

Gradient Launches International Quantitative Model

Scottsdale, AZ (September 23, 2009) — Gradient Analytics announced today the availability of its International Earnings Quality Model (EQM-I). Framed by more than a decade of research experience modeling the relationship between earnings-quality metrics and stock returns using nonlinear, statistically based approaches, EQM-I provides a platform to yield profitable investment and trading strategies on a global scale.

We are excited to offer our rigorously tested International Earnings Quality Model to institutional money managers. It is an important addition to the suite of quantitative models we have developed over the past decade—not only in expanding the universe of coverage of equities beyond the U.S. but also in the use of new modeling techniques.

Tom Barrett, CFA
EVP, Global Strategy and Products

EQM-I delivers quantitative signals on more than 4,300 equities, ranging from small to large capitalization, across 24 developed countries and Hong Kong, spanning four continents:

Australia	Greece	Norway
Austria	Hong Kong	New Zealand
Belgium	Ireland	Portugal
Canada	Italy	Singapore
Denmark	Japan	Spain
Finland	Korea	Sweden
France	Luxembourg	Switzerland
Germany	Netherlands	Taiwan
Great Britain		

Consistent with Gradient’s scoring of firms in its existing suite of quantitative models, EQM-I scores range from 10 to 1, with higher scores indicating a higher quality of earnings. In the EQM-I model, an approximately equal number of companies receive each score. Therefore, 10% of the firms fall into each tail score (10 or 1). The modeling process (in sample) was conducted over the time period of 1999 to 2004 and has produced compelling spreads year after year in the out-of-sample period from 2005 to present.

On a 12-month basis, the raw and excess return spreads of Score 10 vs. Score 1 averaged 13.6% and 8.7%, respectively. Excess-return spreads for EQM-I are compelling across all countries, market capitalizations, and time periods studied.

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.

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