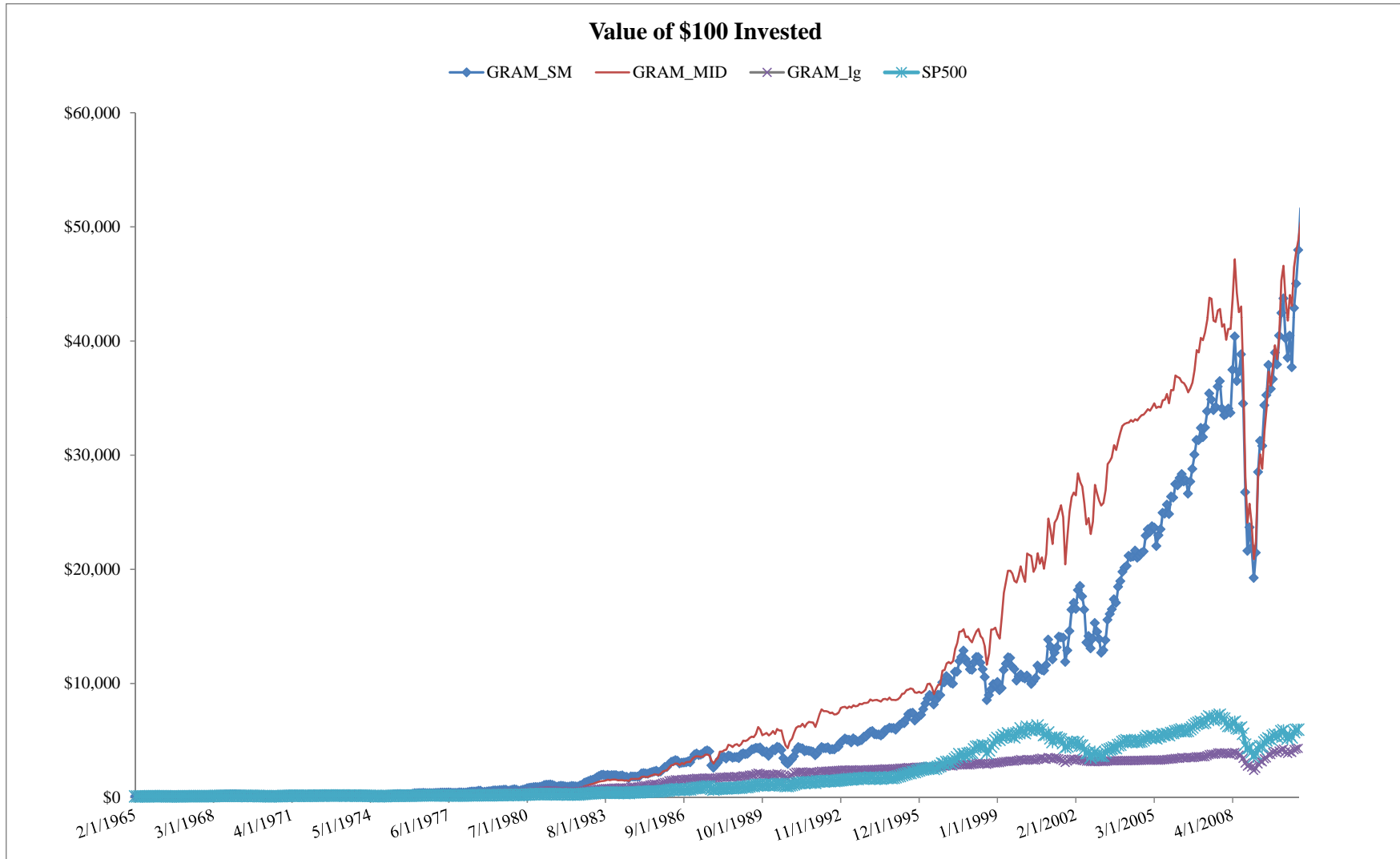

V.5 Performance Analysis—Overview

Inputs

- $P/E \leq 10.51$ (this specification was slightly better than 10.00)
- $(\text{Total Assets} - \text{Total Liabilities}) / \text{Total Assets} \geq .5$
- Max holding period of 2 years
- Max return of 50% from inception
- No “Look-ahead” bias—screening information was known at time of screening
- No “Survivor bias”—incorporated delisting information from CRSP filings according to the Price/Beaver 2007 algorithm (<http://richardp.rice.edu/research/delistings.sas>)
- Ranked on P/E
- No Utilities or Financials
- No ADR, CEF, REITs, or TRUSTs
- Rebalance monthly
- Market Capitalization benchmarked against NYSE breakpoints
 - Small-cap = 20%-50%
 - Mid-cap = 50%-80%
 - Large-cap = 80%+
- CRSP/Compustat/Thompson Reuters Data
- VW_CRSP=Value-weight index of all NYSE/AMEX/NASDAQ stocks
- EW_CRSP=Equal-weight index of all NYSE/AMEX/NASDAQ stocks

V.5 Performance Analysis—Overview



V.5 Performance Analysis—Overview

<i>Asset Pricing Model</i>	<i>Alpha (annual)</i>	<i>Rm-rf</i>	<i>SMB</i>	<i>HML</i>	<i>MOM</i>	<i>INV</i>	<i>ROA</i>	<i>LQD</i>
CAPM	4.91%	1.12						
<i>p-value**</i>	<i>0.0082</i>	<i>0.0000</i>						Small
3 Factor (FF)	0.42%	1.06	0.73	0.48				
<i>p-value**</i>	<i>0.7625</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>				
3 Factor (CZ)	6.21%	1.10				0.05	-0.14	
<i>p-value**</i>	<i>0.0014</i>	<i>0.0000</i>				<i>0.5743</i>	<i>0.0014</i>	
4 Factor	3.78%	1.00	0.74	0.38	-0.30			
<i>p-value**</i>	<i>0.0025</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			
5 Factor	3.60%	1.00	0.74	0.37	-0.30			0.04
<i>p-value**</i>	<i>0.0042</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			<i>0.2141</i>

