

The background of the slide is a financial chart with a red overlay. The chart shows a line graph of share prices over time, with a shaded area representing a range. Text on the chart includes "ImgnTech Share Price", "Change on day 32.30", and "Change on day 1.95". The x-axis is labeled with dates like "Aug 13" and "Sep 13". The y-axis has numerical values like 200, 300, and 350. The overall theme is financial data and market analysis.

Earnings Revision Strategy

Emily Hansen and Jacob Winters

1-17-24

Summary

Idea – *Bloomberg Current Year EPS - 1 Month Revision*

Strategy – *Identifying top 10 stocks with strong current earnings, positive recent earnings trends, and favorable overall analyst recommendations.*

Historical Performance – *very good for single factor and performance of 10 stocks*

Recommendation – Buy \$50k In School Fund allocating 5k/stock

What to Sell – \$50k in Current SPY holdings

Effect on Portfolio – *Higher standard deviation, Higher return*



EPS - Revisions

An Earnings Per Share (EPS) represents a company's profitability by displaying the net earnings allocated to each outstanding share of common stock. By tracking the change in consensus EPS, we can identify stocks that analysts are more bullish on. Analysts will increase EPS forecast way before they upgrade the recommendation.

EPS is a key financial metric that investors often analyze to assess a company's financial health and performance, providing insights into its ability to generate profits and distribute them to shareholders. The EPS formula is typically shown as:

$$EPS = \text{Net Income} / \text{Number of Outstanding Shares}$$



Getting the Data

- *Another service brokerage firms offer to clients:*
 - *Firms work with clients and get their financial data*
 - *Employ analysts to publish reports on various corporations upcoming profit reports (EPS and Revenue forecasts)*
 - *Stock performance is measured by companies earning power*
 - *Investors want to know this year's and next year's EPS and long down the road*
- *"Beat the Street" - Beating Wall Street earnings forecasts*
- *Consensus Earnings Estimates are monitored by many investors as they help measure the appropriate valuation of a stock*
 - *Average or Median Estimates*



Strategy Details

Specifics of strategy

Backtesting Method: Bloomberg

Data needed and sources: Russell 1000 in Bloomberg

Rebalance frequency: Monthly

Number of positions: 10

Number of years backtested: 10 Years

Minimum stock market cap: None

Weighting: Equal

Type of stock: Consumer Discretionary, Financials, Health Care, Industrials, Information Technology, Real Estate



Screening Criteria

Selected Screening Criteria		Matches
	Security Universe	1670051
51)	:: Trading Status: Active	534791
52)	:: Indices: Russell 1000 Index	1007
53)	:: Current quarterly BEst EPS 4 Week % Change > 9	35 ⓘ
54)	:: 30 Day Price Change Percent > 6	19 ⓘ
55)	:: Total Analyst Recommendations 1 Day ago > 15	10 ⓘ
	Display Only Fields	10
56)	Current Market Cap	10 ⓘ
57)	Current Price Earnings Ratio (P/E)	10 ⓘ
58)	30 Day Average Volume	10 ⓘ
59)	Price 1 Day ago	10 ⓘ
60)	Ticker	10 ⓘ
61)	LF Revenue Growth Adjusted 5 Year CAGR	10 ⓘ
62)	Latest Quarterly Trailing 12M EBITDA Margin	10 ⓘ



Backtesting Implementation Details

# OF STOCKS	10
MIN MARKET CAP	None
MIN MONTHLY TRADING VOLUME	None
WEIGHTING SCHEME	EQUAL
REBALANCING FREQUENCY	Monthly
TIME FRAME	10 YEARS
CURRENCY	USD

