



The **Monitor of Analysts' Earnings Revisions (MAER)** is Mill Street's proprietary cornerstone graphical and quantitative stock selection tool. It is made up of two key components:

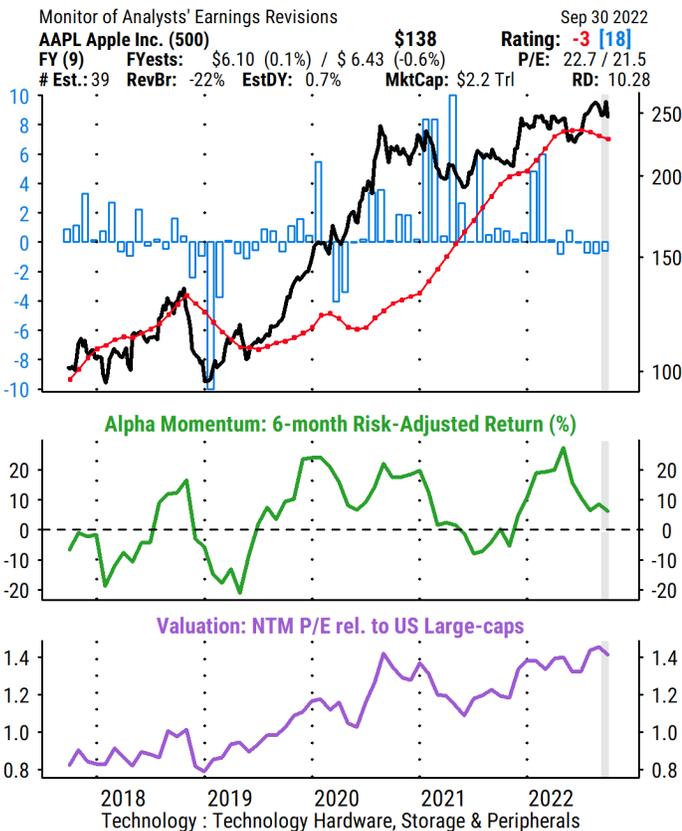
- *A multi-factor ranking model*
- *MAER charts*

It is a resource to help institutional investors incorporate an objective, transparent quantitative overlay into their stock selection process.

The MAER suite of products offer comprehensive coverage of over 6,000 stocks globally.

What is MAER?

A Sample MAER Chart



The primary drivers of **MAER** are incorporated into the ranking model and plotted on the charts:

- Estimate revisions trends ("Fundamental momentum")
- Price Momentum and Mean Reversion
- Absolute and Relative Valuation

Using the MAER charts, current indicator readings can be viewed in the context of the last five years of historical data.

The **red line** in the top section 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, indexed to 100 at the beginning of the chart (right scale).

The **green line** in the middle section plots Mill Street's 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.



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What is MAER?

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Fundamental Momentum:

Earnings estimate revisions breadth and magnitude

Price Action:

Risk-adjusted six-month momentum & one-month mean reversion

Valuation:

Absolute and relative forward earnings yield

MAER Stock Rankings

Any set of stocks in the MAER universe can be objectively ranked from most to least attractive based on the MAER six-factor ranking model. The factors reflect the indicators shown in the MAER charts, expressed as percentile scores, and are weighted together to construct the composite ranking. The factors include:

1. EARNINGS ESTIMATE REVISIONS BREADTH

The key underlying driver of MAER is the idea that the direction of analyst estimate revisions is a significant driver of relative returns. We use the net proportion of analysts raising versus lowering estimates for each stock as the most important input to the model.

2. EARNINGS ESTIMATE REVISIONS MAGNITUDE

Alongside the revisions breadth, we gauge the conviction of analyst activity by using a scaled measurement of monthly percent changes in consensus analyst estimates for each stock.

3. ALPHA MOMENTUM

Our proprietary measure of risk-adjusted six-month returns for each stock. This helps gauge each stock's return momentum after accounting for market and style effects.

4. SHORT-TERM MEAN REVERSION

We use a scaled measurement of each stock's prior month return to capture well-known short-term mean reversion effects in prices.

5. FORWARD EARNINGS YIELD

We use forward valuation multiples to help identify stocks for which the trends in revisions (fundamentals) may not be priced in.

6. RELATIVE FORWARD EARNINGS YIELD

In addition to the absolute level of valuation for each stock, we use a relative measure that accounts for each stock's historical valuation range and thus avoids structural biases toward particular sectors or styles based on valuation.

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