THE SWAP SHOP

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Ideas for swapping low-ranked stocks for similar high-ranked stocks

In this report, we take the viewpoint of equity portfolio managers, irrespective of their investment style or universe (e.g. value, growth, quality, size, sector, region, etc.), who want to identify potential stock "swaps" within their portfolio.

That is, we look for ideas for replacing stocks that are poorly ranked on our MAER stock selection model (and are likely a drag on returns) with higher-ranked stocks that are otherwise similar and may offer higher return potential. The goal is to not go outside the investable universe and to maintain the general risk profile of the portfolio via sector/industry weightings or other characteristics.

The idea is to have an objective, process-driven approach to identifying potential problematic holdings or value traps in a portfolio, and countering "portfolio inertia". We can then identify stocks that score significantly better on MAER and have similar characteristics to possibly replace the low-ranked holdings, given that higher-ranked stocks have historically outperformed low-ranked stocks for up to 12 months (see page 6 for relevant studies). *These are meant as representative example screens, and will change in each report. We encourage clients to reach out to discuss and get customized screens for your own portfolio.*

The ideas presented here are based on quantitative analysis and clients should always do further research before trading.

S&P 500 Industry Swap Ideas

Below is a list of industry-neutral "swap ideas" within the S&P 500 index constituents.

We calculate the differentials in MAER rankings (using our global MAER universe for all rankings for consistency) among stocks within each GICS industry and flag the widest differentials for industries with at least five constituents. This allows managers to find possible replacements for low-ranked stocks in their portfolio with a high-ranked stock that will not disturb industry/sector allocations.

The low-ranked stocks (in red on the left side of the table) will typically be in the bottom quintile or decile of the ranks while the potential replacement within the same industry (in green on the right) will typically be in the top quintile or decile. A separate attachment includes all the MAER charts for highlighted swap ideas. Additional screens and ideas are available on request.

Industry-Neutral MAER Stock Swap Ideas Within S&P 500

Consider replacing	With
Industrials : Building Products	
Builders FirstSource (BLDR) [6.9]	Allegion Public Limited (ALLE) [94.4]
Carrier Global (CARR) [7.1]	Masco (MAS) [88.3]
Materials : Chemicals	
Dow (DOW) [0.1]	Corteva Inc (CTVA) [90.3]
LyondellBasell Industrie (LYB) [1.9]	Mosaic Company (MOS) [87.5]
Health Care : Health Care Providers & Services	
UnitedHealth Group Incor (UNH) [0.4]	Cardinal Health (CAH) [90.6]
Centene (CNC) [0.8]	Universal Health Service (UHS) [89.7]
Cons. Discretionary : Hotels, Restaurants & Leisure	
Caesars Entertainment (CZR) [0.6]	Carnival (CCL) [95.3]
Starbucks (SBUX) [7.0]	Norwegian Cruise Line Ho (NCLH) [91.4]
Technology : Software	
Fair Isaac (FICO) [4.4]	Gen Digital (GEN) [98.3]
Synopsys (SNPS) [5.8]	PTC (PTC) [98.3]

Numbers in brackets indicate stock's current MAER percentile ranking (100 = best)

US Russell 1000 Growth Industry Swap Ideas

The leadership in the US market has clearly been in the large-cap Growth space, primarily Big Tech/AI. So for Growth-oriented investors, or investors with broader benchmarks who want to tilt toward Growth, we screen the Russell 1000 Growth index constituents for industry-neutral swap ideas.

We calculate the differentials in MAER rankings (using our global MAER universe for all rankings for consistency) among stocks within each GICS industry and flag the widest differentials for industries with at least five constituents. This allows managers to find possible replacements for low-ranked stocks in their portfolio with a high-ranked stock that will not disturb industry/sector allocations.

The low-ranked stocks (in red on the left side of the table) will typically be in the bottom quintile or decile of the ranks while the potential replacement within the same industry (in green on the right) will typically be in the top quintile or decile. A separate attachment includes all the MAER charts for highlighted swap ideas. Additional screens and ideas are available on request.

Industry-Neutral MAER Stock Swap Ideas Within Russell 1000 Growth

Consider replacing	With
Cons. Discretionary : Hotels, Restaurants & Leisure	
Starbucks (SBUX) [7.0]	Carnival (CCL) [95.3]
CAVA Group (CAVA) [7.8]	Norwegian Cruise Line Ho (NCLH) [91.4]
Technology : Semiconductors & Semiconductor Equipment	
Onto Innovation (ONTO) [1.8]	Broadcom (AVGO) [86.2]
Entegris (ENTG) [2.0]	NVIDIA (NVDA) [84.7]
Technology : Software	
SentinelOne (S) [1.7]	Gen Digital (GEN) [98.3]
Fair Isaac (FICO) [4.4]	PTC (PTC) [98.3]
Health Care : Biotechnology	
Viking Therapeutics (VKTX) [0.5]	Halozyme Therapeutics (HALO) [99.5]
Cons. Discretionary : Specialty Retail	
RH (RH) [1.4]	Ulta Beauty (ULTA) [99.2]

