model

- The IQS Financial Sustainability (FS) model was up 1.40% for the 4 weeks ending October 30, and up 5.91% YTD. IQS FS top decile of stocks has returned 13.3% YTD.

Factor Weights

The IQS Weighting Scheme:

- We see only small changes in the allocation of weights this month.

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 are 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.

Summary of IQS Results for 4 Weeks Ending 10/30/2010

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-Oct	1.43%	2.30%	-0.87%
16-Oct	1.63%	0.19%	1.44%
23-Oct	0.41%	-0.01%	0.42%
30-Oct	0.42%	-0.62%	1.04%
MTD	3.94%	1.85%	2.09%
YTD	13.47%	9.70%	3.77%

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

Week Ending	Sector Neutral		Net
	Top Decile	Bottom Decile	
9-Oct	1.71%	2.36%	-0.65%
16-Oct	1.50%	0.90%	0.60%
23-Oct	0.32%	-0.79%	1.11%
30-Oct	0.56%	-0.21%	0.77%
MTD	4.15%	2.25%	1.90%
YTD	12.46%	12.58%	-0.13%

Weekly IC for IQS Composite Model and Components

Week Ending	IQS	BAL	VAL	MOM	IMP	SEN
9-Oct	-0.057	0.018	-0.020	0.061	-0.100	-0.010
16-Oct	0.103	0.085	0.030	0.020	0.083	0.040
23-Oct	0.015	-0.021	0.051	0.016	0.010	0.019
30-Oct	0.089	0.030	0.003	0.051	0.088	0.008
MTD	0.038	0.028	0.016	0.037	0.020	0.014
YTD	0.011	0.008	0.021	-0.005	0.009	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
9-Oct	1.63%	2.20%	-0.57%	2.03%	1.88%	0.15%
16-Oct	1.46%	0.35%	1.11%	2.19%	1.38%	0.81%
23-Oct	0.14%	0.23%	-0.09%	0.34%	0.06%	0.28%
30-Oct	-0.16%	-0.71%	0.55%	0.46%	0.65%	-0.19%
MTD	3.09%	2.06%	1.03%	5.10%	4.02%	1.08%
YTD	10.78%	7.06%	3.72%	16.05%	8.63%	7.41%

Week Ending	MOMENTUM			IMPROVING FINANCIALS		
	Top Decile	Bottom Decile	Net	Top Decile	Bottom Decile	Net
9-Oct	1.95%	1.50%	0.45%	1.22%	2.73%	-1.51%
16-Oct	1.57%	1.10%	0.47%	1.62%	0.59%	1.03%
23-Oct	0.21%	-0.06%	0.27%	0.26%	-0.12%	0.38%
30-Oct	1.04%	0.30%	0.74%	0.92%	-0.45%	1.37%
MTD	4.85%	2.86%	1.98%	4.08%	2.75%	1.33%
YTD	11.44%	18.62%	-7.18%	15.77%	8.87%	6.90%

Week Ending	SENTIMENT		
	Top Decile	Bottom Decile	Net
9-Oct	1.77%	1.98%	-0.21%
16-Oct	1.20%	1.10%	0.10%
23-Oct	0.10%	-0.29%	0.39%
30-Oct	0.40%	0.38%	0.02%
MTD	3.51%	3.19%	0.31%
YTD	15.54%	13.22%	2.32%

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 Financial Sustainability Model Results for 4 Weeks Ending 10/30/2010

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-Oct	1.04%	2.69%	-1.65%
16-Oct	1.32%	0.37%	0.95%
23-Oct	0.26%	0.06%	0.20%
30-Oct	0.77%	-1.07%	1.84%
MTD	3.43%	2.03%	1.40%
YTD	13.27%	7.37%	5.91%

Weekly IC for IQS Composite Model

Week Ending	IQS
9-Oct	-0.111
16-Oct	0.094
23-Oct	-0.006
30-Oct	0.077
MTD	0.014
YTD	0.013

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 3000 stocks by market capitalization