**Italics denotes p-values significant at the 5% level.

<i>Asset Pricing Model</i>	<i>Alpha (annual)</i>	<i>Rm-rf</i>	<i>SMB</i>	<i>HML</i>	<i>MOM</i>	<i>INV</i>	<i>ROA</i>	<i>LQD</i>
CAPM	4.97%	0.98						
<i>p-value**</i>	<i>0.0018</i>	<i>0.0000</i>						Mid
3 Factor (FF)	1.58%	1.00	0.33	0.45				
<i>p-value**</i>	<i>0.2631</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>				
3 Factor (CZ)	5.59%	0.97				-0.01	-0.05	
<i>p-value**</i>	<i>0.0008</i>	<i>0.0000</i>				<i>0.8471</i>	<i>0.1634</i>	
4 Factor	4.90%	0.95	0.34	0.35	-0.30			
<i>p-value**</i>	<i>0.0001</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			
5 Factor	4.57%	0.94	0.34	0.34	-0.30			0.07
<i>p-value**</i>	<i>0.0004</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			<i>0.0274</i>

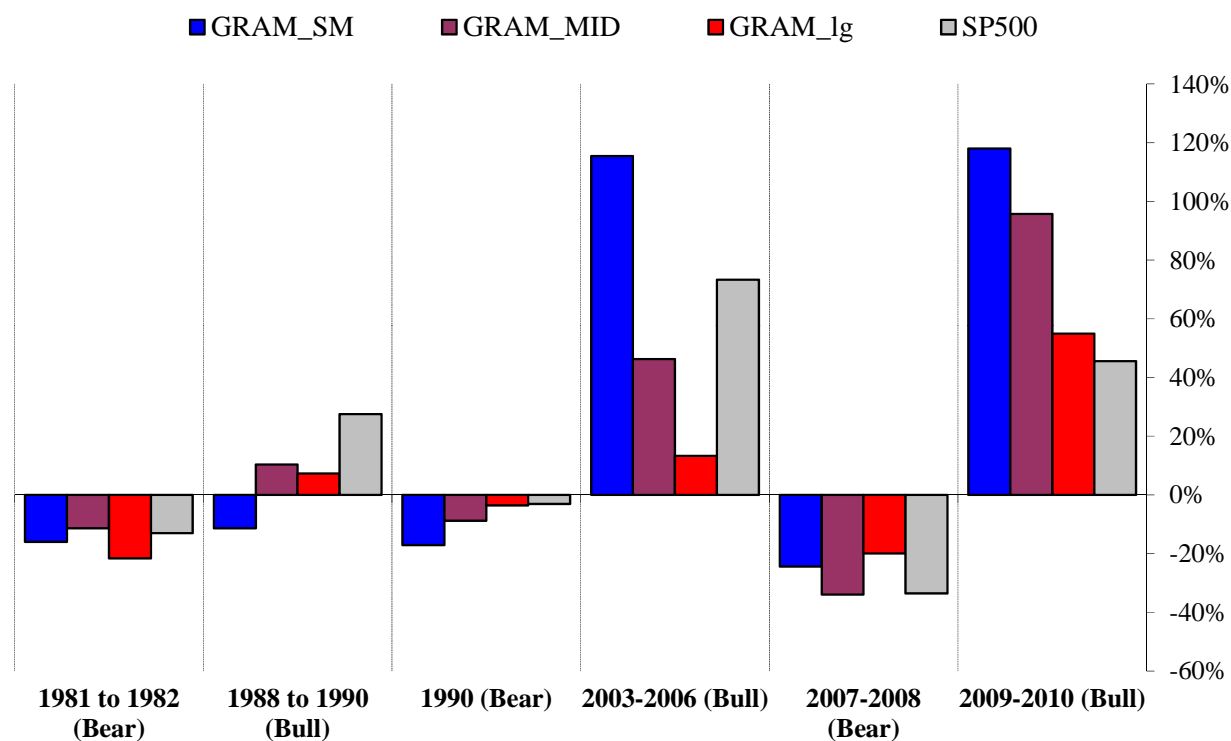
**Italics denotes p-values significant at the 5% level.

<i>Asset Pricing Model</i>	<i>Alpha (annual)</i>	<i>Rm-rf</i>	<i>SMB</i>	<i>HML</i>	<i>MOM</i>	<i>INV</i>	<i>ROA</i>	<i>LQD</i>
CAPM	0.49%	0.64						
<i>p-value**</i>	<i>0.6884</i>	<i>0.0000</i>						Large
3 Factor (FF)	-1.31%	0.66	0.12	0.26				
<i>p-value**</i>	<i>0.2643</i>	<i>0.0000</i>	<i>0.0002</i>	<i>0.0000</i>				
3 Factor (CZ)	-0.46%	0.65				0.07	0.06	
<i>p-value**</i>	<i>0.7181</i>	<i>0.0000</i>				<i>0.2248</i>	<i>0.0333</i>	
4 Factor	0.22%	0.64	0.12	0.22	-0.14			
<i>p-value**</i>	<i>0.8483</i>	<i>0.0000</i>	<i>0.0001</i>	<i>0.0000</i>	<i>0.0000</i>			
5 Factor	0.47%	0.64	0.12	0.23	-0.14			-0.05
<i>p-value**</i>	<i>0.6873</i>	<i>0.0000</i>	<i>0.0002</i>	<i>0.0000</i>	<i>0.0000</i>			<i>0.0664</i>

