



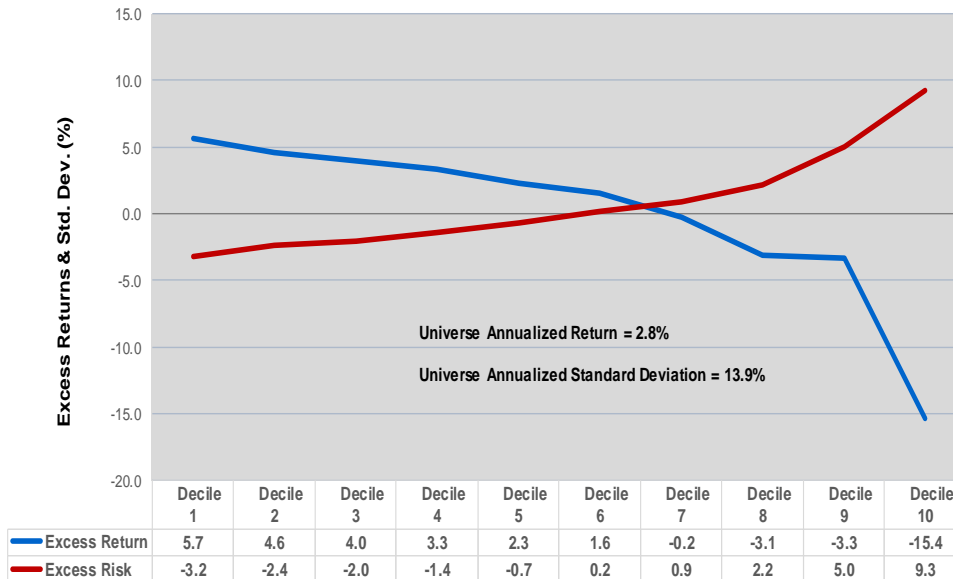
Ford Equity Research

A Mergent Company

Earnings Variability Model (EDV)

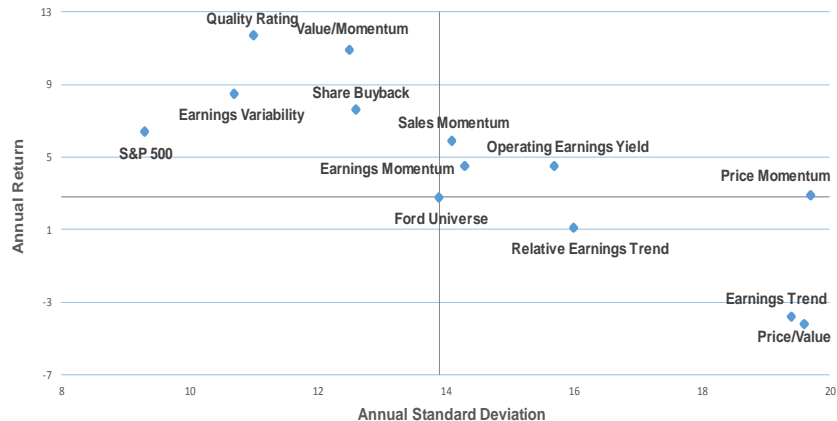
Ford's earnings variability (EDV), a unique measure of risk, describes the historical volatility of annual reported earnings, compared to the company's earnings growth rate over the past eight years. Low earnings variability for a company implies higher earnings predictability and therefore less risk. If we were to simply use the standard deviation of historical earnings about their mean, the variability of a company with steadily increasing earnings could be as great as that for a company with highly erratic earnings. To solve this problem, Ford defines earnings variability as the standard error of historical earnings about an exponential growth curve. Earnings variability is not an indicator of historical growth or direction of earnings. It is, however, a very useful indicator of the historical dispersion of earnings. EDV should be considered when the reliability of future earnings and growth estimates is evaluated. Earnings Variability is expressed as a percent of Ford's Normal Earnings (ENO) and ranges from 1, the lowest variability to a maximum of 9999 which is extremely high.

Ford Earnings Variability Model (EDV) Decile Excess Returns & Std. Dev. (%) vs. Ford Universe 12/13 to 12/18



Top Decile/Group Ford Stock Selection Models 12/13 to 12/18

EDV Excess Return Top Decile vs. Ford Universe (%)	
2014	7.3
2015	9.6
2016	-0.1
2017	1.1
2018	8.5



Performance is based on ranking the Ford Universe from best to worst for the model shown and dividing it into 10 equal-sized groups each month. The group returns represent equal-dollar investments in each stock each month, with monthly total returns linked to create annual and annualized results. Total returns, which sum month-end percentage price changes and 1/12 of companies' indicated annual dividend yield, exclude transaction costs and management fees. The Ford Universe had 4023 companies at the end of 2018.

Quantitative model results can be affected by market environment and are based on historical financial data. Certain material information for a company may not be reflected in models presented. The performance shown is based on large portfolios and may not be effective on every security. There is no assurance that future results will duplicate past results.

