

Fundamentals Weighted Portfolios from [Style Research Online](#)

Style Research has recently added a number of important new features to the web-based Style Research Online research facility. In step with the growing international interest in fundamentals weighted Market Valuation Indifferent (MVI) indices and benchmarks, Style Research Online now offers the functionality to design and monitor the performance of indices and portfolios constructed using any of the five most popular MVI weighting techniques (Equal Weights, Total Book Value, Total Earnings, Total Sales, Number of Employees).

Style Research and its South East Asian representatives, QuantShop Pty, have recently put this new feature and the portfolio Style and performance analysis software through their paces in an effort to identify the Style characteristics of these MVI portfolios and to explore the key influences behind their measured historic outperformance. The results of this research were globally consistent and particularly revealing.

1. MVI indices constructed using Total Earnings have provided strong and consistent outperformance (relative to traditional market capitalization weighted indices)
2. In each market and region the Style orientations of these MVI portfolios have changed gradually over the past five years, becoming less Value oriented while increasing their exposures to Growth. Normally we would have expected the MVI portfolios to have maintained a strong Value orientation, but recent market behaviour has provided that high current earnings are now becoming more associated with Growth than previously.
3. The main areas of contribution to relative return from investments in MVI portfolios are: at the Style allocation level—from the changing allocations to Large

Growth and Smaller Value companies; and, at the Stock specific level—from stock specific returns within, mainly, the Large Growth Style. Since the theoretical justification for the regular outperformance of MVI strategies focuses upon the exploitation of market mispricing and the technique's avoidance of over-exposure to over-valued stocks, this indicates that mispricings are probably most evident across, and within the universe of Large Growth stocks.

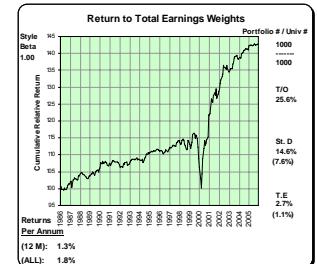
The Style Research Online service has been extended to enable not only portfolio construction using fundamentals weights but also universe construction using MVI techniques, as well as percentile selections from orderings based on fundamentals weights. For further information and detail contact [Style Research](#).

www.StyleResearch.com

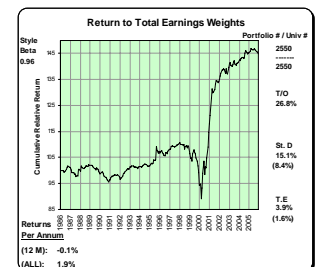
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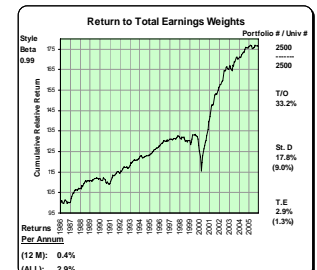
UK



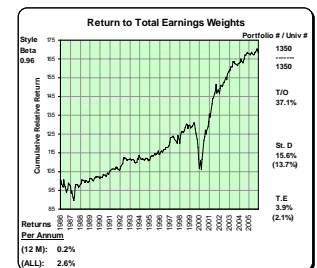
US



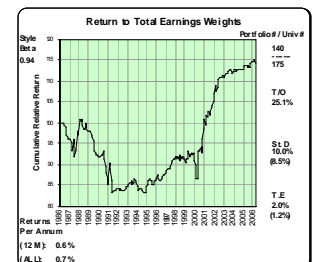
Eurozone



Japan



Australia



Style Patterns in Major Markets and Regions

Over the past several months, the continuing gains in global equities have been noticeably evenhanded in their rewards to aggregate Value and aggregate Growth.

Despite the rocketing gains in Value and the collapse in Growth that attended the turn of the market in 2000 and the markets' continuing weakness through 2003, the recent period of strength, particularly from 2004 to the present, has seen little aggregate relative gain in either total Value or total Growth. Some might ask "Is Style dead, or is it just 'resting'?" The answer is "Neither!"

The problem with the aggregated analysis is that it conceals the detail of what is occurring within the basic Size components of Style; critically, the aggregated Style rewards show nowhere near the total picture.