**Italics denotes p-values significant at the 5% level.

V.5 Performance Analysis—Overview

Market Cycle Performance

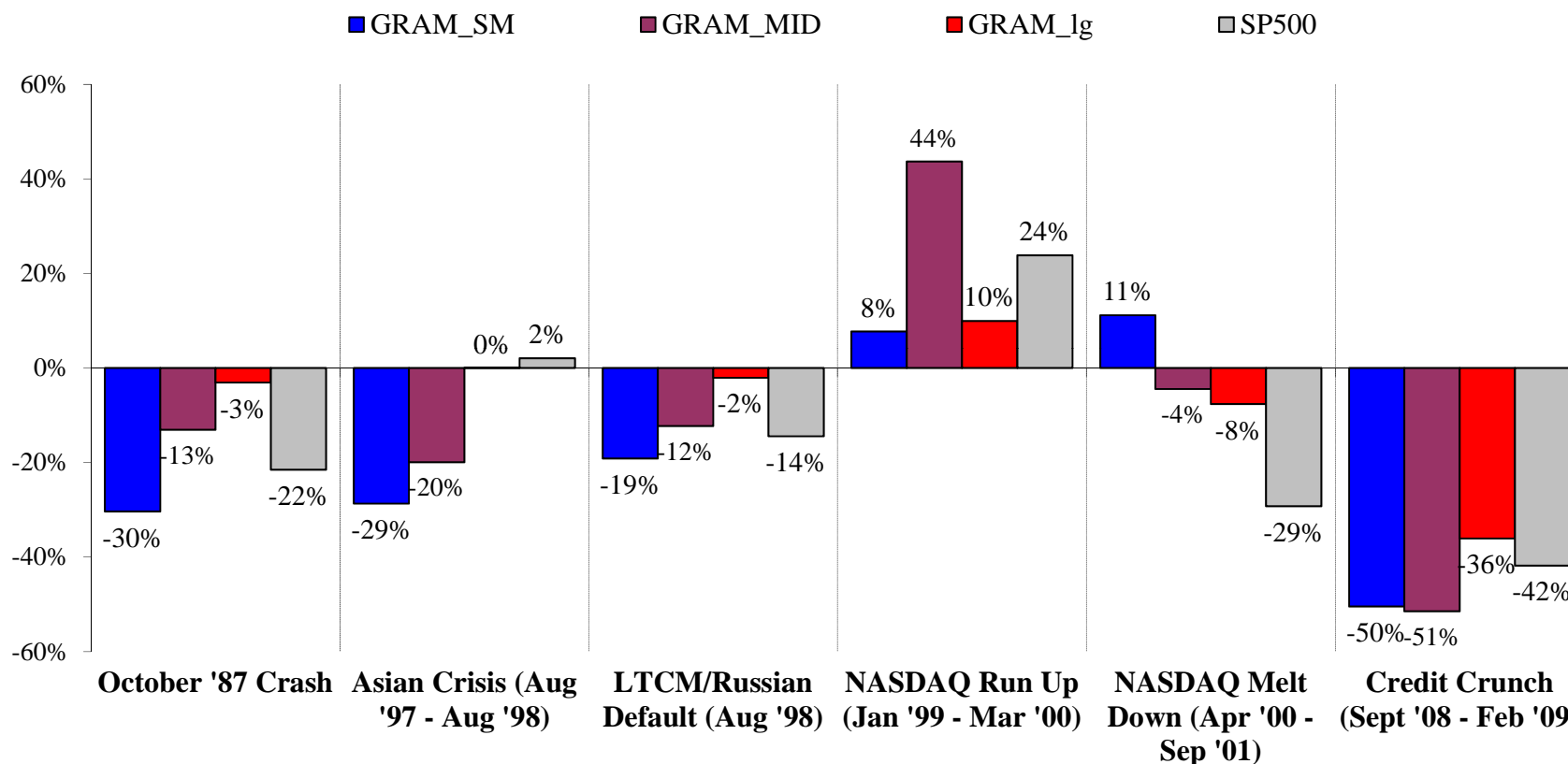


	1981 to 1982 (Bear)	1988 to 1990 (Bull)	1990 (Bear)	2003-2006 (Bull)	2007-2008 (Bear)	2009-2010 (Bull)
GRAM_SM	-15.99%	-11.42%	-17.09%	115.43%	-24.38%	118.02%
GRAM_MID	-11.34%	10.38%	-8.78%	46.23%	-34.01%	95.70%
GRAM_lg	-21.59%	7.24%	-3.55%	13.29%	-19.95%	54.95%
SP500	-13.09%	27.54%	-3.10%	73.28%	-33.53%	45.55%

Past performance is not necessarily indicative of future results. Please see appendix for additional performance disclosures.

