

Gradient Releases First-to-Market European Insider Trading Model

Scottsdale, Ariz. (February 9, 2011) —Gradient Analytics, a market-leading developer of executive-behavior models and analytics in the United States since 1996, has released the first available model based on pan-European insider transactions data. Gradient's *European Insider Trading Model (EITM)* provides users with timely country, company, individual, and transaction level analytics in a quantitative model based on insider behavior at approximately 5,000 liquid stocks across 31 European countries.

We are pleased to introduce a first-to-market model that captures the existing company-level pricing inefficiencies of European insider trading activity. The *EITM* is our latest product in a long history of alpha-generating models scientifically establishing the relationship between executive behavior and stock returns in the United States. Built on comprehensive European insider data provided by our partner, 2iQ Research (Germany), we believe that any quantitative strategy involving European equities will benefit significantly from the use of *EITM* as an operational factor.

Tom Barrett, CFA
President and CEO

The EITM scores company-level data from 10 to 1. Higher scores indicate a greater level of bullish insider sentiment about the company's future share-price performance. Sell scores are ranked 1 to 5, while buy and award decisions are ranked 10 to 6. The nature of aggregate insider-trading behavior in Europe (i.e., more buying than selling decisions) creates a score distribution that is weighted toward the top, providing a dominance of long ideas while generating sufficient short signals to manage risk or capture alpha. Score 10 vs. Score 1 raw (excess) return spreads averaged 37.0% (21.8%) on a 12-month basis in out-sample testing.

EITM data provider 2iQ Research welcomed the announcement of the model's release.

Our partnership with Gradient is founded on their reputation and history of bringing science to produce market-winning results. Gradient's *EITM* is validation that the scientific analysis of European insider buying, selling and equity awards can produce abnormal returns for informed investors. We extend our congratulations to Gradient in their completion of the only commercial available model which deploys our pan-European insider data set.

Patrick Hable
Managing Partner, 2iQ Research (Germany)

Copies of the EITM White Paper and information on back testing the model are available at http://www.gradientanalytics.com/products_dd.jsp.



About Gradient Analytics

Gradient is one of the country's leading independent research firms providing objective, academically rigorous research and quantitative stock ratings for institutional clients.

CONTACT:

Karen Hinton

Hinton Communications

703-798-3109

Karen@hintoncommunications.com

