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Ford's "Quality Portfolios" Generate Steady Performance in Mixed Market Environment

San Diego, CA – March 24, 2004 - A recent *Special Study* by Ford Equity Research highlights the importance of selecting stocks from a universe of high quality companies in generating above average portfolio returns in both bull and bear market environments. Ford presents three alternative ways to screen companies to create quality universes on which defined strategies produce excellent results with low return volatility and moderate turnover.

Using Ford's highly successful Selected Stock List method as a launch point, the paper examines creating selection universes using proprietary quality measures and selecting portfolio constituents using other proxies for quality such as share buybacks and dividend yield. Portfolios created from these high quality universes based on a combination of valuation and momentum factors produced impressive results. Some of the highlights include:

- A large cap, high quality portfolio that excluded financial companies produced returns that exceeded the S&P 500 index in 27 of the 28 years tested. The average annual excess return was 13.2%.
- A share buyback strategy applied to a high quality universe produced large positive excess returns across large, mid and small cap companies.
- Portfolios created in the study were especially effective in bear market environments with many portfolios not only beating their benchmark index, but posting positive returns in down years. For example, a large cap, high yield portfolio produced gains of 20.7%, 12.0%, and 4.9% in 2000, 2001, and 2002, respectively. The S&P 500 posted losses of 8.5%, 12.0% and 21.9% in the same three year period.
- Portfolios created using these methods showed low volatility as measured by annual standard deviation of returns.
- The selection methods employed produced moderate to low portfolio turnover in many cases.

For further information on this *Special Study* or to request the full report, please contact Ford Equity Research at (800) 842-0207.

Ford Equity Research is an independent investment research firm with one objective: improving investment performance for its clients. Ford has invested more than three decades in collecting, validating, and standing behind the highest quality current and historical fundamental data in the industry. This foundation allows Ford to construct and implement unique, successful stock selection models and analytical software applications for its clients.

The results quoted are the results of back testing and should be qualified in several respects:

- (1) Performance is based on month end prices, equal weighted positions and transaction costs were excluded.
- (2) No analysis technique is effective for every security to which it is applied.
- (3) There is, of course, no assurance that future results will duplicate past results.

Large Cap

	High Quality	Share buyback	Yield	S&P 500
12/75-12/76	70.3	66.9	66.1	24.0
12/76-12/77	11.1	27.5	14.7	-7.3
12/77-12/78	15.8	30.0	15.6	6.5
12/78-12/79	51.3	48.8	24.6	18.7
12/79-12/80	62.8	32.9	27.5	32.4
12/80-12/81	12.8	16.7	25.8	-5.1
12/81-12/82	14.5	14.7	28.2	21.7
12/82-12/83	39.0	43.0	42.8	22.4
12/83-12/84	15.5	29.2	20.3	6.7
12/84-12/85	48.3	54.9	48.8	31.8
12/85-12/86	22.3	39.4	19.0	18.3
12/86-12/87	3.0	14.5	5.3	5.2
12/87-12/88	32.2	38.3	32.7	16.8
12/88-12/89	23.5	36.4	33.3	31.2
12/89-12/90	-17.9	-8.9	-16.2	-3.1
12/90-12/91	45.7	65.0	61.1	30.3
12/91-12/92	30.0	22.5	18.2	7.7
12/92-12/93	12.0	23.6	23.0	10.2
12/93-12/94	4.4	12.0	11.8	1.4
12/94-12/95	51.6	47.8	43.0	37.6
12/95-12/96	39.6	44.1	40.5	23.3
12/96-12/97	57.5	46.1	34.9	33.4
12/97-12/98	23.6	12.6	12.6	28.8
12/98-12/99	11.7	2.6	2.1	20.7
12/99-12/00	17.0	25.9	20.7	-8.5
12/00-12/01	-0.2	5.6	12.0	-12.0
12/01-12/02	-4.9	7.2	4.9	-21.9
12/02-12/03	47.4	40.7	30.0	28.5
Annualized	24.6	28.7	23.9	13.1
Annual Std. Dev.	17.9	18.3	17.7	15.3

Mid Cap

	High Quality	Share buyback	Yield	Midcap 400
12/93-12/94	-2.1	18.8	19.1	-3.4
12/94-12/95	50.1	36.1	38.3	30.4
12/95-12/96	31.6	27.1	37.6	19.1
12/96-12/97	38.5	58.9	53.3	32.6
12/97-12/98	3.5	-0.8	0.2	19.0
12/98-12/99	-16.1	-14.5	-2.3	15.5
12/99-12/00	35.8	29.5	9.6	18.8
12/00-12/01	31.8	29.6	21.2	0.0
12/01-12/02	-1.2	15.9	18.9	-14.5
12/02-12/03	63.9	58.0	36.3	35.6
Annualized	21.0	23.9	22.0	14.2
Annual Std. Dev.	15.9	17.5	15.1	17.4

Small Cap

	Share buyback	Yield	Smallcap 600
12/96-12/97	64.9	59.4	25.9
12/97-12/98	23.4	13.3	-1.2
12/98-12/99	4.7	18.6	14.0
12/99-12/00	17.3	1.8	13.7
12/00-12/01	38.2	55.3	6.9
12/01-12/02	33.0	32.8	-14.1
12/02-12/03	45.0	52.5	39.4
Annualized	31.1	31.7	10.9
Annual Std. Dev.	18.3	17.3	20.9