V.5 Performance Analysis—Risk Assessment

Short-Term Event Stress Tests

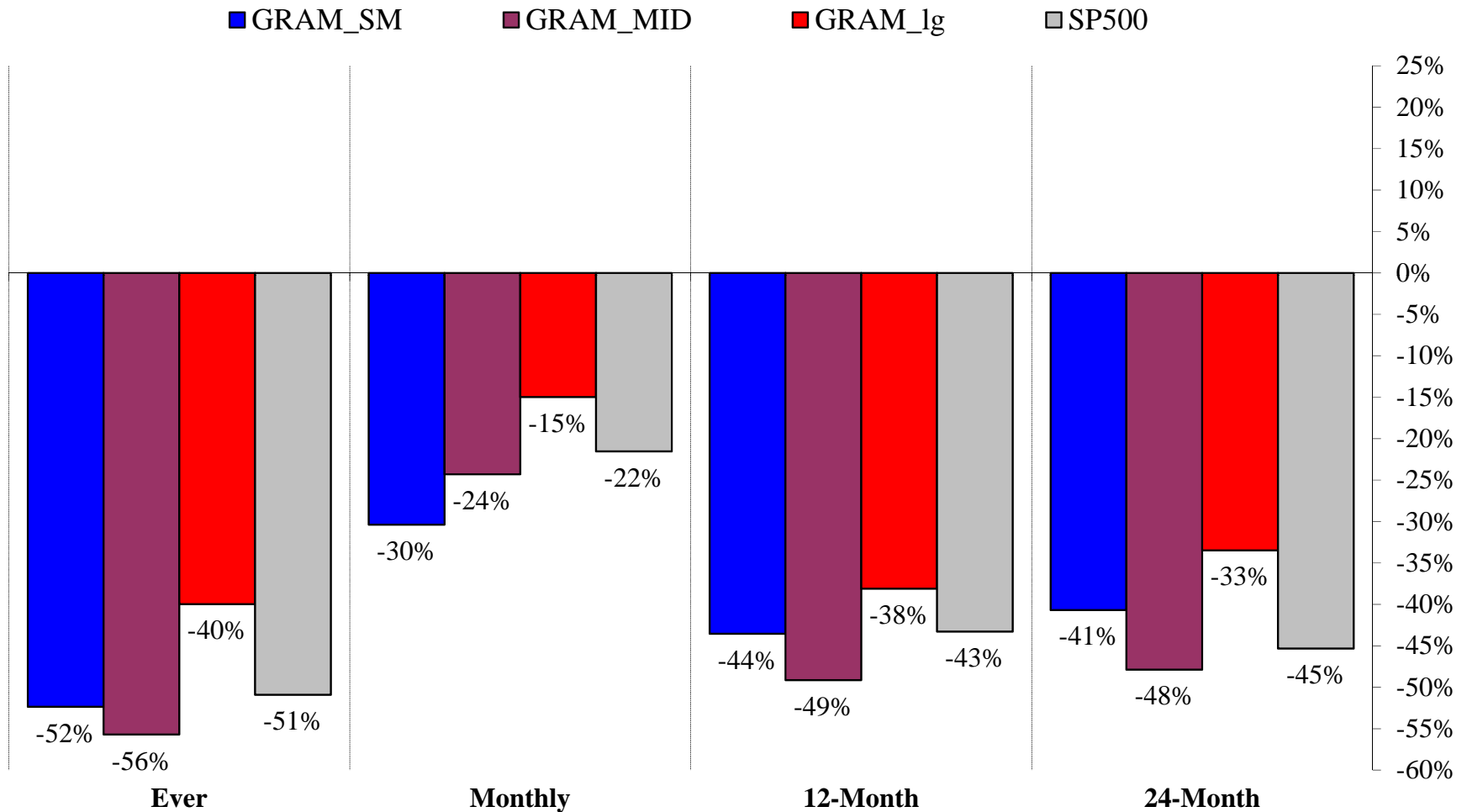


Strategy	October '87 Crash	Asian Crisis (Aug '97 - Aug '98)	LTCM/Russian Default (Aug '98)	NASDAQ Run Up (Jan '99 - Mar '00)	NASDAQ Melt Down (Apr '00 - Sep '01)	Credit Crunch (Sept '08 - Feb '09)
GRAM_SM	-30.37%	-28.71%	-19.14%	7.74%	11.15%	-50.44%
GRAM_MID	-13.09%	-19.96%	-12.29%	43.68%	-4.45%	-51.46%
GRAM_lg	-3.09%	0.02%	-2.05%	9.96%	-7.65%	-36.03%
SP500	-21.53%	2.05%	-14.44%	23.81%	-29.25%	-41.80%

Past performance is not necessarily indicative of future results. Please see appendix for additional performance disclosures.

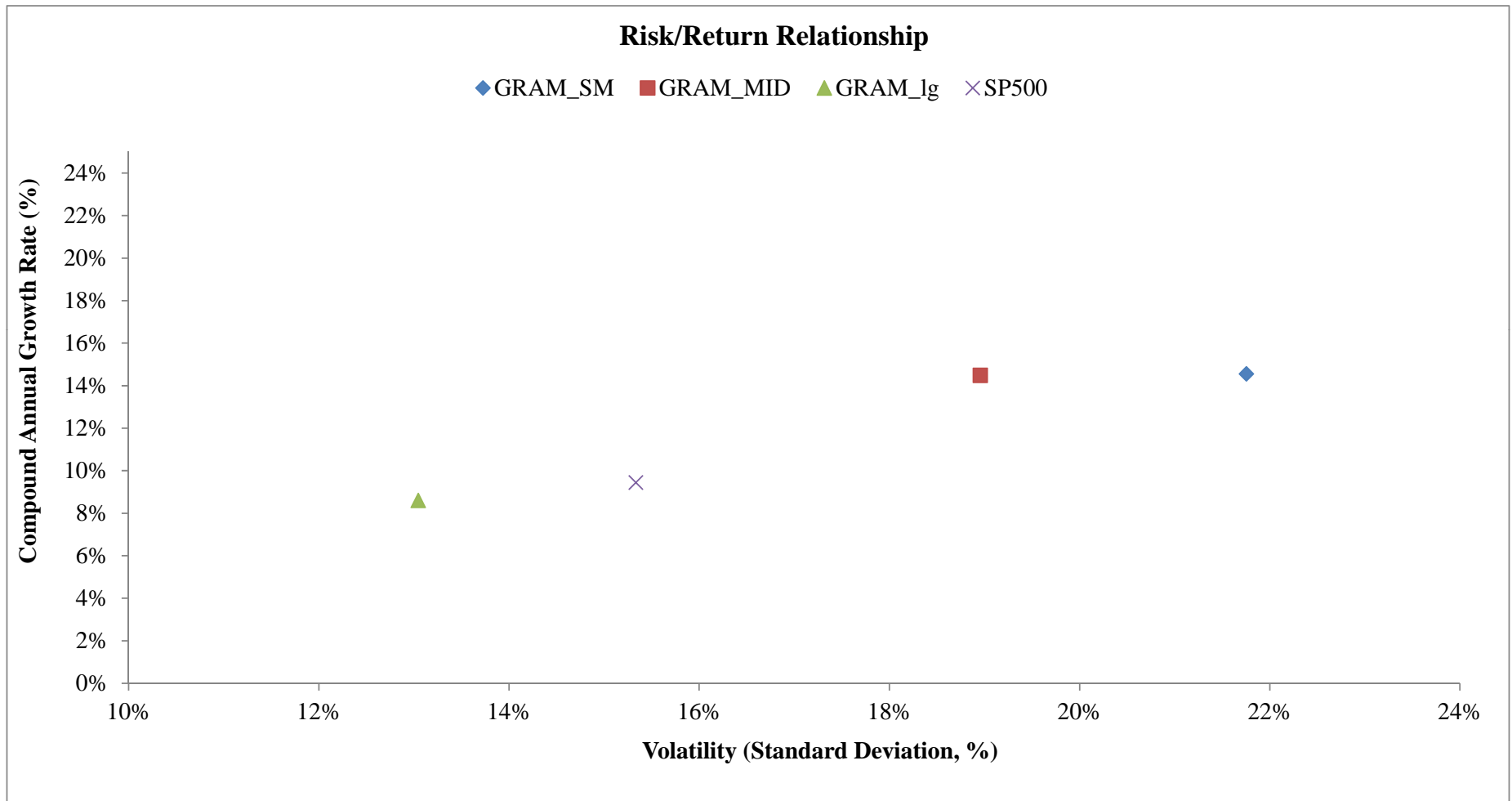
V.5 Performance Analysis—Risk Assessment

Worst Case Scenarios



Past performance is not necessarily indicative of future results. Please see appendix for additional performance disclosures.

V.5 Performance Analysis—Risk Assessment



Past performance is not necessarily indicative of future results. Please see appendix for additional performance disclosures.

