QSG
Quantitative Services Group LLC

FOR IMMEDIATE RELEASE

QSG® STUDY IDENTIFIES THE IMPACT OF PREDATORY HIGH FREQUENCY TRADING ON INSTITUTIONAL EQUITY MANAGERS

Naperville, IL– February 16, 2010 –– Quantitative Services Group LLC (QSG®), a leading provider of equity research, multi-factor models and trading analytics to institutional investors, today announced that it has released a study to clients that confirms the impact of High Frequency Trading (HFT) on equity trading costs. An analysis technique developed by QSG confirms that orders suffering the largest charges for liquidity are routinely reversing 25% of their price impact within 5 minutes of order completion. This study is the first of its kind and introduces analytical methods that will help equity managers address the challenge of this emerging breed of information arbitrageurs.

US equity markets have experienced unprecedented fragmentation in the destinations where trading takes place. Institutional equity traders have responded by breaking orders into ever smaller individual trades that better relate to the liquidity offered by the broad array of execution venues. This parceling activity and the price 'footprint' from the individual trades create a potential signal of the trader's intentions. A new class of proprietary traders, leveraging HFT techniques and sophisticated pattern recognition software, are aggressively scanning the market for these signs. This new predatory competition for liquidity is increasing the cumulative price concessions incurred by many institutional orders and are generating significant post-trade price reversals in the largest 'impact' orders.

QSG's ability to isolate the Liquidity Charge®, the cumulative price impact specifically resulting from an order's individual executions, is essential to this analysis. Understanding the price concessions required to obtain liquidity uncovers important insights into a stock's liquidity dynamics and the nature of the competition. To succeed, many HFT strategies act as a motivated competitor for liquidity, not a supplier. In addition, such strategies are designed to minimize unnecessary exposure, leading to a rapid unwinding of a position once the exploitable pattern is exhausted.

"Order anticipation strategies have been around as long as there've been markets. What's different now is technology has fueled significant improvements in pattern recognition, execution speed and the breadth of market coverage", said Tim Sargent, QSG President and Chief Executive Officer. "Tiny spreads and the income from exchange rebates have significantly reduced the costs of being wrong for these strategies. For these same reasons, it's naïve to think that traditional market making would be lucrative enough to generate the profits reported by the biggest HFT firms. We developed our

1560 Wall Street
Suite 334
Naperville, IL 60563
PH 630.637.8088
FX 630.637.8388
www.qsg.com

techniques to assure that our clients are making the smallest possible contribution to the HFT's success."

###

About Quantitative Services Group LLC

Quantitative Services Group LLC is a leading provider of independent global equity research, advanced trading cost analytics, and investment consulting services to institutional investors. QSG does not manage assets or offer execution services, allowing the firm to provide clients with unbiased, impartial research. They reserve the right to limit distribution of its products. QSG's products include QSG Edge™, Pre-Trade Analyst ®, T-cost Pro®, Factor Analyst®, and Virtual Research Analyst®. The details of QSG's client relationships are kept strictly confidential. (www.qsg.com)

Contact:
John Joseph
Quantitative Services Group LLC
630.637.8088 x234; jjoseph@qsg.com
www.qsg.com