



January 8, 2002

Robert B. Rowe, Jr., CIMA  
Managing Partner  
Rowpyn Investment Partners, LLC  
141 West Jackson Blvd., Suite 4200  
Chicago, Illinois 60604

CRSP | Center for Research in  
Security Prices  
The University of Chicago  
Graduate School of Business  
725 South Wells Street  
Suite 800  
Chicago, Illinois 60607  
Tel 773.702.7467  
Fax 773.702.3036  
mail@crsp.uchicago.edu  
www.crsp.uchicago.edu

Dear Mr. Rowe,

The Center for Research in Security Prices of the University of Chicago's Graduate School of Business has been retained to perform back testing studies to verify and validate the investment returns of an equity rotation program developed by RowPyn Investment Partners, LLC.

The study period is comprised of 23 years (1978 Q3 – 2001 Q2) and is built upon previous studies of the RowPyn Equity Investment Rotation program. This study utilizes data from Barra/RogersCasey Investworks, an independent data provider, and formulas and algorithms defined as the RowPyn Equity Investment Rotation program. This study uses Wilshire's "Style" indices in the place of Wilshire's "Target" indices, which were used in previous studies. It also uses the Wilshire 5000 instead of the Russell 2000 as one of the benchmarks.

This letter is a statement of our findings, as they relate to the RowPyn Equity Investment Rotation program. A more detailed report providing the quarterly and annual results follow under separate cover, discussing our findings, the algorithms and our full and complete analysis, thereby completing our assignment.

For purposes of our study the following are defined:

**The RowPyn Equity Investment Rotation program** is utilized to allocate equity portfolios to equity styles. RowPyn Equity Investment Rotation program was designed to identify the most favored and least favored investment style and allocate an equity portfolio accordingly. This method allocates across all investment styles and cap sizes.

**Optimum method:** This method is based on foresight, in that the equity portfolio is allocated to the favored (most productive) equity style at the exact time it comes into favor.

**Lag method:** This is the level of performance achieved by the RowPyn Equity Investment Program using indices. This method assumes that the equity portfolio is allocated to the favored (most productive) equity style six months after it comes into favor, as defined by the RowPyn Equity Investment Program.

Our study utilized the methods and processes of the RowPyn Equity Investment Rotation program and calculated the resulting performance statistics reported in this letter.

The summary of our findings for the composite 23 year study are as follows:

1. Annualized rate of return utilizing the optimum method was 27.07%  
Annualized rate of return utilizing the best lag method was 19.89%  
versus the Standard and Poors 500 return of 15.58%
2. Volatility, as measured by standard deviation (quarterly)  
the optimum method was 0.2292  
the best lag method was 0.2399  
versus the Wilshire 5000 at 0.1809  
and the Standard and Poors 500 at 0.1736
3. Upside capture: this calculation annualizes the periods in which the S&P 500 index had positive quarterly returns.  
the optimum method upside capture was 146.0%  
the best lag method upside capture was 121.7%  
the Standard and Poors 500 upside capture 100.0%
4. Downside capture: this calculation annualizes the periods in which the S&P 500 index had negative quarterly returns  
the optimum method downside capture was 74.7%  
the best lag method downside capture was 101.8%  
the Standard and Poors 500 downside capture 100.0%

For the entire 23 year period,  
74 of the 92 quarters using RowPyn optimum method had positive returns.  
69 of the 92 quarters using RowPyn best lag method had positive returns.  
and  
18 of the 92 quarters using RowPyn optimum method had negative returns.  
23 of the 92 quarters using RowPyn best lag method had negative returns.

These findings and conclusions are shown in greater detail in the complete analysis report.

These conclusions and findings are not intended to render an investment recommendation. The study was conducted to verify and validate the RowPyn Equity Investment Rotation methods, and to report our findings. The Center for Research in Security Prices of the University of Chicago's Graduate School of Business does not issue investment advice.

Sincerely,



Christopher Myers  
Director, Database Research  
Center for Research in Security Prices  
Graduate School of Business  
University of Chicago