

**Table 9. Three-factor-model alphas, net and gross of total annual expenses, and then on the prior three-year SMB, and then on the prior three-year three-factor-model alphas.**

The test portfolios correspond respectively to all first years following portfolio formation, all second years following formation and all third years following formation. Regressions use monthly data. T-statistics are in parentheses.

SMB Tritile	PR3YA Tritile	Avg. PR3YA	Ann. Exp.	Net of Total Annual Expenses						Gross of Total Annual Expenses					
				Number of Years after Portfolio Formation						Number of Years after Portfolio Formation					
				1		2		3		1		2		3	
<b>Test Period</b>				<b>1981-95</b>	<b>1982-96</b>	<b>1983-97</b>	<b>1981-95</b>	<b>1982-96</b>	<b>1983-97</b>	<b>1981-95</b>	<b>1982-96</b>	<b>1983-97</b>	<b>1981-95</b>	<b>1982-96</b>	<b>1983-97</b>
High	High	0.27	1.32	0.03 (0.44)	-0.07 (-1.22)	-0.11 (-1.98)	0.14 (2.23)	0.04 (0.60)	0.00 (0.00)	0.07 (1.26)	0.00 (0.07)	0.00 (-0.02)	0.00 (-0.02)	0.05 (0.84)	
	Med	-0.27	1.28	-0.03 (-0.58)	-0.10 (-1.49)	-0.11 (-1.74)	0.00 (0.00)	0.06 (1.06)	0.06 (1.08)	-0.14 (-1.98)	0.03 (0.45)	0.05 (0.84)	0.05 (0.84)	0.05 (0.84)	
	Low	-0.81	1.48	-0.26 (-3.72)	-0.09 (-1.43)	-0.07 (-1.11)	0.28 (3.83)	0.01 (0.10)	-0.05 (-0.83)	0.03 (0.45)	0.03 (0.45)	0.05 (0.84)	0.05 (0.84)	0.05 (0.84)	
	High-Low	1.08	-0.16	0.29 (4.01)	0.02 (0.27)	-0.04 (-0.62)	0.06 (1.17)	0.03 (0.54)	0.00 (-0.83)	0.01 (0.10)	0.01 (0.10)	-0.05 (-0.83)	-0.05 (-0.83)	-0.05 (-0.83)	
	High-Med	0.54	0.04	0.06 (1.11)	0.03 (0.49)	0.00 (-0.04)	0.06 (1.17)	0.03 (0.54)	0.00 (0.02)	0.03 (0.45)	0.03 (0.45)	0.05 (0.84)	0.05 (0.84)	0.05 (0.84)	
Med	High	0.16	1.29	-0.01 (-0.09)	-0.02 (-0.31)	-0.06 (-1.08)	0.10 (1.63)	0.09 (1.48)	0.05 (0.78)	0.09 (1.48)	0.09 (1.48)	0.05 (0.78)	0.05 (0.78)	0.05 (0.78)	
	Med	-0.21	1.26	-0.04 (-0.76)	-0.05 (-0.85)	-0.05 (-1.00)	0.06 (1.06)	0.06 (1.08)	0.05 (0.92)	0.06 (1.06)	0.06 (1.08)	0.05 (0.92)	0.05 (0.92)	0.05 (0.92)	
	Low	-0.60	1.40	-0.12 (-2.15)	-0.07 (-1.30)	-0.04 (-0.79)	-0.01 (-0.11)	0.05 (0.85)	0.07 (1.37)	-0.01 (-0.11)	0.05 (0.85)	0.07 (1.37)	0.07 (1.37)	0.07 (1.37)	
	High-Low	0.76	-0.10	0.12 (2.25)	0.05 (0.92)	-0.02 (-0.42)	0.11 (2.08)	0.04 (0.77)	-0.03 (-0.60)	0.04 (0.77)	0.04 (0.77)	-0.03 (-0.60)	-0.03 (-0.60)	-0.03 (-0.60)	
	High-Med	0.37	0.04	0.04 (0.81)	0.03 (0.62)	-0.01 (-0.19)	0.04 (0.87)	0.03 (0.69)	-0.01 (-0.13)	0.04 (0.87)	0.03 (0.69)	-0.01 (-0.13)	-0.01 (-0.13)	-0.01 (-0.13)	
Low	High	0.10	1.29	-0.05 (-0.86)	-0.07 (-1.29)	-0.06 (-1.25)	0.06 (1.04)	0.04 (0.66)	0.04 (0.82)	0.04 (0.75)	0.04 (0.78)	0.02 (0.50)	0.02 (0.50)	0.02 (0.50)	
	Med	-0.18	1.33	-0.07 (-1.56)	-0.07 (-1.53)	-0.09 (-1.94)	0.04 (0.75)	0.04 (0.78)	0.02 (0.50)	0.04 (0.75)	0.04 (0.78)	0.02 (0.50)	0.02 (0.50)	0.02 (0.50)	
	Low	-0.47	1.36	-0.15 (-3.09)	-0.12 (-2.53)	-0.10 (-1.88)	-0.04 (-0.79)	-0.01 (-0.21)	0.01 (0.25)	-0.04 (-0.79)	-0.01 (-0.21)	0.01 (0.25)	0.01 (0.25)	0.01 (0.25)	
	High-Low	0.57	-0.07	0.10 (2.17)	0.05 (1.12)	0.04 (0.79)	0.10 (2.05)	0.05 (1.00)	0.03 (0.66)	0.10 (2.05)	0.05 (1.00)	0.03 (0.66)	0.03 (0.66)	0.03 (0.66)	
	High-Med	0.28	-0.05	0.03 (0.71)	0.00 (0.07)	0.02 (0.71)	0.02 (0.61)	0.00 (-0.03)	0.02 (0.60)	0.02 (0.61)	0.00 (-0.03)	0.02 (0.60)	0.02 (0.60)	0.02 (0.60)	

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, we include it 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 of these groups we rank on the basis of the three-factor alphas from the prior three-year period and form three equal weight portfolios. This produces nine SMB/PR3YA portfolios. 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. Annual expenses are estimated for each portfolio by calculating the average TER of those unit trusts for which a TER is available. Returns gross of total annual expenses are calculated by adding one twelfth of the annual expenses to the net-of-expenses returns.

We then examine each time series for three periods after portfolio formation: the set of years where each year is the first year following portfolio formation, the set of years where each year is the second year following portfolio formation, and then the set where each year is year three following portfolio formation. For example, for alphas based on 1978-80, year 1 return is 1981, year 2 is 1982, etc.

PR3YA is the prior three-year three-factor alpha of the UT's in each tritile. High-Low alphas are the three-factor model alphas of the series produced by subtracting the monthly return of the High PR3YA tritile portfolio from the Low PR3YA tritile portfolio within each SMB group. High-Med alphas are the three factor model alphas of the series produced by subtracting the monthly return of the High PR3YA tritile portfolio from the Med PR3YA tritile portfolio within each SMB group.