Sector definition is determined by Zacks Information Research

Summary of IQS Results (Top 1000 Stocks) for 4 Weeks Ending 10/30/2010

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-Oct	1.23%	3.22%	-1.99%
16-Oct	1.74%	-0.41%	2.15%
23-Oct	0.57%	0.64%	-0.07%
30-Oct	0.71%	-0.34%	1.05%
MTD	4.31%	3.10%	1.21%
YTD	11.41%	10.77%	0.64%

Weekly IC for IQS Composite Model

Week Ending	IQS
9-Oct	-0.178
16-Oct	0.115
23-Oct	-0.011
30-Oct	0.127
MTD	0.013
YTD	0.008

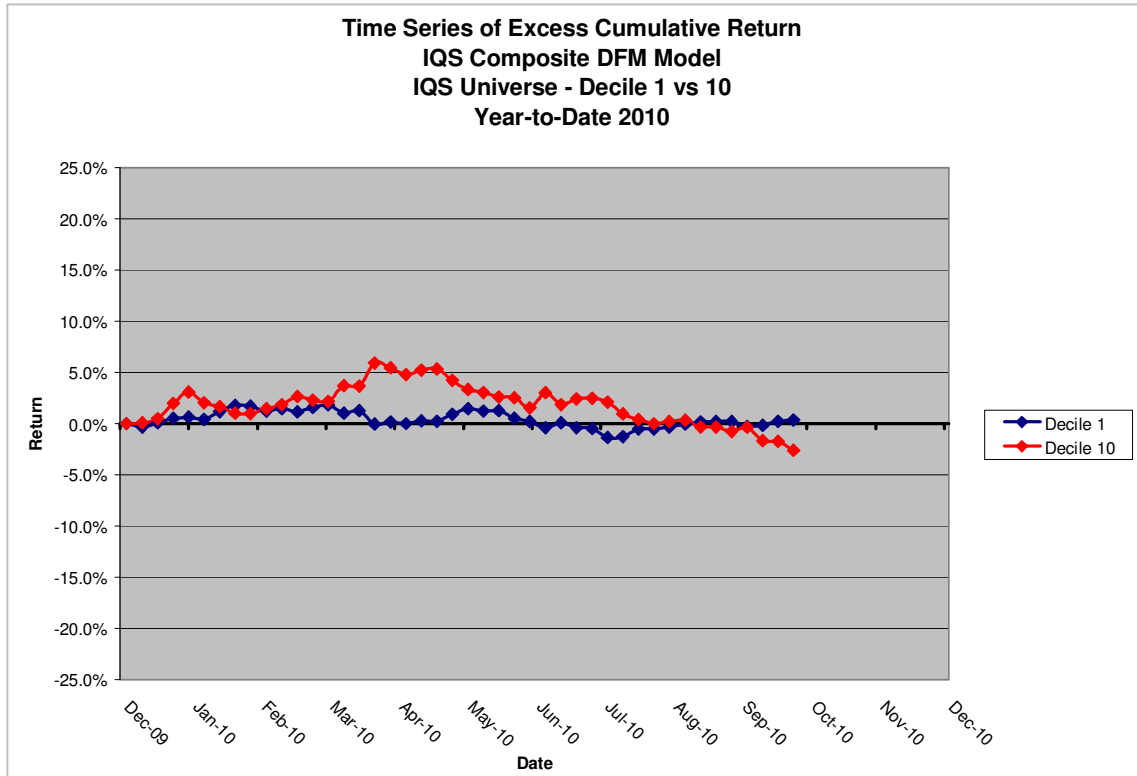
Notes:

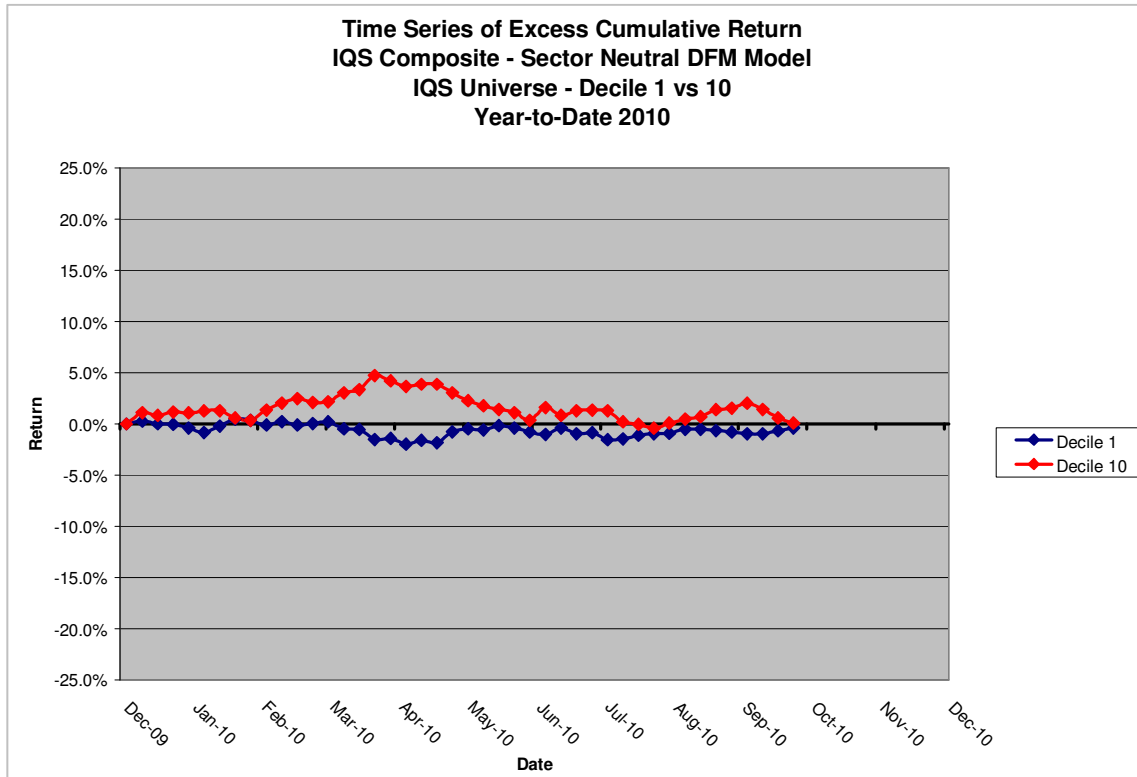
IQS represents the IQS composite model.

IC or Information Coefficient is calculated as the Spearman rank correlation between the forecasted returns and actual returns.

IQS Universe includes approximately the largest 1000 stocks by market capitalization

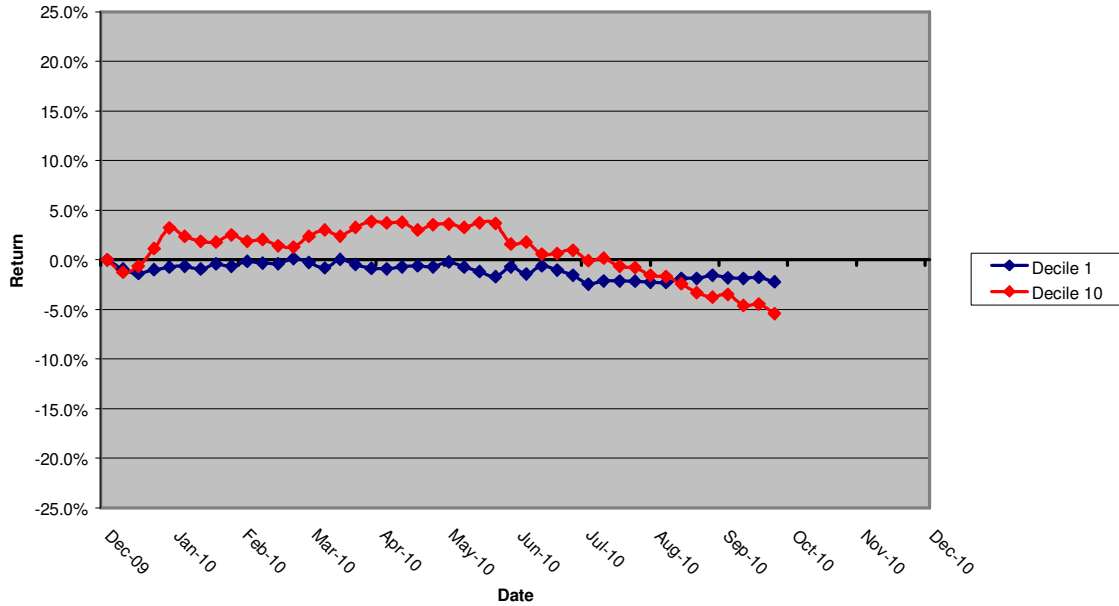
Sector definition is determined by Zacks Information Research



