

GRADIENT ANALYTICS RELEASES NEW EARNINGS QUALITY SERVICE FOR MONEY MANAGERS

FOR IMMEDIATE RELEASE

June 25, 2007, Scottsdale, AZ — Gradient Analytics' forensic accounting service (Earnings Quality Analytics) released its new equities tool for money managers today. Combining the strength of the firm's highly regarded quantitative models with qualitative accounting analyst review, Gradient's new *Snapshots* are expected to double the number of equities covered each week. As a result of the expanded equities under review, increased coverage of the Financial, Energy, Capital Goods, Basic Industries, and Public Utilities sectors is anticipated.

Gradient President and CEO Brad Forst notes:

Gradient's *Snapshots* are distinguished from other tear sheets in the market. Each *Snapshot* captures the synergies of our models with high-level, brief summaries of the qualitative review, analysis and perspective of our forensic accounting analysts. *Snapshots* are expected to present additional actionable ideas for Gradient clients.

Earnings Quality Analytics' *Snapshots* leverage the (positive and negative) distribution tails from the intersection of Gradient's Earnings Quality Model v.2 (EQMv2) and Gradient's recently released Comprehensive Model. Ratings of Positive, Neutral, and Negative are assigned by EQA analysts following a brief overview of earnings quality-related metrics.

Gradient co-founder and Earnings Quality Editor-in-Chief Dr. Donn Vickrey explains that the objective of the new EQA offering is to increase names under coverage:

A considerable range of positive and negative signals is generated from our models which are frequently beyond the scale of our analyst operation to capture as fully developed qualitative reports. Given the historical strength of our model signals and the addition of a review by Earnings Quality analysts, money managers will benefit from an increased identification of equities likely to under(out)perform the market in coming periods.

Gradient's backtesting of the intersection of EQMv2 and the Comprehensive Model's positive (negative) signals indicate that equities identified in the tails of the distribution significantly outperform (underperform) the market in subsequent 3-, 6-, and 12-month periods. Specifically, for the period 1994 – 2006, the positive (negative) intersection outperformed (underperformed) peers by 2.6%, 5.3%, and 9.7% (4.3%, 8.0%, and 14.3%), respectively.



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