V.5 Analysis by Portfolio Size

Inputs

- Market Capitalization benchmarked against NYSE breakpoints
 - Range= 20%+

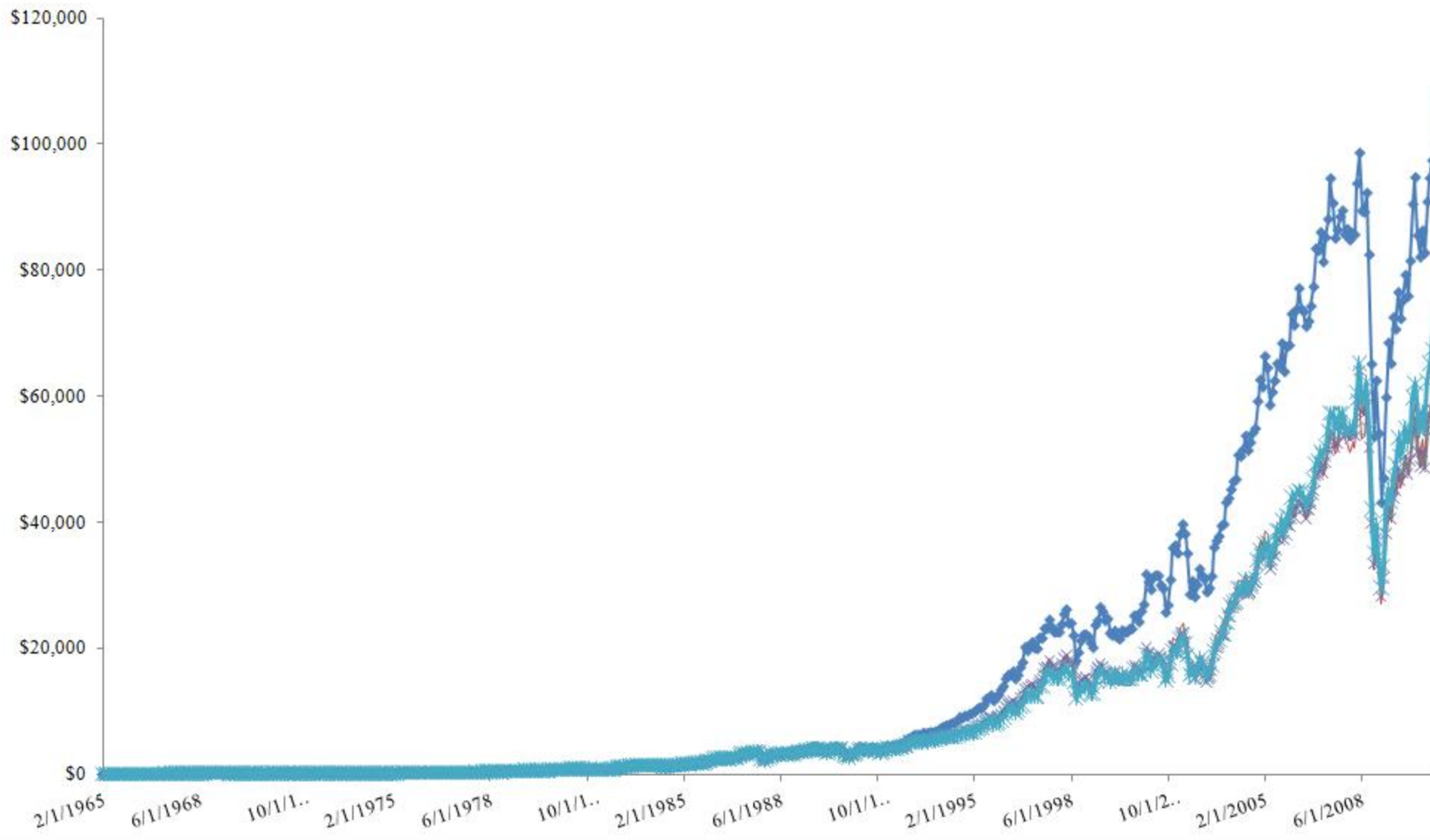
- Portfolio Size
 - 15, 20, 25, 30

	GRAM20EWL15	GRAM20EWL20	GRAM20EWL25	GRAM20EWL30
<i>Annual Performance*</i>				
1965	29.38%	34.73%	34.32%	33.64%
1966	-11.68%	-8.26%	-10.64%	-8.00%
1967	45.29%	51.02%	51.28%	48.11%
1968	49.47%	46.83%	44.96%	44.26%
1969	-28.51%	-28.85%	-26.19%	-26.96%
1970	2.93%	-2.52%	-3.36%	-5.21%
1971	1.57%	4.90%	4.70%	5.18%
1972	17.99%	24.37%	23.62%	20.78%
1973	-16.42%	-23.89%	-23.59%	-22.44%
1974	-14.36%	-16.82%	-17.00%	-20.31%
1975	60.36%	61.77%	67.11%	72.34%
1976	45.64%	43.25%	39.68%	42.84%
1977	4.57%	9.12%	9.20%	11.13%
1978	21.32%	18.43%	16.70%	19.20%
1979	32.63%	33.09%	30.59%	30.48%
1980	25.85%	21.47%	21.04%	24.96%
1981	6.36%	2.03%	8.97%	11.27%
1982	31.94%	25.92%	37.78%	39.08%
1983	20.10%	22.83%	26.93%	27.68%
1984	-3.92%	-3.04%	-0.34%	-4.27%
1985	51.21%	52.35%	55.58%	52.61%
1986	45.14%	31.61%	24.41%	22.44%
1987	-2.97%	-4.45%	-2.27%	-4.36%
1988	40.18%	27.00%	30.47%	33.22%
1989	11.56%	8.81%	9.43%	10.57%
1990	-15.03%	-15.45%	-14.54%	-16.26%
1991	8.89%	14.19%	14.54%	14.68%
1992	53.05%	53.41%	45.31%	41.35%
1993	23.85%	19.20%	16.52%	14.03%
1994	30.89%	21.64%	14.23%	13.02%
1995	31.75%	33.36%	31.82%	26.73%
1996	55.72%	52.27%	49.63%	49.48%
1997	15.34%	16.47%	19.69%	22.17%
1998	-1.94%	-9.01%	-7.46%	-8.34%
1999	2.51%	4.55%	5.88%	15.29%
2000	18.32%	12.28%	6.20%	1.81%
2001	33.11%	29.31%	17.64%	19.54%
2002	-12.05%	-15.22%	-17.36%	-10.82%
2003	43.03%	52.92%	57.15%	52.90%
2004	38.49%	32.76%	32.82%	32.66%
2005	8.71%	8.27%	12.29%	14.68%
2006	22.03%	17.92%	21.17%	21.71%
2007	4.15%	11.13%	13.24%	9.67%
2008	-27.78%	-29.38%	-30.88%	-27.41%
2009	26.84%	34.87%	35.05%	39.14%
2010	37.24%	29.82%	26.10%	34.59%
<i>Statistics</i>				
Standard Deviation	21.84%	21.57%	21.45%	21.43%
Correlation	--	0.976	0.960	0.952
CAGR	16.42%	15.13%	15.07%	15.45%

*Monthly returns start in 01/1965 for this strategy.