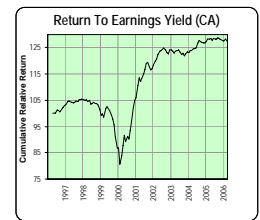
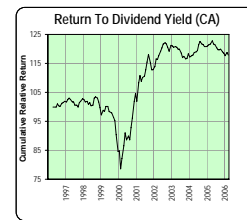
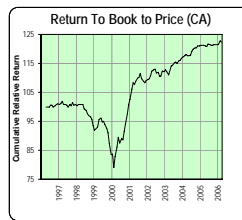
Within the Small Capitalization sector of the global market, the Style reward patterns are very dramatic. Small Value has been outperforming strongly for more than six years now and, recently, it looks as though Small Growth stocks have taken the baton. ▶▶▶

As we have recently been pointing out in our regular Monthly Style Summaries, the Small Growth sector is still fairly valued or even undervalued against its simple historic earnings yield history (and so could benefit from continuing moderate inflation and low interest rates)...

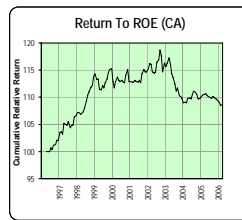
▶ Valuations based on 10 years data of market relative earnings yields show Small Value and Small Growth both over valued. But this is against a favourably valued market. Against their own historic earnings valuations Small Growth (and Large Value and Large Growth) look attractively priced.

...but the real elephant in the room remains the low historic ratings and low historic market relative ratings of both Large Value and Large Growth sectors. At some stage in the cycle...

Key Value Factors Across Developed Markets

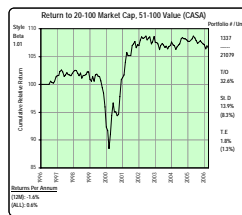


Key Growth Factors (Current/Historic/Forecast) Across Developed Markets



▲ From mid 2004 to the present, the key Value and Growth factor portfolios have performed along with the market.

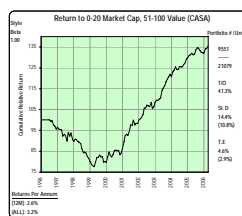
Large Value



Large Growth



Small Value

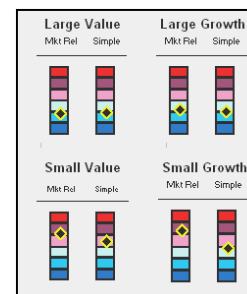


Small Growth



◀ Based on a simple Size categorization and a Value/Growth measure calculated using a composite of Book to Price and Dividend Yield.

Valuing the Basic Global Style Sectors



New Features in Funds Research Online

Funds Research Online, the publicly accessible Returns-based Style analysis and fund of funds management facility for global mutual funds has been enhanced significantly over the past few months.

Funds can now be Searched, Filtered and Sorted by any of the key descriptive characteristics (13 sort criteria!); and, once a fund has been selected, a summary table appears showing all the vital statistics for the selected fund—all with only a click of the mouse. ▶▶▶

The new [Fund of Funds](#) facilities enable users to select any number of funds (using all Search, Filtering and Sorting tools for group or discrete selection) to design and create their own funds of funds and to run a complete Returns-based Style analysis based on this construction. The Fund of Funds module also provides the flexibility to select specific Style paradigms and benchmarks for client specific analysis of both funds of funds and individual funds for further detailed review. ▶▶▶

Fund Name: Total: 110
Sorted by := Relative Returns (Last Month Rel. Return) (Desc)

Search by Name
Advanced Filter
Sort Options
View All

Analysis Reports
Peer Comparison

Fund Analysis Data Summary (click a Fund to refresh):
DFA US Small Cap Value

| Latest Month: | 3Yrs | 1Yr | End Mar 2006 |
|--------------------------|---------|---------|--------------|
| 1- Historic Rel. Returns | 21.35 % | 3.59 % | 1.27 % |
| 2- Annualized TE | 4.85 % | 3.96 % | 3.79 % |
| 3- Annualized Volatility | 21.55 % | 18.65 % | 16.82 % |
| 4- Cash | - | - | 0.00 % |
| 5- Large Growth | 0.00 % | 0.00 % | 18.65 % |
| 6- Large Value | 0.00 % | 0.00 % | 0.00 % |
| 7- Small Growth | 18.22 % | 37.85 % | 64.19 % |
| 8- Small Value | 81.70 % | 62.15 % | 35.81 % |
| 9- R-Squared | 93.41 % | 92.43 % | 92.56 % |

