Sabrient Systems, LLC

Quantitative Fundamental Equity Research

"Sabrient blends fundamental and technical disciplines into quantitative Smart Filters that are backtested over multiple market periods to find what is working in the current market. The result is a unique ranking of equities that are free of analyst bias and fully customizable to a client's investing strategy or style."

David Brown
Chief Market Strategist

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- Custom portfolio strategy development

Why Quant? A quantitative approach provides a structured, computer-driven framework for making sense of the extensive data available on publicly traded stocks. In general, "quant" offers an unbiased and cost-effective analysis of the numbers. It is free of conflicts of interest, gut feel, or preconceptions of an individual analyst, while still taking into account factors that reflect changes in analyst opinions, consensus EPS estimates, and insider trading.

Why Sabrient? No other quant firm drills as deeply, measures as broadly, or analyzes the data as thoroughly as Sabrient. Sabrient ranks over 5,500 U.S.-traded stocks, ADRs, and ETFs on a weekly basis using proprietary mathematical models that adapt to evolving market preferences. Our experienced research staff has built robust multi-factor filters using "fuzzy logic" scoring to identify stocks that appear poised to outperform or underperform the market. And with our proprietary "FSYS" platform, we employ a scientific approach based on hypothesis testing (rather than curve-fitting or optimization) to ensure the models are rigorous, robust, and scalable.

Methodology: Sabrient uses a computer-driven, quantitative methodology to identify which stock characteristics are most predictive in the prevailing market, and which stocks best reflect those characteristics but are not yet fully rewarded. The Sabrient methodology was developed by an experienced team led by David Brown, former NASA scientist and past CEO of Telescan, Inc.

Performance: Sabrient's stock selections and portfolio strategies have shown remarkable performance over a range of styles, market caps, and market conditions.

Monthly Scorecard Performance: Small-cap Growth Selections

Key Sabrient Staff

David Brown, Chief Market Strategist and co-founder, is a former NASA scientist, past CEO of Telescan, Inc., and author of several investing books. He developed the critically acclaimed stock search program ProSearch and the market timing indicator Brown Breakout Ratio (BBR). He holds an MBA in Finance from the U. of Houston and a BS in Engineering from U. of Pittsburgh.

Joshua R. Anderson, Ph.D., Director of Research & Development, was formerly a financial model developer with BlackRock Financial. He holds a Ph.D. in Economics from UC-Santa Barbara.

Theodore Spradlin, Quantitative Equity Analyst, has extensive experience in stock screening models and equity analysis. He has a BA in Philosophy and Psychology.

Paul Alvim, Chief Equity Analyst, was editor of Wall Street City.com. He is responsible for Sabrient's filter backtesting and production models.

Vishal Gupta, Software Engineer, has diverse experience as a software developer. He holds an MS in Computer Science.

R. Guy Kraines, President and COO, is a former VP of finance of Genentech. He holds an MS in Statistics/ Operations Research from Stanford.

Kassandra Bentley, Managing Member and co-founder, is a coauthor of several books on investing and was the founder of CyberInvest.com, a financial web portal. She holds a BA in English.

Scott Martindale, Senior Managing Director - Sales & Business Development, held corporate positions in planning & analysis, operations, engineering, and consulting. He has an MBA in Finance.

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Sabrient Strategy Simulation Summary

VCU Rank; Monthly Rebalance; Constrained by S&P GICS Sector/Industry (25%/12.5%); P >$10 Longs, P >$15 Shorts