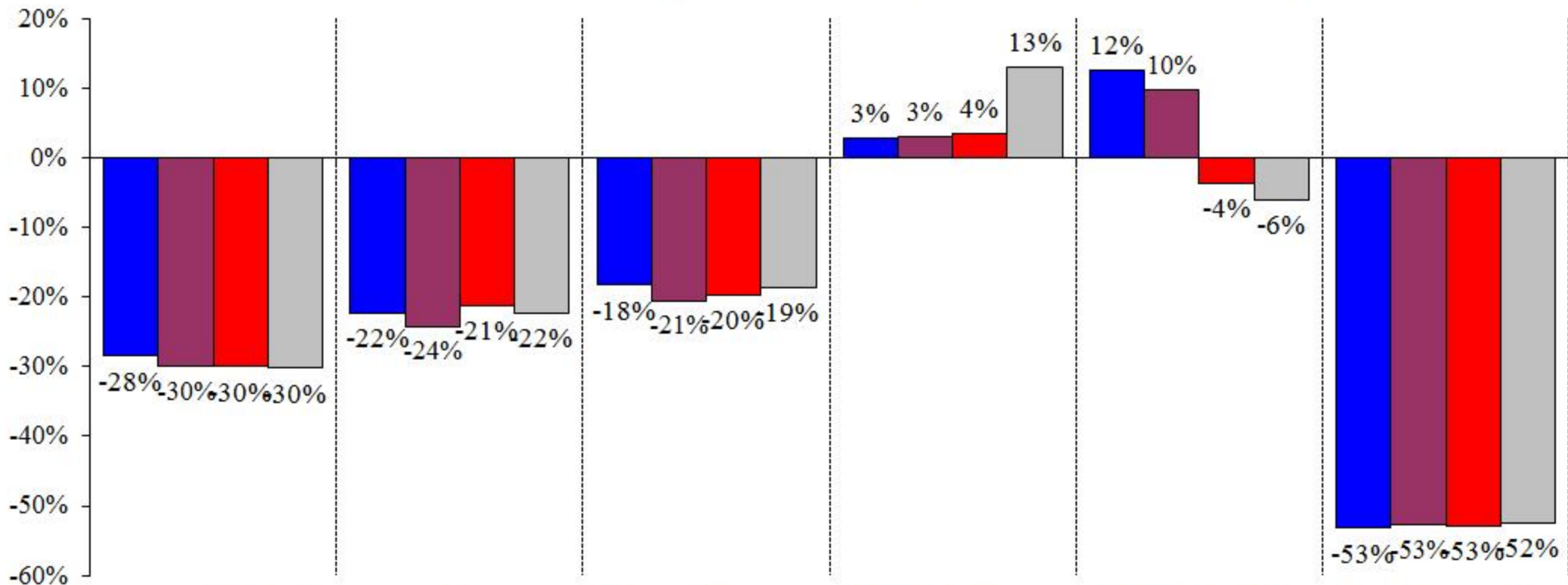
Value of \$100 Invested

—●— GRAM20EWL15 — GRAM20EWL20 —×— GRAM20EWL25 —*— GRAM20EWL30



Short-Term Event Stress Tests

■ GRAM20EWL15 ■ GRAM20EWL20 ■ GRAM20EWL25 ■ GRAM20EWL30



October '87 Crash

Asian Crisis (Aug '97 - Aug '98)

LTCM/Russian Default (Aug '98)

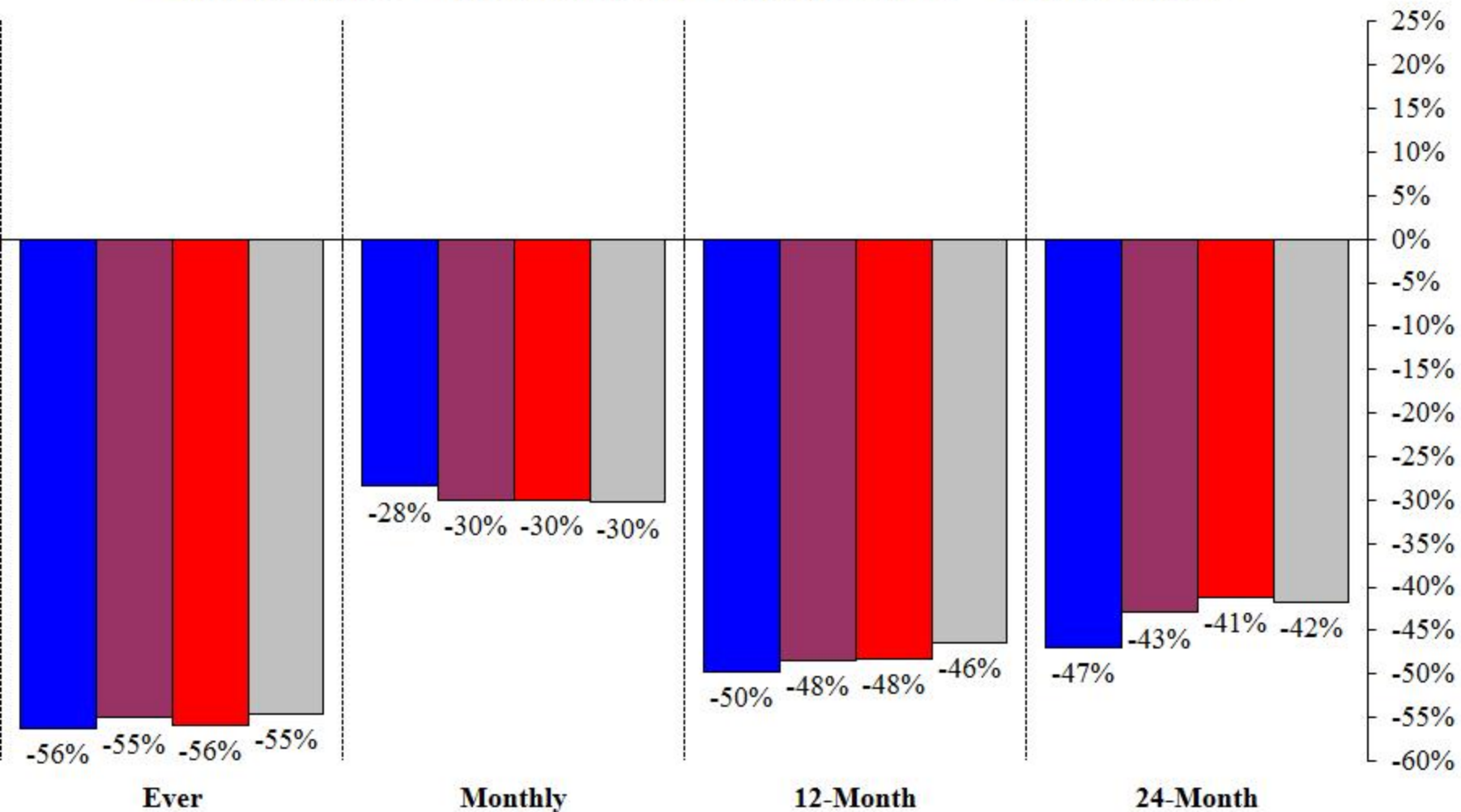
NASDAQ Run Up (Jan '99 - Mar '00)