10- Benchmark: Russell 2000 Value TR
 11- Paradigms:
 USA Cash
 USA Large Growth Std
 USA Large Value Std
 USA Small Growth Std
 USA Small Value Std

Enter a name for New/Rename Fund of Funds: Create New

Fund of Funds (0)
 Canon Value
 Example Fund of Funds
 FT Composite
 FT Demo Value Search
 FT Demon Growth Search
 Fund Combinations
 Fund of Funds
 Sample

Fund Paradigms
 UK Cash
 UK Large Growth Std
 UK Large Value Std
 UK Small Growth Std
 UK Small Value Std

Fund Benchmarks
 Add Remove Set Weight to: [v] Split

Sub-Funds Sort Options: Relative Returns (Last Month Rel. Return) (Desc)
 Add Remove Set Weight & Rebalances: [v] 40 Apply

Returns-based Analysis Options
Single Fund Analysis Report
 This will carry out a returns-based analysis of the selected Fund and produce the standard analysis in a new page.
Fof Tracking Error & Fof Historic Rel. Return

| Latest Month: | 3Yrs | 1Yr | End Mar 2006 |
|--------------------------|---------|---------|--------------|
| 1- Historic Rel. Returns | 4.77 % | 1.00 % | -0.52 % |
| 2- Annualized TE | 4.65 % | 3.52 % | 3.22 % |
| 3- Annualized Volatility | 14.51 % | 11.19 % | 8.65 % |

Optimize Fof Tracking Error
 This will calculate the fund weights that minimize the Fof Tracking Error against the benchmark (the optimized TE will also be displayed).
Fof Analysis Report
 This will carry out a complete returns-based analysis of the selected Fof and produce the standard analysis charts in a new page.
Peer Comparison within Fof
 Select/Highlight a Fund on the left and then click the link to compare it with other funds in the same Fof (min 2, max 200 funds).

Fund: **Royal London UK Equity Acc**
 11- Paradigms:
 UK Cash
 UK Large Growth Std
 UK Large Value Std
 UK Small Growth Std
 UK Small Value Std

The [Fund of Funds](#) module also contains many advanced features designed specifically to provide the tools necessary to design, construct and manage a fund of funds selection. These features include:

- ▶ fully flexible fund of funds weightings as well as an optimization tool to manage or simply minimize tracking error risk against a designated benchmark;
- ▶ tailored benchmark composite construction (using standard benchmarks or other funds);
- ▶ peer group comparative analysis of user-defined fund selections, with immediate tracking error risk calculations and performance analysis; and,
- ▶ full Returns-based Style analysis of constructed fund of funds composites.

Visit the [Funds Research Online](#) branch of our website regularly for new updates and features; this is currently a focus area for rapid further development.



2006 SEMINARS AND WORKSHOPS
Fund Manager Selection & Oversight Conference
 Toronto, April 2006

Conference presentation:

“Improving Manager Selection and Monitoring using Holdings-Based Style Analysis”—Robert Schwob, Style Research Limited, London; Bernie Nelson Style Research Inc., Boston.

Conference Workshop:

“Style-Based Techniques for Manager Selection and Oversight”—Robert Schwob, Style Research Limited, London; Bernie Nelson Style Research Inc., Boston.


Data from Style Research Services

Benchmarks within [the Style Research Portfolio Analyzer](#)

Style Research has recently added Standard and Poor's Indices to the growing list of benchmark providers whose data can be accessed within the Style Research Portfolio Analyzer service. Subscribers to Standard and Poor's, Russell, FTSE and MSCI index data can now arrange to receive the key benchmark data, fully integrated within Style Research software and ready for immediate use in constructing portfolio analyses or for further benchmark analysis. As a reminder, subject to additional conditions, FTSE have also made it possible for clients of Style Research who might not be direct subscribers to FTSE benchmarks to receive FTSE benchmark data from Style Research. Please contact Style Research for further information.