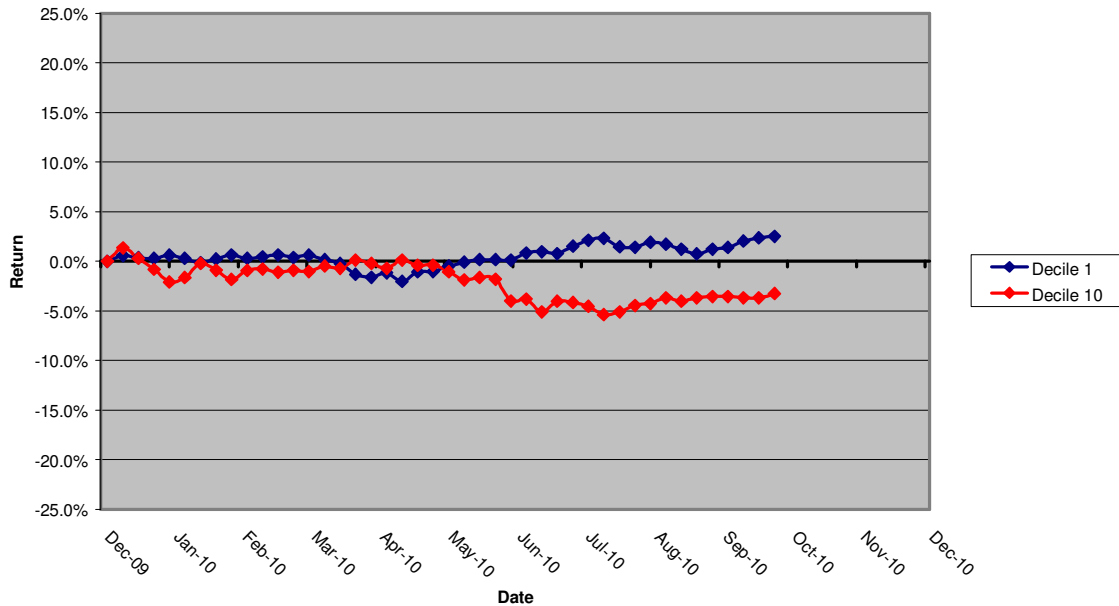




Time Series of Excess Cumulative Return
IQS Component - Balance Sheet
IQS Universe - Decile 1 vs 10
Year-to-Date 2010