NASDAQ Melt Down (Apr '00 - Sep '01)

Credit Crunch (Sept '08 - Feb '09)

Worst Case Scenarios

■ GRAM20EWL15 ■ GRAM20EWL20 ■ GRAM20EWL25 ■ GRAM20EWL30



15

<i>Asset Pricing Model</i>	<i>Alpha (annual)</i>	<i>Rm-rf</i>	<i>SMB</i>	<i>HML</i>	<i>MOM</i>	<i>INV</i>	<i>ROA</i>	<i>LQD</i>
CAPM	6.66%	1.11						
<i>p-value**</i>	<i>0.0006</i>	<i>0.0000</i>						
3 Factor (FF)	2.01%	1.10	0.55	0.58				
<i>p-value**</i>	<i>0.2105</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>				
3 Factor (CZ)	6.90%	1.11				0.15	-0.08	
<i>p-value**</i>	<i>0.0007</i>	<i>0.0000</i>				<i>0.1078</i>	<i>0.0838</i>	
4 Factor	4.55%	1.06	0.55	0.51	-0.23			
<i>p-value**</i>	<i>0.0035</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			
5 Factor	4.59%	1.06	0.55	0.51	-0.23			-0.01
<i>p-value**</i>	<i>0.0035</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			<i>0.8317</i>

**Italics denotes p-values significant at the 5% level.

20

<i>Asset Pricing Model</i>	<i>Alpha (annual)</i>	<i>Rm-rf</i>	<i>SMB</i>	<i>HML</i>	<i>MOM</i>	<i>INV</i>	<i>ROA</i>	<i>LQD</i>
CAPM	5.41%	1.12						
<i>p-value**</i>	<i>0.0030</i>	<i>0.0000</i>						
3 Factor (FF)	0.81%	1.10	0.59	0.56				
<i>p-value**</i>	<i>0.5773</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>				
3 Factor (CZ)	5.81%	1.12				0.13	-0.09	
<i>p-value**</i>	<i>0.0023</i>	<i>0.0000</i>				<i>0.1306</i>	<i>0.0429</i>	
4 Factor	3.46%	1.06	0.59	0.48	-0.24			
<i>p-value**</i>	<i>0.0120</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			
5 Factor	3.37%	1.06	0.59	0.48	-0.24			0.02
<i>p-value**</i>	<i>0.0151</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			<i>0.5697</i>

**Italics denotes p-values significant at the 5% level.

25

<i>Asset Pricing Model</i>	<i>Alpha (annual)</i>	<i>Rm-rf</i>	<i>SMB</i>	<i>HML</i>	<i>MOM</i>	<i>INV</i>	<i>ROA</i>	<i>LQD</i>
CAPM	5.27%	1.13						
<i>p-value**</i>	<i>0.0026</i>	<i>0.0000</i>						
3 Factor (FF)	0.91%	1.11	0.57	0.52				
<i>p-value**</i>	<i>0.5137</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>				
3 Factor (CZ)	6.30%	1.12				0.05	-0.11	
<i>p-value**</i>	<i>0.0006</i>	<i>0.0000</i>				<i>0.5536</i>	<i>0.0056</i>	
4 Factor	3.81%	1.06	0.58	0.44	-0.26			
<i>p-value**</i>	<i>0.0032</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			
5 Factor	3.57%	1.06	0.58	0.43	-0.26			0.05
<i>p-value**</i>	<i>0.0059</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			<i>0.1165</i>

