

Table 7. Portfolios of Unit Trusts from 1981 to 1997 based on prior 3 Year 3 Factor Model Alpha Decile.

Regressions are based on monthly returns.

PR3YA Decile	Avg No. Funds	Turn- over	Std Dev	CAPM					Three Factor Model									
				ACR	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	31.4	53	17.82	12.78	0.04	0.34	0.85	-5.53	0.836	0.04	0.59	0.95	-4.03	0.62	26.93	-0.03	-0.96	0.965
2	31.4	75	17.82	12.62	0.03	0.31	0.87	-7.10	0.911	0.01	0.20	0.93	-6.57	0.41	20.94	0.02	1.05	0.973
3	31.6	80	17.29	12.49	-0.02	-0.30	0.89	-6.30	0.933	-0.05	-1.04	0.94	-5.08	0.33	16.98	0.06	2.76	0.974
4	31.2	87	17.33	12.94	-0.04	-0.51	0.92	-5.26	0.950	-0.07	-1.43	0.96	-3.57	0.28	15.46	0.07	3.49	0.978
5	31.0	87	17.46	12.87	-0.03	-0.39	0.92	-5.48	0.952	-0.05	-1.13	0.96	-3.78	0.28	15.97	0.05	2.59	0.980
6	31.3	84	17.72	12.94	-0.01	-0.10	0.92	-5.83	0.952	-0.04	-0.83	0.96	-4.41	0.27	15.11	0.08	3.68	0.979
7	30.9	86	17.18	12.90	-0.04	-0.55	0.91	-5.44	0.941	-0.08	-1.50	0.96	-3.88	0.29	14.33	0.09	3.87	0.973
8	31.2	80	16.99	13.09	-0.05	-0.64	0.91	-5.39	0.932	-0.10	-1.96	0.96	-3.99	0.33	16.88	0.12	5.24	0.975
9	30.3	78	16.33	13.25	-0.10	-1.04	0.91	-4.76	0.914	-0.14	-2.26	0.96	-2.80	0.37	16.10	0.09	3.34	0.965
Low	30.4	53	14.87	13.83	-0.18	-1.57	0.88	-5.20	0.867	-0.23	-3.50	0.95	-3.50	0.51	20.47	0.10	3.40	0.960

Each year we rank all unit trusts based on their three-factor alpha over the prior three-year period. If a unit trust starts within the three-year period, we include it 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. We hold the ten portfolios for one year and then reform them each year. If a unit trust ends during a year, we include it through the last month it reports a return. We estimate a monthly total return series 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.