Fundamental Securities Data within [Style Research Online](#)

It is now possible to use our web-based research facility, Style Research Online, to access, review and download fundamental data for individual securities over the entire breadth, depth and horizon of available information from the Thomson Financial and Style Research databases. The data histories are available to subscribers as CSV downloads from a Style Research FTP site. Please contact [Style Research](#) for further information.



**IS IT A BIRD?
IS IT A PLANE?
NO, IT'S A . . .**

Since the beginning of the year Style Research has been using a new corporate identity logo to replace its old tree (a photograph taken somewhere in the Canadian maritime provinces quite some time ago). Our new design has attracted quite a bit of curiosity; what does it signify?

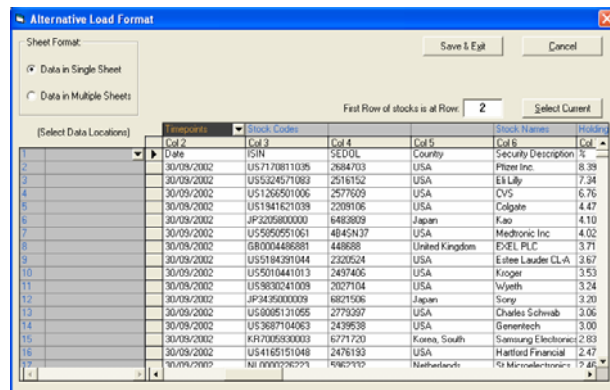
Perhaps it's a stylized representation of the observation that as cycles progress, themes which appear to be running concurrently soon start to break apart, much as Growth factors seem to disengage during the turn of a Growth cycle; or maybe it is a stylization of a theme from the paintings of the recognized Canadian artist Clemence Wescoupe (some of his work is in our meeting room); or perhaps it is simply a stylistic representation of an eyebrow and the Style Research in the middle is the baggy eye (from all the late nights over each month end).

We're not quite sure, yet.

Tips and Tricks

For those who might have missed it, there's now a very powerful new addition to the [Style Research Portfolio Analyzer](#) portfolio loader. In addition to the single and batch methods of loading portfolios/benchmarks, there is now an easy way to load multiple portfolios at multiple dates using the new "Alternative Format" facility. Accessed via the "Advanced" tab of the Load Funds/Benchmarks part of the Batch Record Facilities, the user can import many types of holdings information from worksheets or CSV files.

In contrast to the single/batch input files, the data no longer needs to be in the first three columns of the spreadsheet nor start on the second row. This increased flexibility helps streamline the loading process, saving the user from pre-formatting the input data sheet. This is useful even when loading a single portfolio at one date. But the real benefit of this addition comes when the user wants to load up multiple portfolios or portfolios at several dates, or both. Clicking on "Use Alternative Format" the user is presented with a view of their input workbook.



| (Select Data Locations) | Timepoints | Stock Codes | Stock Names | Holdings | | |
|-------------------------|------------|--------------|-------------|----------------|---------------------|-------|
| Col 1 | Col 2 | Col 3 | Col 4 | Col 5 | Col 6 | Col 7 |
| 1 | 30/09/2002 | US1170811036 | 2684703 | USA | Security | 8.39 |
| 2 | 30/09/2002 | US522451083 | 2516152 | USA | Eli Lilly | 7.34 |
| 3 | 30/09/2002 | US1266501006 | 2577609 | USA | CVS | 6.76 |
| 4 | 30/09/2002 | US1941621038 | 2209106 | USA | Colgate | 4.47 |
| 5 | 30/09/2002 | JP3205800000 | 6468809 | Japan | Fao | 4.10 |
| 6 | 30/09/2002 | US595951061 | 4845437 | USA | Mechronic Inc | 4.02 |
| 7 | 30/09/2002 | GB0004486881 | 448688 | United Kingdom | EXEL PLC | 3.71 |
| 8 | 30/09/2002 | US5184291044 | 2202524 | USA | Estee Lauder CLA | 3.67 |
| 9 | 30/09/2002 | US5010441013 | 2497406 | USA | Kroger | 3.53 |
| 10 | 30/09/2002 | US9630241008 | 2027104 | USA | Wyeth | 3.24 |
| 11 | 30/09/2002 | JP3426000009 | 6821506 | Japan | Sony | 3.20 |
| 12 | 30/09/2002 | US9085131066 | 2779297 | USA | Charles Schwab | 3.06 |
| 13 | 30/09/2002 | US3687104063 | 2439638 | USA | Genentech | 3.00 |
| 14 | 30/09/2002 | KR7005930003 | 6771720 | Korea, South | Samsung Electronics | 2.83 |
| 15 | 30/09/2002 | US4165151048 | 2476193 | USA | Hartford Financial | 2.47 |
| 16 | 30/09/2002 | NL0000762791 | 6062710 | Netherlands | Si Microelectronics | 2.40 |