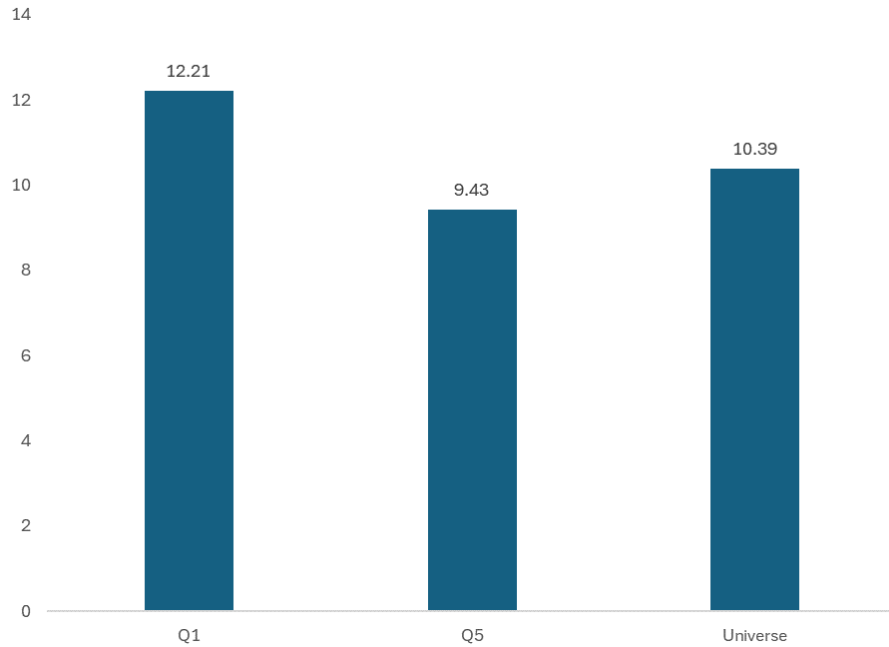


Backtesting Results

Analyst Earnings Revisions

Earnings Revisions	Q1	Q5	Universe
Annualized Active Return (%)	12.21	9.43	10.39

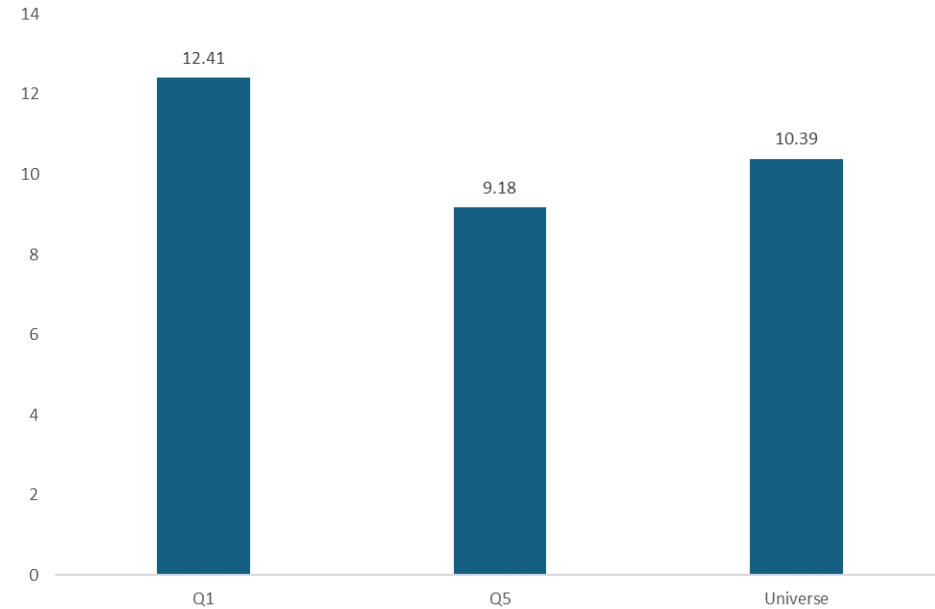
Earnings Revisions



Analyst Recommendations (BUY, HOLD, SELL)

Analyst Recommendations	Q1	Q5	Universe
Annualized Active Return (%)	12.41	9.18	10.39