Numbers in brackets indicate stock's current MAER percentile ranking (100 = best)

US SMID-Cap Value Swap Ideas

As a contrast to the screen on the previous page, here we offer ideas for investors who are looking for ideas *outside* the large-cap Growth space that is dominating the US market. So we screen the Russell 3000 universe for SMID-Cap Value ideas that offer potentially appealing alternatives for the smaller and less expensive side of the market. We screen here for stocks with market cap between $1B and $20B which have a current forward P/E between 5 and 20. That is, we seek stocks with below-market multiples that have positive earnings and are not extreme cyclicals with low single-digit P/Es. This yields about 750 stocks in the universe for this screen.

Among those stocks, we calculate the differentials in MAER rankings (using our global MAER universe for all rankings for consistency) among stocks within each GICS industry and flag the widest differentials for industries with at least five constituents. This allows managers to find possible replacements for low-ranked stocks in their portfolio with a high-ranked stock that will not disturb industry/sector allocations.

The low-ranked stocks (in red on the left side of the table) will typically be in the bottom quintile or decile of the ranks while the potential replacement within the same industry (in green on the right) will typically be in the top quintile or decile. A separate attachment includes all the MAER charts for highlighted swap ideas. Additional screens and ideas are available on request.

Industry-Neutral MAER Stock Swap Ideas Within
US SMIDCap Value Screen ($1-20B)

Consider replacing	With
Health Care : Health Care Providers & Services	
Centene (CNC) [0.8]	Aveanna Healthcare Holdi (AVAH) [98.2]
Molina Healthcare (MOH) [3.2]	Addus HomeCare (ADUS) [94.9]
Financials : Insurance	
Unum Group (UNM) [3.7]	Skyward Specialty Insura (SKWD) [96.6]
Assured Guaranty (AGO) [11.2]	F&G Annuities & Life Inc (FG) [93.0]
Industrials : Machinery	
CNH Industrial NV (CNH) [6.3]	Oshkosh Corp (OSK) [96.9]
Albany Intl (AIN) [7.6]	Worthington Enterprises (WOR) [95.6]
Energy : Oil, Gas & Consumable Fuels	
Murphy Oil (MUR) [1.4]	Scorpio Tankers (STNG) [95.8]
Comstock Resources (CRK) [2.0]	Par Pacific Holdings Inc (PARR) [93.6]
Cons. Discretionary : Specialty Retail	
RH (RH) [1.4]	Sally Beauty Holdings (SBH) [98.8]
Camping World Holdings (CWH) [9.1]	Urban Outfitters (URBN) [98.7]

Numbers in brackets indicate stock's current MAER percentile ranking (100 = best)

European Industry Swap Ideas

Below is a list of industry-neutral "swap ideas" among the constituents of our 800+ stock European MAER universe, with a minimum market cap of USD$1 billion.

We calculate the differentials in MAER rankings (using our global MAER universe for all rankings for consistency) among stocks within each GICS industry and flag the widest differentials for industries with at least five constituents. This allows managers to find possible replacements for low-ranked stocks in their portfolio with a high-ranked stock that will not disturb industry/sector allocations.

The low-ranked stocks (in red on the left side of the table) will typically be in the bottom quintile or decile of the ranks while the potential replacement within the same industry (in green on the right) will typically be in the top quintile or decile. A separate attachment includes all the MAER charts for highlighted swap ideas. Additional screens and ideas are available on request.

Industry-Neutral MAER Stock Swap Ideas Within European Stocks ($1B+)

