

**Table 5. Portfolios of Unit Trusts from 1978 to 1997 based on prior 3 Year 3 Factor Model SMB and HML Loadings.**

Regressions are based on monthly returns.

SMB Tritile	HML Tritile	Avg No. Funds	ACR	STD	CAPM					Three Factor Model								
					alpha	t(alpha)	b	t(b-1)	Adj R <sup>2</sup>	alpha	t(alpha)	b	t(b-1)	s	t(s)	h	t(h)	Adj R <sup>2</sup>
High	High	34.4	15.97	14.15	-0.07	-0.50	0.82	-6.42	0.792	-0.15	-2.38	0.95	-3.67	0.69	27.40	0.10	3.65	0.953
	Med	34.6	15.38	13.65	-0.11	-0.83	0.82	-6.59	0.796	-0.18	-3.42	0.95	-4.17	0.73	35.03	0.02	0.85	0.968
	Low	34.5	16.00	14.03	-0.06	-0.39	0.82	-5.85	0.754	-0.13	-2.19	0.97	-2.38	0.83	34.75	-0.01	-0.36	0.960
Med	High	34.6	17.13	12.97	-0.03	-0.35	0.89	-7.16	0.929	-0.09	-1.66	0.94	-5.27	0.28	13.18	0.17	7.27	0.966
	Med	34.5	18.11	11.90	0.04	0.65	0.88	-8.53	0.946	0.00	-0.02	0.93	-6.73	0.27	14.81	0.09	4.43	0.975
	Low	34.5	16.36	11.97	-0.09	-1.24	0.91	-6.12	0.937	-0.13	-2.42	0.96	-3.25	0.31	14.67	0.04	1.77	0.968
Low	High	34.7	17.47	12.35	-0.01	-0.24	0.91	-7.86	0.960	-0.05	-1.05	0.93	-6.35	0.13	6.65	0.13	5.61	0.971
	Med	34.5	16.94	11.97	-0.07	-1.63	0.94	-7.32	0.980	-0.09	-2.16	0.95	-5.80	0.07	4.55	0.05	2.82	0.983
	Low	34.6	16.30	12.07	-0.12	-2.72	0.95	-5.82	0.979	-0.12	-2.91	0.96	-4.38	0.07	3.92	0.00	-0.23	0.980

Each year we rank all unit trusts based on their three-factor SMB 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 three groups with the same number of unit trusts in each group. Within each group we rank all unit trusts according to their HML exposure over the same three-year period and then form three HML based portfolios with each containing the same number of unit trusts. This produces nine SMB/HML portfolios. We hold them for one year and then repeat the formation process. 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. R<sup>2</sup>'s are adjusted for degrees of freedom.