From time to time we spotlight several equities that have experienced recent notable changes in the loyalty of their customer base. Since our daily measurements of the on-line consumer loyalty to the brand names of over 500 equities are essentially real-time, our reviews can focus on dramatic changes that have occurred in just the past 60 market days -- in some cases even before the corporation's insiders can fully realize what's happening at the other end of the extended distribution channels. The charts below (from our BrandLoyalties.com web site) rank each equity among its peers, giving portfolio managers a unique technology-based metric that can be an important addition to the suite of screens they use to improve (or protect) the alphas of their portfolios.

Our spotlight is generally focused on equities that have recently completed a "round trip" into extremes of customer enthusiasm or disdain. In each report we try to include equities that have swung into (and then out of) the top or bottom rankings among our over 500 equities, and note in the table below the subsequent movement in the share prices of those equities.

Our featured equities for this report include four corporations (URBN, HAR, EXPR, and CSTR) -- two of which have had their former robust popularity start to wane, and two that have begun to recover after serious slumps in their popularity. The table below summarizes the excursions of those equities into either the top 20% or bottom 20% among our ranked corporations, along with the beginning and ending dates of those sojourns and the equity's share price movement during each round trip:

<table>
<thead>
<tr>
<th>Equity</th>
<th>Excursion Type</th>
<th>Start Date</th>
<th>End Date</th>
<th>Price Movement</th>
</tr>
</thead>
<tbody>
<tr>
<td>URBN</td>
<td>Best 20%</td>
<td>6-8-2012</td>
<td>9-28-2012</td>
<td>+35.89%</td>
</tr>
<tr>
<td>HAR</td>
<td>Best 20%</td>
<td>7-23-2012</td>
<td>9-24-2012</td>
<td>+28.27%</td>
</tr>
<tr>
<td>EXPR</td>
<td>Worst 20%</td>
<td>4-16-2012</td>
<td>9-24-2012</td>
<td>-36.68%</td>
</tr>
<tr>
<td>CSTR</td>
<td>Worst 20%</td>
<td>5-30-2012</td>
<td>9-25-2012</td>
<td>-27.53%</td>
</tr>
</tbody>
</table>

Taking the recent winners first:

**URBN - Urban Outfitters, Inc.**

Urban Outfitters, Inc. was in the top quintile of BrandLoyalties.com ranked equities from June 8, 2012 through September 28, 2012:
URBN is spectacular case of a 9-month turnaround. At the beginning of 2012 Urban Outfitters, Inc. was hovering in the worse 5% of our ranked securities. Throughout the first quarter it steadily recovered the affection of its customers, finally moving into the upper half of our rankings by March 26, 2012. The improvements continued until it moved into the top quintile (20%) on June 8th, and it topped out in the upper 3% on July 25th. Since then it has slowly retreated, dropping back out of the top 20% on September 25th. For the duration of its stay in the top quintile (20%) of the BrandLoyalties.com tracked universe the equity’s price appreciated by about 36%. Turnarounds from worst 5% to best 5% are always good stories -- and in this case it was a great investment opportunity as well.

HAR - Harman International Industries Inc.

Harman International Industries Inc. was in the top quintile of our ranked equities from July 23, 2012 to September 24, 2012:
HAR is a case of full round-trip and then some. It started 2012 in the top 20% of the BrandLoyalties.com tracked equities, only to drop to the bottom 10% by mid April. But by mid June it had recovered to the mid-point of our rankings, and it continued on -- moving into the top 20% on July 23rd. It broke into the top 10% on August 7th, but since then it has drifted back down and exited the top 20% on September 24th (and it subsequently re-entered the lower half of our rankings on October 8, 2012).

And now, the flip side of the consumer brand loyalty rankings:

**EXPR - Express, Inc.**

Express, Inc. was in the lowest quintile of our consumer loyalty rankings from April 16, 2012 to September 24, 2012:
EXPR started 2012 in the top 20% of our ranked equities, but that ranking deteriorated quickly and by the end of the first quarter it had dropped well into the lower half of our rankings. It transitioned to the lower 20% on April 16th, and stayed there until September 24th (bottoming out on July 11th in very nearly the lowest 5%). During its stay in the lowest 20% the equity’s price declined about 37% in the face of generally improving indexes. Since then it has regained some respectability within its peer group of equities (just barely moving back into the middle third of our rankings), but it certainly continues to warrant a degree of caution.

CSTR - Coinstar, Inc.

Coinstar, Inc. was in our lowest 20% dog house from May 30, 2012 to September 25, 2012:
CSTR is yet another case of a precipitous drop in rankings. It also started the year in the top 20% of BrandLoyalties.com equities, but it fell into the lower half before the end of April -- and into the lowest 20% by May 30th. It dropped almost all the way to the bottom 2% by August 23th, only to recover dramatically to exit the bottom 20% on September 25th (and move back into the upper half of our rankings by October 8th). During its tenure in the lowest 20% of our rankings the equity's price saw a nearly 28% decline.

It is also interesting to note that the correlation between CSTR's BrandLoyalties.com ranking and price movement (the green line in the chart above) remained relatively strong during that period of time. The prices of equities can be impacted by many things, and the loyalty of their customer base is just one such (albeit very important) factor. By monitoring the correlation between price movements and our BrandLoyalties.com ranking portfolio managers can better understand the relevance of customer loyalty -- especially when equities are being lifted by the proverbial "rising tide" or when other financial issues (e.g., suicidal pricing or deteriorating balance sheets) overwhelm the bottom line of corporations with even the most devoted customers.

The past two quarters are a case where correlations have generally weakened -- primarily as a result of the "rising tide" syndrome. Relative consumer brand loyalties rankings cannot increase for all equities simultaneously (like football power rankings, they are a "zero sum" game), while the same is not necessarily true of equity prices (particularly during pricing bubbles of any sort). For that reason the recent continued strength of CSTR's correlation is especially noteworthy.
As a reminder, BrandLoyalties.com has developed a technology-based, quantitative metric, available daily by subscription to select institutional investors, which signals whether the consumer's loyalty is gaining or waning for over 500 widely traded NYSE, AMEX and NASDAQ listed equities. At BrandLoyalties.com you can tell on a daily basis whether the equities currently in your portfolios have customers flocking to them or avoiding them like the plague. Furthermore, you will know this well before earnings season or market moving "guidance" proclamations -- and quite possibly even before the corporate insiders themselves realize what is happening at the far end of their distribution channels.

Obviously customer loyalty is only one of the many requisites for a successful corporation (or equity investment). The BrandLoyalties.com rankings should only be used as one component in a full suite of equity screens.

The brand loyalty rankings are just one of the ongoing consumer research projects of the Consumer Metrics Institute, Inc. For more information about the BrandLoyalties.com equity rankings, please visit our website or reply to this e-mail to Tony Seker at tony@brandloyalties.com.