

Table 4. Portfolios of Unit Trusts from 1978 to 1997 based on prior 3 Year 3 Factor Model HML Loadings.

Regressions are based on monthly returns.

HML Decile	Avg No. Funds	ACR	STD	CAPM					Three Factor Model								
				alpha	t(alpha)	b	t(b-1)	Adj R ²	alpha	t(alpha)	b	t(b-1)	s	t(s)	h	t(h)	Adj R ²
High	30.9	17.19	12.84	0.00	0.02	0.85	-7.41	0.873	-0.08	-1.25	0.93	-5.54	0.43	17.54	0.20	7.02	0.953
2	31.2	17.19	12.96	-0.02	-0.26	0.88	-7.19	0.926	-0.08	-1.39	0.94	-5.07	0.30	13.63	0.14	5.62	0.964
3	31.2	16.75	12.46	-0.06	-0.78	0.89	-7.13	0.936	-0.11	-2.43	0.95	-5.00	0.31	17.09	0.13	6.16	0.975
4	30.9	17.00	12.36	-0.04	-0.63	0.90	-7.38	0.947	-0.09	-1.91	0.95	-5.13	0.28	15.74	0.09	4.32	0.976
5	31.1	16.72	12.76	-0.06	-0.92	0.89	-8.19	0.949	-0.10	-2.13	0.94	-6.14	0.26	14.34	0.07	3.43	0.974
6	31.1	17.05	12.05	-0.03	-0.45	0.88	-7.92	0.938	-0.07	-1.74	0.95	-5.99	0.35	21.87	0.03	1.65	0.980
7	31.3	16.34	11.76	-0.09	-1.34	0.90	-6.95	0.946	-0.13	-2.97	0.96	-4.36	0.31	18.11	0.04	2.22	0.978
8	31.3	16.09	12.06	-0.11	-1.44	0.90	-6.22	0.934	-0.14	-2.99	0.97	-3.15	0.36	19.26	0.00	-0.17	0.975
9	30.8	15.94	12.45	-0.11	-1.08	0.88	-6.17	0.892	-0.14	-2.70	0.97	-2.99	0.49	23.33	-0.03	-1.12	0.967
Low	31.0	16.48	12.57	-0.04	-0.34	0.84	-6.58	0.832	-0.10	-1.73	0.95	-3.82	0.64	27.99	0.00	-0.07	0.962

Each year we rank all unit trusts based on their three-factor HML exposure over the prior three-year period. If a unit trust starts within the three-year period, it is included if it has at least thirty months of returns. Based on these rankings, we form ten portfolios with the same number of unit trusts in each portfolio. The ten portfolios are held for one year and then reformed each year. If a unit trust ends during a year, its is included until the last month it reports a return. A monthly total return series is estimated for each portfolio by calculating each month the average post-tax return of the live and dead unit trusts and adding the difference between the average pre-tax return and the average post-tax return of the live unit trusts.

ACR is the annual compound return of each portfolio. STD is the annual standard deviation of each portfolio. Alpha is expressed as percent excess return per month. R² 's are adjusted for degrees of freedom.