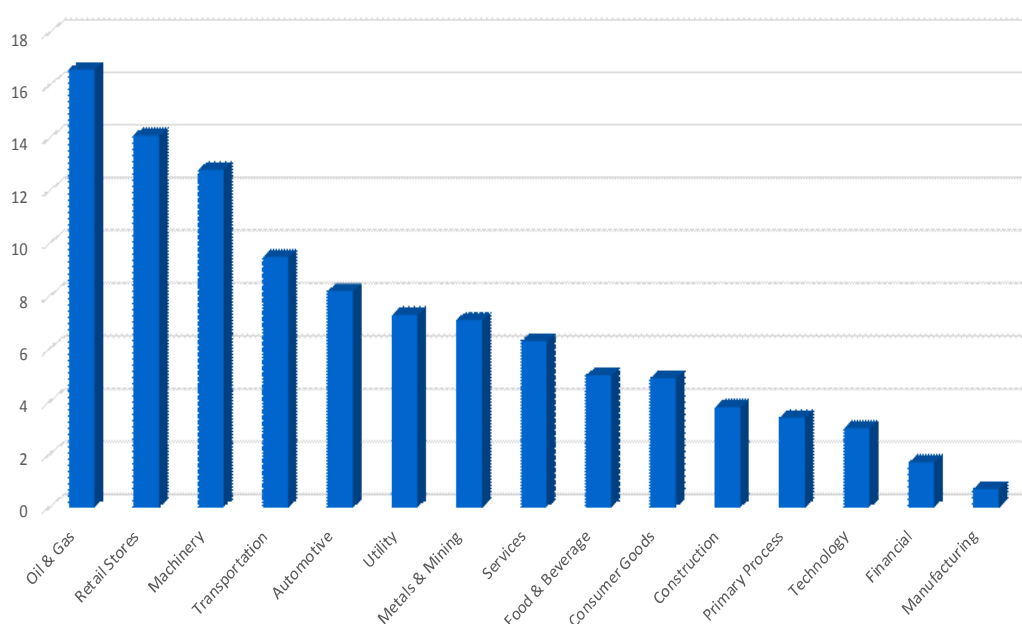
EDV Decile Performance on Capitalization Sectors

Average Annual Returns (%) 12/13-12/18

Deciles	<u>1</u>	<u>2</u>	<u>3</u>	<u>4</u>	<u>5</u>	<u>6</u>	<u>7</u>	<u>8</u>	<u>9</u>	<u>10</u>	Cap Univ.
Large Cap	8.9	7.9	5.8	6.7	6.8	6.0	5.7	4.0	3.5	1.7	5.8
Standard Deviation	10.1	10.6	11.3	10.7	10.6	11.3	11.6	12.6	13.9	15.9	11.4
Mid Cap	6.7	7.6	4.5	7.1	3.7	5.6	3.2	3.4	-1.1	5.8	4.8
Standard Deviation	12.7	14.1	14.2	14.2	14.5	14.6	15.5	17.1	19.2	23.2	15.2
Small Cap	10.0	7.3	4.6	5.5	6.6	4.2	-1.6	-2.0	0.7	-2.0	3.5
Standard Deviation	14.8	15.2	15.4	16.5	16.4	18.5	17.5	19.1	23.0	25.1	17.1

Large, Mid and Small Cap constituents include the top 1000, second 1000, and third 1000 companies in the Ford universe of stocks when ranked by market capitalization.

EDV Top Decile Annual Excess Return by Industry Group 12/13 - 12/18



Correlation Coefficients 12/13 - 12/18

Ford Proprietary Models

	PVA	OEY	EMO	PRM	VMO	SHB	QTY	SMO	SED	SDR	EDV
Price/Value (PVA)	1.000	0.902	0.871	0.870	0.809	0.805	0.481	0.781	0.882	0.891	0.680
Operating Earnings Yield (OEY)	0.902	1.000	0.921	0.837	0.937	0.927	0.643	0.871	0.842	0.918	0.831
Earnings Momentum (EMO)	0.871	0.921	1.000	0.931	0.944	0.928	0.634	0.947	0.927	0.971	0.883
Price Momentum (PRM)	0.870	0.837	0.931	1.000	0.866	0.817	0.566	0.886	0.949	0.932	0.769
Value/Momentum (VMO)	0.809	0.937	0.944	0.866	1.000	0.944	0.710	0.939	0.842	0.923	0.921
Share Buyback (SHB)	0.805	0.927	0.928	0.817	0.944	1.000	0.730	0.887	0.802	0.894	0.928
Quality Rating (QTY)	0.481	0.643	0.634	0.566	0.710	0.730	1.000	0.643	0.482	0.615	0.795
Sales Momentum (SMO)	0.781	0.871	0.947	0.886	0.939	0.887	0.643	1.000	0.870	0.924	0.895
Earnings Trend (SED)	0.882	0.842	0.927	0.949	0.842	0.802	0.482	0.870	1.000	0.948	0.718
Relative Earnings Trend (SDR)	0.891	0.918	0.971	0.932	0.923	0.894	0.615	0.924	0.948	1.000	0.835
Earnings Variability (EDV)	0.680	0.831	0.883	0.769	0.921	0.928	0.795	0.895	0.718	0.835	1.000