Sabrient VCU-2 Strategy Summary

Strategy Description

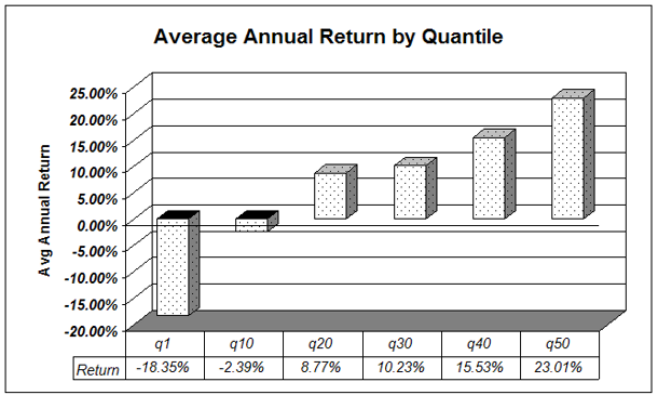
- Test period is 8 years, 5/1/2000 – 5/1/2008
- Eligible universe starts with Sabrient's database of 5800+ stocks, then requires price > $5 and no. of Wall Street analysts > 2, which leaves roughly 2600 eligible stocks
- Strategy employs analyst consensus change metrics, a proprietary value metric, an absolute growth factor, and a forensic accounting factor.
- Long Portfolio uses the approx 52 stocks from the top-ranked (q50) quantile, and no leverage.
- Short Portfolio uses the approx 52 stocks from the bottom-ranked (q1) quantile, and no leverage.
- Long/Short Portfolio is dollar-neutral, long the approx 52 top-ranked (q50) stocks and short the approx 52 bottom-ranked (q1) stocks, for a total of about 104 positions (shorts margined against all-cash longs)
- Portfolios are rebalanced monthly using closing prices on the first trading day of the month, with scoring based on the prior day's closing data (last trading day of prior month).
- No stop losses, profit targets, or technical trading signals.
- Includes dividends and cash distributions, but no transaction costs.

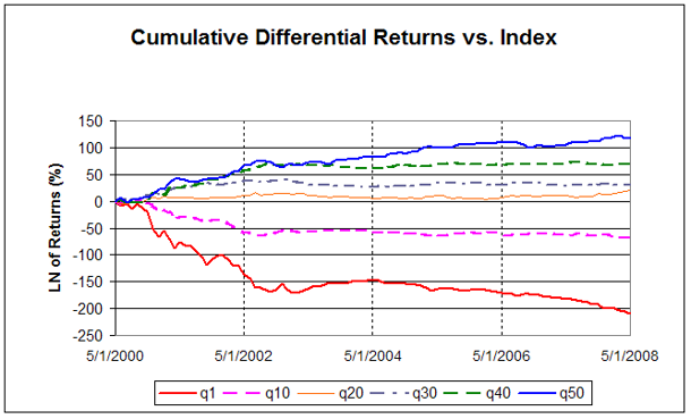
Portfolio Statistics vs. Index *

	Top Quantile	Bottom Quantile	Long/Short Portfolio	Index
1-year Annualized return (%)	0.9	-31.8	44.1	-10.9
2-year Annualized return (%)	3.7	-18.0	24.6	-0.2
8-year Annualized return (%)	23.0	-18.4	36.8	6.1
8-year Backtest Details:				
Dates: 5/1/2000 - 5/1/2008				
Annualized return (%)	23.0	-18.4	36.8	6.1
Annualized volatility (%)	19.4	36.8	29.4	18.8
Annualized differential return (%)	15.4	-20.8	20.7	
CAPM annualized alpha	16.88	-21.69	43.88	
CAPM beta	0.835	1.791	-0.956	
Simple Sharpe ratio vs. Rf = 3%	1.0	-0.57	1.12	0.16
Biggest drawdown	-14.5	-33.8	-17.6	-15.8
Biggest gain	14.4	29.0	30.6	15.6
Avg number of stocks	52	52	104	2611

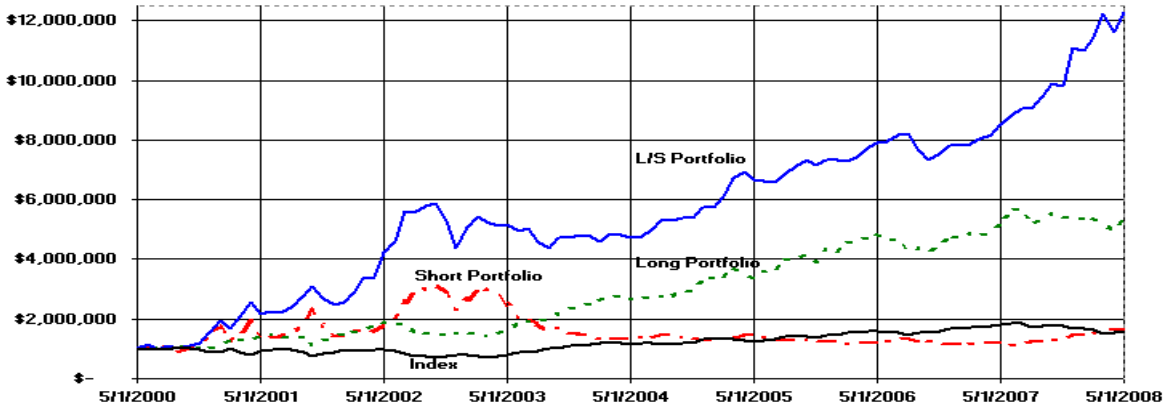
*Notes:
Index is the composite of all eligible stocks (approx 2611 each period)
1-yr, 2-yr, and 8-yr returns are based on backtests ending 5/1/2008

8-Year Quantile Returns





8-Year Portfolio Performance Backtest: 5/1/00 – 5/1/08



	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2000					14.60%	-14.07%	13.51%	-9.42%	9.46%	7.16%	30.63%	24.18%	92.64%
2001	-12.01%	22.36%	22.54%	-14.53%	4.31%	-2.73%	8.54%	15.40%	11.99%	-12.61%	-7.69%	2.98%	33.33%
2002	12.16%	16.61%	1.28%	24.16%	8.77%	21.71%	-0.35%	3.70%	1.28%	-9.14%	-17.60%	15.69%	97.39%
2003	6.81%	-3.01%	-2.08%	0.71%	-4.81%	1.95%	-8.85%	-4.20%	7.97%	0.15%	1.21%	-0.91%	-6.13%
2004	-3.50%	5.66%	-0.81%	-1.95%	0.89%	4.98%	6.77%	-0.54%	1.62%	-0.22%	6.28%	0.29%	20.53%
2005	6.64%	9.78%	3.35%	-4.14%	-0.67%	-0.72%	4.13%	3.99%	3.35%	-2.26%	2.01%	0.23%	27.92%
2006	-0.69%	1.91%	4.04%	2.40%	0.24%	2.76%	0.82%	-6.77%	-4.22%	2.85%	3.34%	0.35%	6.65%
2007	0.74%	1.83%	1.56%	4.55%	3.01%	3.36%	-0.07%	4.38%	4.34%	-0.52%	12.69%	-0.52%	40.76%
2008	4.01%	6.87%	-4.99%	5.57%									11.49%