Depending on the data to be loaded, the user may select from dropdown menus to identify which columns contain the Stock Names, Stock Codes, Holdings, Fund Names or Timepoints. Fund Names and Timepoints may also be selected by row or by worksheet.

Perhaps the most natural application of this new functionality is its application to bulk downloads from custodian or internal information management systems. Typically these output a block of data containing the holdings data across time/funds. Whereas previously this information would have had to have been reformatted and stored one portfolio-date at a time, now it can be simply loaded in one step. This should prove to be a valuable time-saver!



www.StyleResearch.com

Style Research is a global independent research firm providing clear and practical Style, Risk, and Performance analysis of equity portfolios and markets.

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More Information

[Style Research Portfolio Analyzer](#)

[Style Research Online](#)

[Funds Research Online](#)

[Global Style Manager](#)

[More Topics](#)

Additional Papers and Articles

[Four Faces of Style](#)

[Avoiding Style's Risk Traps](#)

[Style and Style Analysis from a Practitioner's Perspective](#)

[Style and Style Factors Within & Across Europe](#)

Newsletters:

[2004 Spring PDF](#)

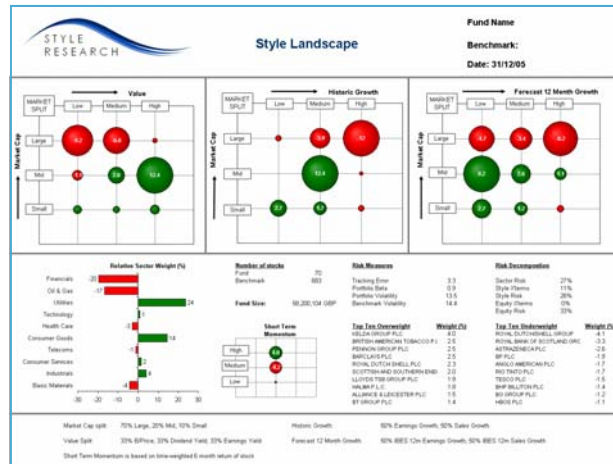
[2004 Fall PDF](#)

[2005 Summer PDF](#)

[2005 Fall PDF](#)

In Development

Our current development projects include a "Style Landscape" report. This uses the existing procedures, which will already be familiar to users of the Portfolio Analyzer, and represents the data in a new one-page overview. It addresses the question of "Where is the money invested?" from a market cap and Style perspective, along with further supplementary statistics. The report was developed for individuals who require an easily-digestible format without needing the depth and sophistication of the current analyser output. This functionality is expected to be a standard output option in the coming months. ▼



Skylines™ R Us



Style Research has recently been granted Trademark Registration for **Style Skyline™**, **Style Tilt™** and **Persistence Ratio™** in respect of downloadable electronic publications and printed matter including reports in book or bound form and printed publications.

While Trademark Registration is not a particularly restrictive feature, this registration does require that all users of these reports mark the output with the "™" symbol and recognize the source of the analysis as Style Research. We expect that this will add some uniformity and authority to the use of these outputs within our clients' reports.