**Italics denotes p-values significant at the 5% level.

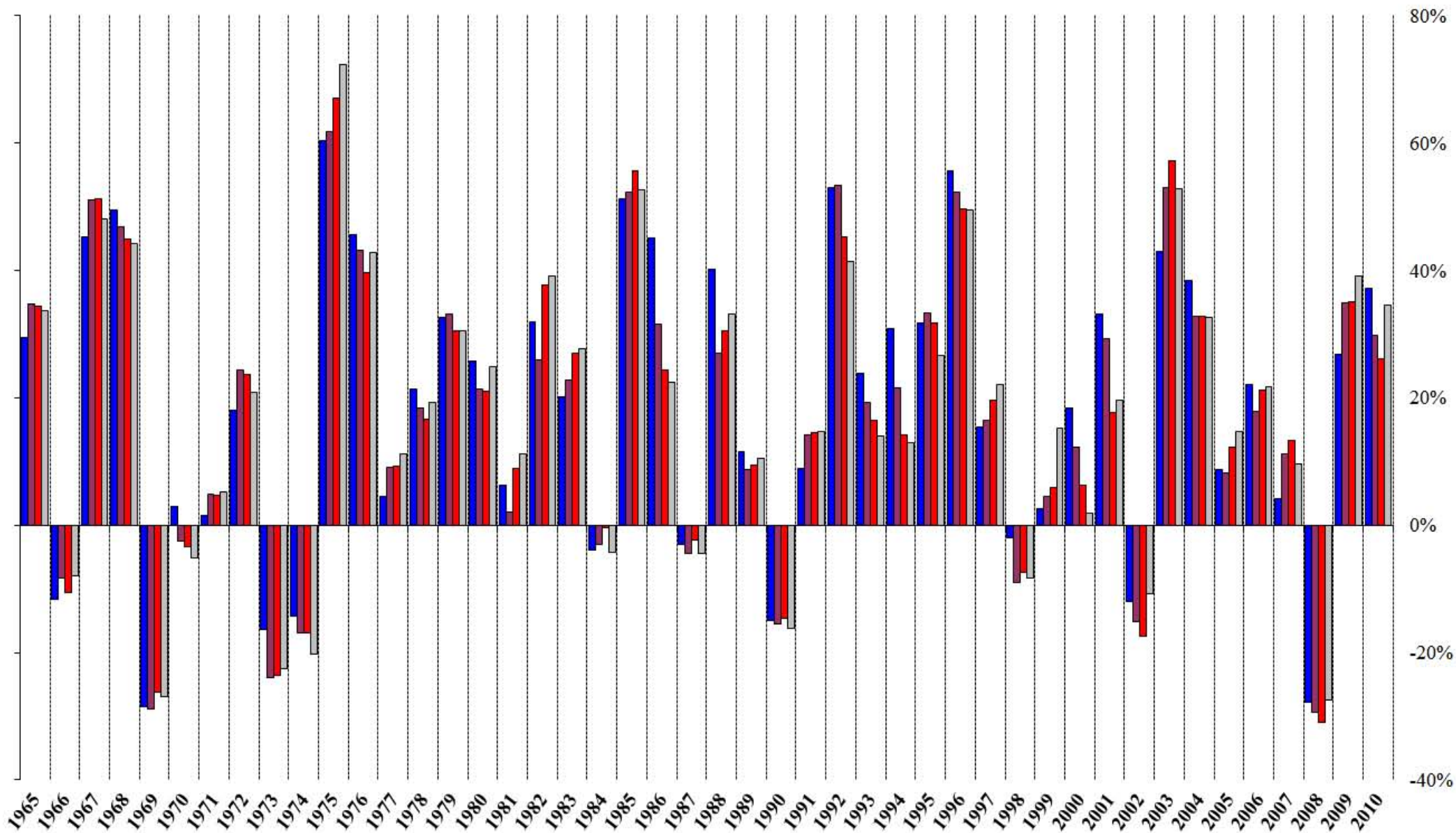
30

<i>Asset Pricing Model</i>	<i>Alpha (annual)</i>	<i>Rm-rf</i>	<i>SMB</i>	<i>HML</i>	<i>MOM</i>	<i>INV</i>	<i>ROA</i>	<i>LQD</i>
CAPM	5.56%	1.14						
<i>p-value**</i>	<i>0.0012</i>	<i>0.0000</i>						
3 Factor (FF)	1.11%	1.11	0.61	0.52				
<i>p-value**</i>	<i>0.3950</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>				
3 Factor (CZ)	6.68%	1.12				0.09	-0.13	
<i>p-value**</i>	<i>0.0002</i>	<i>0.0000</i>				<i>0.2944</i>	<i>0.0007</i>	
4 Factor	4.14%	1.06	0.61	0.43	-0.27			
<i>p-value**</i>	<i>0.0005</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			
5 Factor	3.96%	1.06	0.61	0.43	-0.27			0.04
<i>p-value**</i>	<i>0.0009</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>	<i>0.0000</i>			<i>0.1909</i>

**Italics denotes p-values significant at the 5% level.

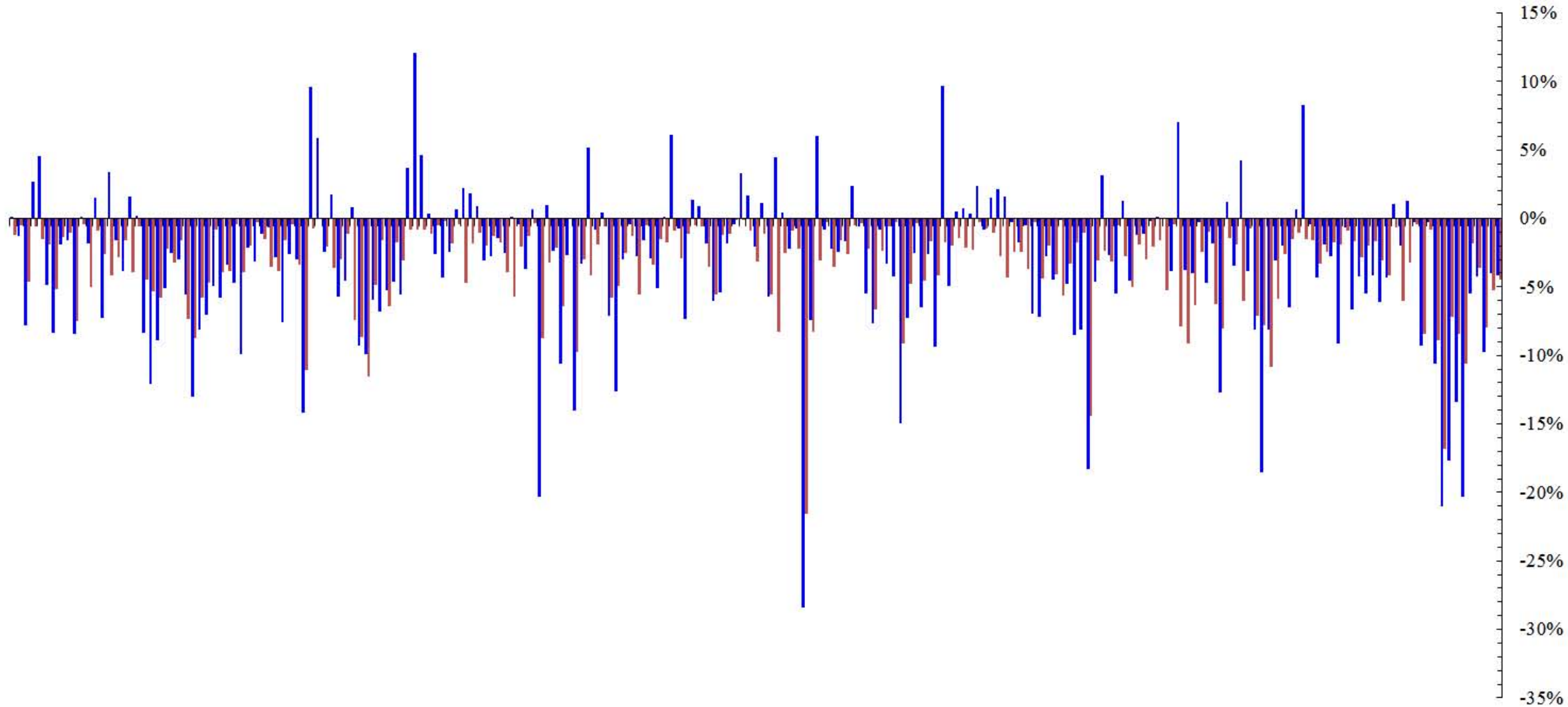
Annual Performance

■ GRAM20EWL15 ■ GRAM20EWL20 ■ GRAM20EWL25 ■ GRAM20EWL30



Performance During SP500 Down-Month

■ GRAM20EWL15 ■ SP500



Risk/Return Relationship

◆ GRAM20EWL15 ■ GRAM20EWL20 ▲ GRAM20EWL25 × GRAM20EWL30