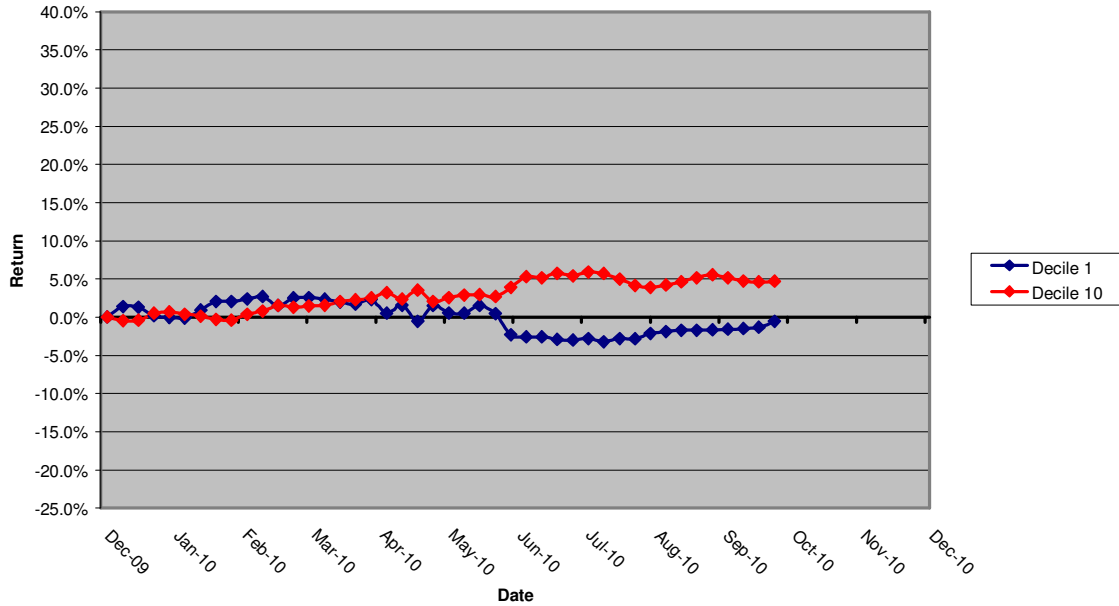


Time Series of Excess Cumulative Return
IQS Component - Value
IQS Universe - Decile 1 vs 10
Year-to-Date 2010

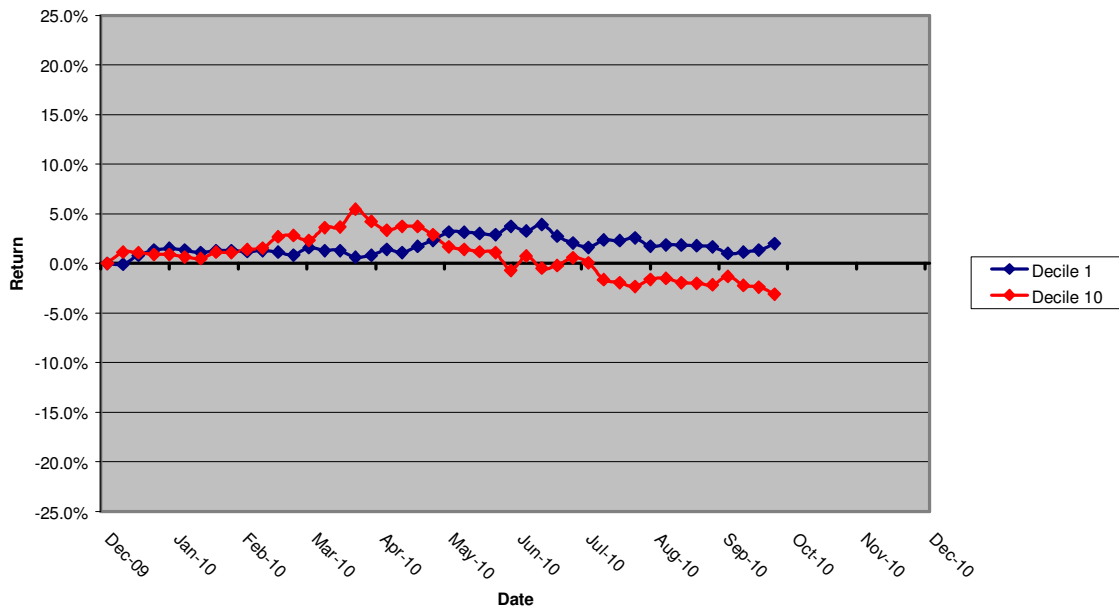




**Time Series of Excess Cumulative Return
IQS Component - Momentum
IQS Universe - Decile 1 vs 10
Year-to-Date 2010**



**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