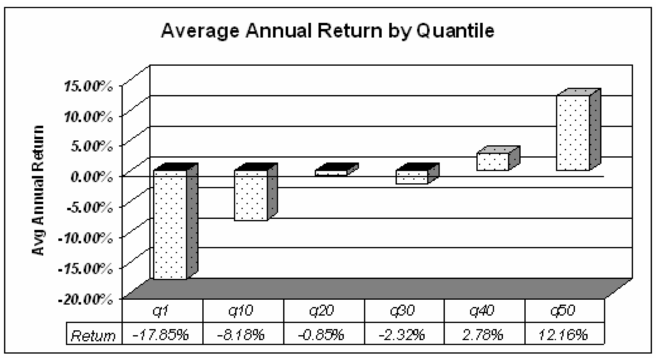
Strategy Description

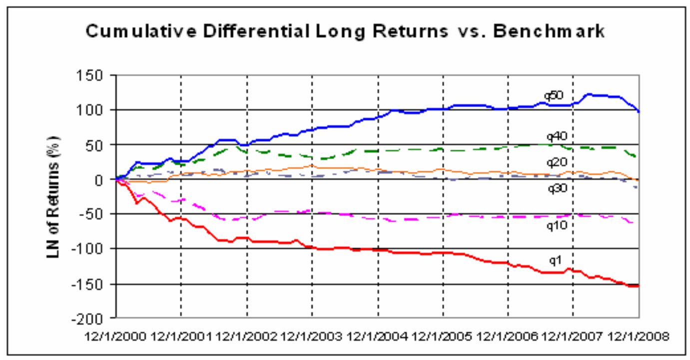
- **VCU Strategy** employs metrics for analyst consensus changes, GARP valuation, absolute growth, and accounting practices
- Test period is 8-1/2 years, 7/3/2000 – 1/2/2009
- Eligible universe starts with Sabrient's database of 5800+ stocks, then requires price > $10 and no. of Wall Street analysts > 2
- Long Portfolio targets the top 2% (50 stocks) from the top-ranked quantiles, subject to risk management constraints
- Short Portfolio targets the bottom 2% (50 stocks) from the lowest-ranked quantiles
- Long/Short Portfolio is dollar-neutral, 2% long & 2% short, employing a total of 4% of the eligible universe (100 positions), with 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)
- Includes dividends and cash distributions, but no transaction costs
- No stop losses, profit targets, or technical trading signals
- Risk Management: Includes constraints on S&P GICS sector/industry concentrations (25% / 12.5%), plus Price >$10 for longs, Price >$15 for shorts (No trading volume threshold)

Portfolio Statistics vs. Index *

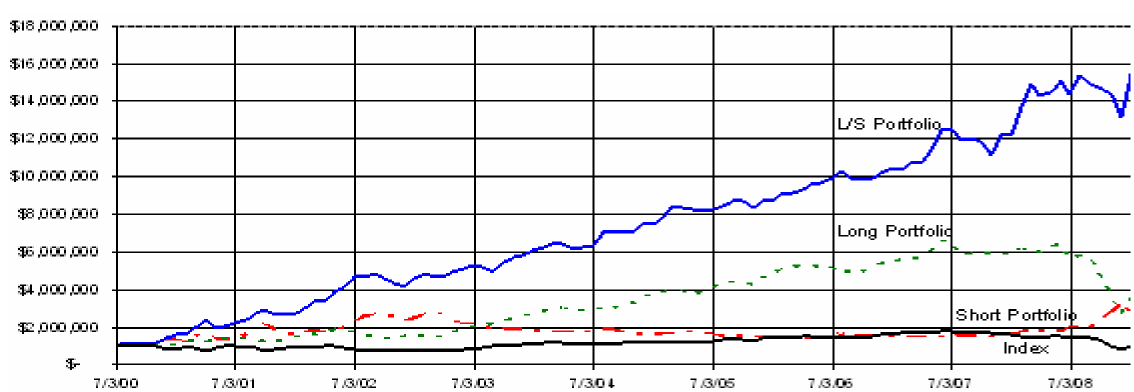
	Top Quantile	Bottom Quantile	Long/Short Portfolio	SPY Index
1-year Annualized return (%)	-39.9	-51.0	**27.1**	-34.3
2-year Annualized return (%)	-19.4	-32.9	**21.6**	-17.2
8.5-year Annualized return (%)	16.0	-19.3	**38.1**	-3.6
8.5-year Backtest Details:				
Dates: 7/1/2000 - 1/2/2009				
Annualized return (%)	16.0	-19.3	**38.1**	-3.6
Annualized volatility (%)	26.1	33.3	**22.0**	16.3
Annualized differential return (%)	15.3	-18.6	**35.6**	
CAPM annualized alpha	16.2	-17.2	**30.0**	
CAPM beta	0.98	1.30	**-0.32**	
Simple Sharpe ratio vs Rf = 3%			**1.55**	-0.24
Biggest monthly drawdown			**-14.9**	-25.0

8-1/2-Year Quantile Returns





8-1/2-Year Portfolio Performance Backtest: 7/3/2000 – 1/2/2009



L/S	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Total
2000							13.91%	-6.24%	4.77%	4.00%	23.13%	12.33%	60.96%
2001	0.71%	20.34%	20.54%	-14.94%	4.36%	5.96%	10.69%	12.05%	7.37%	-8.47%	1.10%	0.41%	70.00%
2002	11.28%	9.30%	1.33%	15.68%	6.59%	12.72%	-0.33%	3.00%	-5.62%	-5.65%	-2.51%	9.57%	67.27%
2003	5.66%	-3.58%	1.26%	5.43%	2.50%	3.67%	-1.37%	-5.16%	9.89%	5.65%	2.00%	4.21%	33.43%
2004	3.08%	2.06%	-0.22%	-3.42%	2.11%	0.64%	9.70%	0.01%	2.05%	-1.62%	6.10%	0.12%	21.90%
2005	5.59%	6.71%	-0.05%	-1.14%	-1.80%	1.39%	1.90%	3.10%	-0.12%	-3.57%	3.58%	0.88%	17.20%
2006	3.61%	1.06%	2.06%	3.04%	1.25%	1.98%	3.84%	-2.98%	-1.37%	0.84%	2.42%	3.04%	20.24%
2007	-0.80%	3.11%	-0.04%	6.75%	8.73%	1.23%	-5.19%	0.38%	-1.23%	-5.46%	9.16%	-0.21%	16.31%
2008	12.38%	8.73%	-4.08%	1.44%	4.03%	-4.38%	6.56%	-2.81%	-1.62%	-2.08%	-8.33%	17.54%	27.14%