Table 6. Portfolios of Unit Trusts from 1981 to 1997 based on Prior 1 Year Return.

Regressions are based on monthly returns.

PR1YR Decile	Avg No. Funds	Turn-over	ACR	Std Dev	CAPM alpha	CAPM t(alpha)	CAPM b	CAPM t(b-1)	CAPM Adj R^2	Three Factor Model alpha	t(alpha)	b	t(b-1)	s	t(s)	h	t(h)	Adj R^2
High	35.6	83.0	18.57	12.64	0.08	0.58	0.90	-3.72	0.836	0.07	0.87	0.99	-0.70	0.60	20.06	-0.02	-0.55	0.946
2	35.3	88.0	18.04	12.28	0.04	0.41	0.88	-5.92	0.895	0.02	0.29	0.94	-4.42	0.44	18.56	0.04	1.46	0.962
3	35.7	87.7	17.54	12.41	-0.01	-0.11	0.90	-6.21	0.935	-0.04	-0.78	0.95	-4.95	0.32	16.36	0.07	3.09	0.974
4	35.4	88.7	17.52	12.63	-0.02	-0.25	0.91	-6.04	0.949	-0.05	-0.93	0.95	-4.62	0.28	14.92	0.06	2.86	0.977
5	35.3	92.7	17.65	12.59	-0.01	-0.11	0.91	-5.82	0.946	-0.05	-0.99	0.95	-4.56	0.26	13.17	0.11	4.92	0.974
6	35.3	90.2	17.60	12.63	-0.01	-0.13	0.91	-6.14	0.945	-0.05	-0.98	0.94	-4.98	0.26	12.91	0.11	4.64	0.973
7	34.8	88.0	16.84	12.87	-0.07	-0.91	0.92	-5.28	0.943	-0.11	-2.24	0.96	-3.75	0.29	15.74	0.10	4.71	0.977
8	35.1	89.3	16.45	13.66	-0.08	-0.98	0.89	-6.30	0.927	-0.12	-2.04	0.94	-5.02	0.33	14.86	0.08	3.11	0.967
9	34.8	89.0	15.28	13.45	-0.16	-1.58	0.88	-5.50	0.896	-0.18	-2.70	0.95	-3.67	0.42	16.35	0.03	0.94	0.956
Low	34.3	82.7	15.03	15.48	-0.17	-1.31	0.88	-4.62	0.843	-0.20	-2.56	0.96	-2.38	0.54	17.90	0.06	1.75	0.941

Each year we rank all unit trusts based on their prior one-year total return. If a unit trust starts within the year, we exclude it. 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 at the end of each year. If a unit trust ends during a year, we include it through the last month it reports a return. We calculate a time 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. R^2 's are adjusted for degrees of freedom.