

Dutton 2005 Research Performance In Top Tier of Wall Street

January 19, 2006. Performance statistics compiled by Investars for 2005 based on all buy and sell recommendations of Wall Street firms place Dutton #3.

Company	Type of Firm	Research Methodology	Daily BPs Return	Rank
Emerging Growth Equities, Ltd.	IRP	Fund.	15.17	1
Advait Research	IRP	Fund.	13.47	2
J.M. Dutton & Associates	IRP	Fund.	10.83	3
Goldman Sachs	Invest Bank	Fund.	10.82	4
Morgan Stanley	Invest Bank	Fund.	9.75	5
Merrill Lynch	Invest Bank	Fund.	8.88	6
Smith Barney	Invest Bank	Fund.	7.97	7
Ford Equity Research	IRP	Quant.	7.95	8
Columbine Capital Services, Inc.	IRP	Quant.	7.59	9
Bear Stearns	Invest Bank	Fund.	6.92	10
JP Morgan	Invest Bank	Fund.	6.61	11
Lehman Brothers	Invest Bank	Fund.	6.43	12
Argus Research	IRP	Fund.	5.91	13
Channel Trend Inc.	Invest Bank	Quant.	5.79	14
CSFB	Invest Bank	Fund.	5.62	15
Price Target Research	IRP	Quant.	5.34	16
MarketGrader	IRP	Quant.	4.94	17
New Constructs	IRP	Quant.	4.58	18
Weiss Ratings, Inc.	IRP	Quant.	4.56	19
Thomas White/Global Capital	Invest Bank	Quant.	3.84	20
Deutsche Bank	Invest Bank	Fund.	3.6	21
Piper Jaffray H	Invest Bank	Fund.	3.37	22
UBS	Invest Bank	Fund.	3.32	23
Kintisheff Research	IRP	Fund.	3	24
Callard Research	IRP	Quant.	2.29	25
Market Profile Theorems (MPT)	IRP	Quant.	2.04	26
Thomas Weisel	Invest Bank	Fund.	1.8	27
Rochdale	IRP	Quant.	0.73	28
Prudential Equity Group, Inc.	IRP	Fund.	0.71	29
Standard & Poor's	IRP	Fund.	0.7	30
The Excalibur Research Group	IRP	Fund.	0	31
Buckingham Research	IRP	Fund.	-0.17	32
Tactical Analytics	IRP	Tech.	-0.5	33
Fulcrum Global Partners	IRP	Fund.	-0.53	34
American Tech Research	IRP	Fund.	-1.41	35
ValuEngine	IRP	Quant.	-4.64	36
When2Trade	IRP	Tech.	-6.25	37
Spelman Research Associates, Ltd	IRP	Fund.	-7.22	38
Farmhouse Equity Research, LLC	IRP	Fund.	-15.34	39

The rankings are compiled by Integrity Associates from Investars data. Looking at Dutton's long-term track record within the independent research providers, the results for 2005 were:

Rank	Independent Research Provider	Tickers Under Coverage	BUYS (bps) Minus SELLS (bps)
1	Emerging Growth Equities	26	15.17
2	Advait Research	6	13.47
3	JM Dutton & Associates	131	10.83
4	Ford Equity Research	6,059	7.95
5	Columbine Capital	7,654	7.59
6	Argus Research	517	5.91
7	Channel Trend	3,596	5.79
8	Price Target Research	6,478	5.34
9	Market Grader	7,502	4.94
10	New Constructs	3,524	4.58

For longer-term performance covering up to four years among the top independent research providers on Wall Street, Integrity Associates noted:

	Tickers Under Coverage	BUYS (bps) Minus SELLS (bps)	IRP Ranking
Performance over the last 12 Months	131	10.83	3 rd of 29
Performance over the last 24 Months	131	22.47	1 st of 29
Performance over the last 36 Months	131	30.75	1 st of 20

Of significant importance to a firm like Dutton operating on an issuer paid model is how well it performs on its sell recommendations. This is the complaint against research from investment banks. Integrity Associates produced the ranking of Wall Street firms for their sells. Their article follows:

Wednesday, January 18, 2006

Research Performance - SELL Recommendations

New York, NY - Each quarter, the team at Integrity Research Associates tabulates data from Investars on the independent research companies we cover and compare that performance to the bulge bracket Investment Banks. This comparison allows us to measure the following things:

- 1) the relative performance of the independent research companies
- 2) the relative performance of the independents vis-a-vis the IBs. It has been shown that the independents outperformed the IBs prior to the Global Settlement, so this quarterly update acts as a progress report on the efficacy of the Settlement.

The data comes from the Investars Performance database, as of the end of September and covers a full year of performance (www.investars.com). Over the week, we have covered the performance of the BUYS, are currently covering the performance of the SELLS, and will cover the combined performance of the BUYS and SELLS, and a measure of batting average and stock sorting ability.

Based on only the **SELL recommendations** of the research companies the IRPs turned in solid performances in the fourth quarter. Of interest, is that the low coverage shops took first, second and third place. Fourth place went to Ford Equity Research, a Quant shop, while fifth went to Argus research.

Many suggest that a comparison of research firms should be divided into separate camps according to the coverage of those companies. For Example, Investars tracks three coverage groups: 1) under 100 stocks, 2) 100 to 499, and 3) 500 and above. While we agree that this is appropriate, we are pursuing an agnostic approach to this question and simply comparing the implied returns across the low, mid and high coverage firms.

Below we tabulate the results of our analysis:

Top Five IRPs and IBs for the year ended December 31, 2005 (in basis points per day)

Rank	IRP	Return	Rank	IB	Return	
1	Advait	10.82	1	Thomas Weisel	1.65	
2	Emerging Growth Equities	10.36	2	UBS	1.63	
3	JM Dutton	6.98	3	Piper Jaffray	0.17	
4	Ford Equity Research	1.85	4	Deutsche Bank	-0.3	
5	Argus Research	1.66	5	CSFB	-1.41	

Data for the 27 IRPs that Investars tracks and for the top 12 sell-side research providers was collected. When we compare the IRPs to the IBs we find that the IRPs take the top five spots on SELL recommendation returns. Given that the Global

Settlement was designed to remove apparent excessive optimism on the part of the IBs, the fact that The IRPs are still in front suggests that the IBs continue to lag. Of course, it is the combined performance of the buys and sells that have the greatest information content. this will be reviewed in tomorrow's submission.

Research methodology is another area of interest in the quarterly data. The top three IRPs are all low coverage shops, which implies that the more focused shops are better at picking losing stocks. Alternately, these company may not be subject to the same kind of averaging process, which plagues the higher coverage shops.

Note: The data used in the above article, comes from the Investars web site. The Analysis and conclusion of this article are those on Integrity Research Associates.