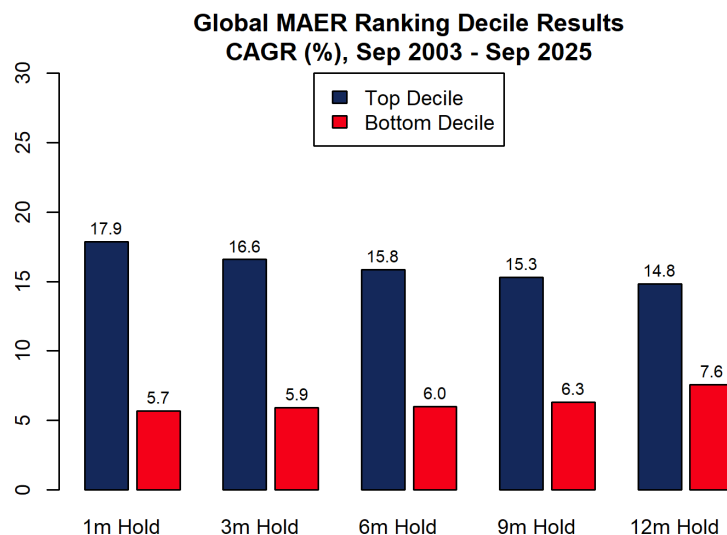| Consider replacing	With
Financials : Capital Markets	
Bridgepoint Group Plc (BPT-GB) [8.5]	Ninety One Plc (N91-GB) [98.0]
Deutsche Boerse AG (DB1-DE) [11.8]	Aberdeen Group plc (ABDN-GB) [96.5]
Materials : Chemicals	
Wacker Chemie AG (WCH-DE) [0.4]	Umicore SA (UMI-BE) [96.5]
LANXESS AG (LXS-DE) [5.7]	Yara Intl ASA (YAR-NO) [88.3]
Health Care : Health Care Equipment & Supplies	
Elekta AB (EKTA.B-SE) [5.6]	Smith & Nephew plc (SN-GB) [98.7]
Alcon AG (ALC-CH) [6.2]	Koninklijke Philips N.V. (PHIA-NL) [90.1]
Industrials : Machinery	
VAT Group AG (VACN-CH) [4.2]	Kardex Holding AG (KARN-CH) [96.4]
Jungheinrich AG Pref (JUN3-DE) [5.0]	KION GROUP AG (KGX-DE) [95.7]
Materials : Metals & Mining	
Acerinox SA (ACX-ES) [3.6]	Greatland Resources Limi (GGP-GB) [98.1]
Salzgitter AG (SZG-DE) [4.8]	Fresnillo (FRES-GB) [92.3]

Numbers in brackets indicate stock's current MAER percentile ranking (100 = best)

MAER historical performance studies

Below are summary statistics from our historical studies of the MAER multi-factor ranking model applied to our global stock universe of institutionally investable stocks.

While there are many other studies and results available on request, the key point is that **highly-ranked MAER stocks have tended to outperform low-ranked MAER stocks by very significant margins in the 22 years of data we have**. And low-ranked stocks tend to be more volatile (riskier) than high-ranked stocks on average. Notably, the results since early 2013 are "out of sample" as that is when the MAER ranking model was first launched.

The important additional point is that while we publish reports like this monthly, we find that **the performance differentials persist for up to 12 months**. And the correlation between decile ranks and future returns (the information coefficient) remains strongly statistically significant for periods of one to 12 months. So longer-term oriented investors can take advantage of the MAER rankings to adjust portfolios without necessarily feeling obligated to make monthly adjustments.

Global MAER Ranking Decile Results
CAGR (%), Sep 2003 - Sep 2025

	Top Decile	Bottom Decile
1m Hold	17.9	5.7
3m Hold	16.6	5.9
6m Hold	15.8	6.0
9m Hold	15.3	6.3
12m Hold	14.8	7.6

MAER Ranking Information Coefficients
Global Universe, Sep 2003 - Sep 2025

Indicator	Mean Decile IC	T-stat
1-month hold	0.28	6.50
3-month hold	0.29	6.22
6-month hold	0.30	6.29
9-month hold	0.30	6.03
12-month hold	0.27	5.45

Information coefficient is the correlation between the MAER decile ranking each month and the corresponding ranking of future decile portfolio returns.
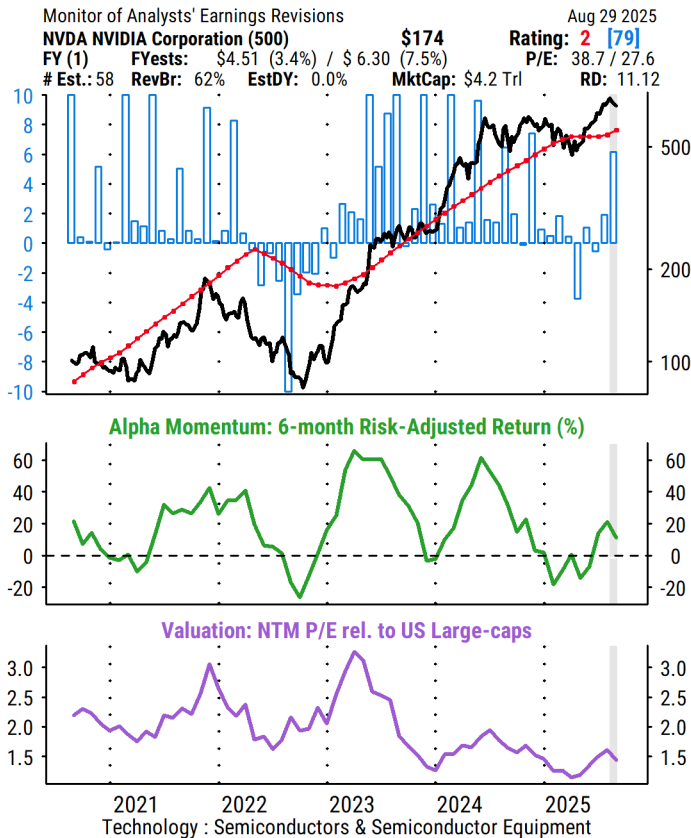
T-statistics greater than 1.96 (2.58) are considered statistically significant at the traditional 5% (1%) significance level. The t-stats shown include the Newey West adjustment for autocorrelation.

All returns shown are hypothetical percentage total returns in local currency for equal-weighted portfolios based on monthly rebalancing using the MAER ranking process.

Backtest results do not reflect any actual trading, and actual results could vary significantly from backtest results. Past performance is no guarantee of future results. No transactions costs or other expenses included in the above figures.

Source: Mill Street Research, Factset, Bloomberg

What is MAER?

The <u>M</u>onitor of <u>A</u>nalysts' <u>E</u>arnings <u>R</u>evisions (MAER) is Mill Street's proprietary cornerstone graphical and quantitative stock selection tool. Clients can use MAER to analyze trends in revisions to consensus earnings estimates, alongside price and fundamental information. It is a resource to help institutional investors incorporate an objective, transparent quantitative overlay into their stock selection process. It also includes a six-factor ranking model driven by the inputs shown on the MAER charts.

Monitor of Analysts' Earnings Revisions   Aug 29 2025
NVDA NVIDIA Corporation (500)   **$174**   **Rating: 2 [79]**
FY (1)   FYests: $4.51 (3.4%) / $ 6.30 (7.5%)   P/E: 38.7 / 27.6
Est.: 58   RevBr: 62%   EstDY: 0.0%   MktCap: $4.2 Trl   RD: 11.12

Alpha Momentum: 6-month Risk-Adjusted Return (%)

Valuation: NTM P/E rel. to US Large-caps

Technology : Semiconductors & Semiconductor Equipment

The primary drivers of MAER are <u>breadth of analyst revisions</u> and the <u>magnitude of changes</u> to the mean NTM estimate. Current readings can be viewed in the context of the last five years of historical readings.

The **red line** is a cumulative Revisions Breadth series based on the monthly net number of analysts' upward earnings revisions minus downward revisions over the prior 100 calendar days – a rising line indicates more positive than negative revisions over the last quarter (scale not shown).

The **blue bars** represent the magnitude of the monthly percent change in the consensus NTM earnings estimate (left scale).

The **heavy black line** represents the stock's relative total return versus its benchmark (S&P 500 or S&P 1000 in the U.S., the MSCI ACWI ex US Index for non-US stocks), indexed to 100 at the beginning of the chart (right scale).

The **green line** in the middle section plots our proprietary measure of price momentum, which is the stock's cumulative risk-adjusted return (or alpha) over the last six months, adjusted for market sensitivity (beta) as well as size and style (large/small-cap, value/growth).

The **purple line** in the bottom section plots the stock's relative valuation, based on its forward (NTM) P/E relative to its cap-weighted MAER universe aggregate.

Below the chart is the stock's GICS sector and industry classification.

Header information:

First row: Ticker (+ country code for non-US stocks) / Company Name / S&P Major Index classification (US companies only) / Month-end stock price (in primary exchange currency) / MAER breadth rating / Monthly revision magnitude percentile

Second row: Month of fiscal year end / Current FY1 & FY2 consensus estimate and monthly % change / Current P/E based on FY1 and FY2 estimates

Third row: Number of estimates in the consensus / Current Revisions Breadth (net % of analysts raising estimates) / Consensus next-12-month estimated dividend yield / Current market cap / Next expected earnings report date (mth.day)

The ratings in the top right corner of the chart can be used to quickly identify promising stocks for further research.

The first number, the **breadth rating (in red)**, is based on the direction of the Revisions Breadth series in the chart. It is focused on helping identify nascent turns in analyst sentiment as well as established trends, and reflects the number of months the series has been rising or falling, up to three. Thus it ranges from -3 (established negative trend of 3 months or more) to +3 (established positive trend), with readings of -2/-1/+1/+2 helping identify the first month or two of a reversal in analyst sentiment. The **second number (in blue brackets)** shows the percentile ranking of the most recent monthly percent change in the NTM estimate relative to the stock's own five-year history. So, for example, a percentile of 80 would indicate that this month's change in the consensus NTM estimate is higher than 80% of the readings over the last five years.

Favorable patterns would include a positive breadth rating and a high magnitude percentile, along with positive or improving alpha momentum and supportive relative valuations (unfavorable patterns would show the reverse conditions).

Important Disclosures and Certifications

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