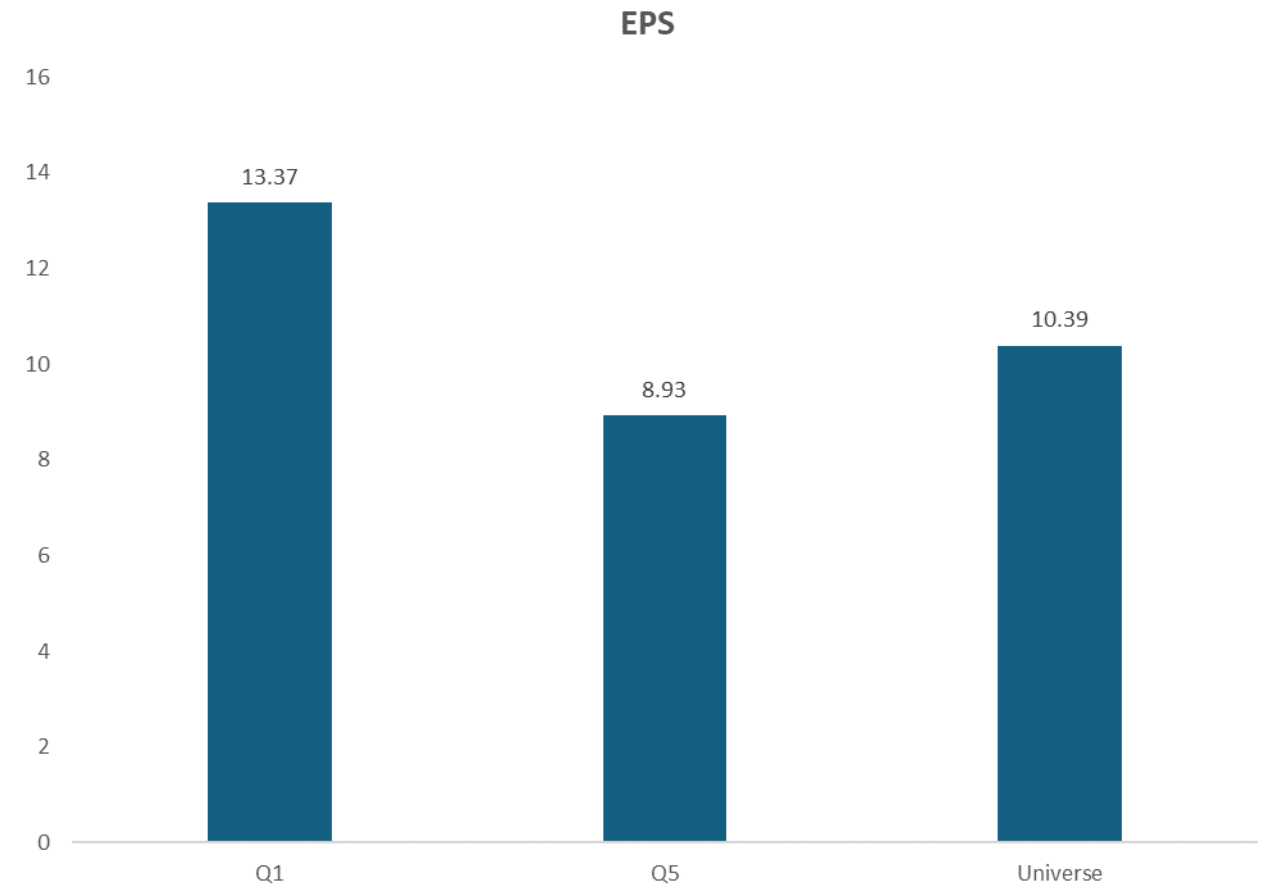
Analyst Recommendations

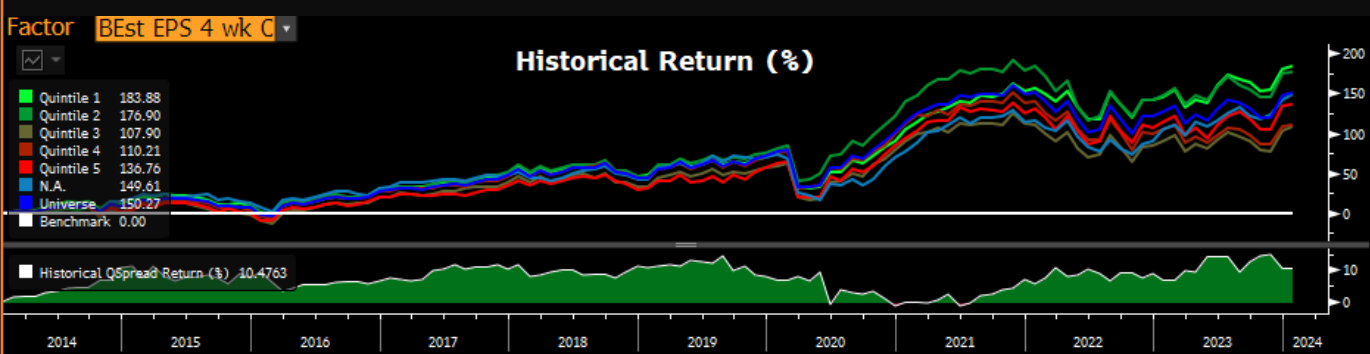
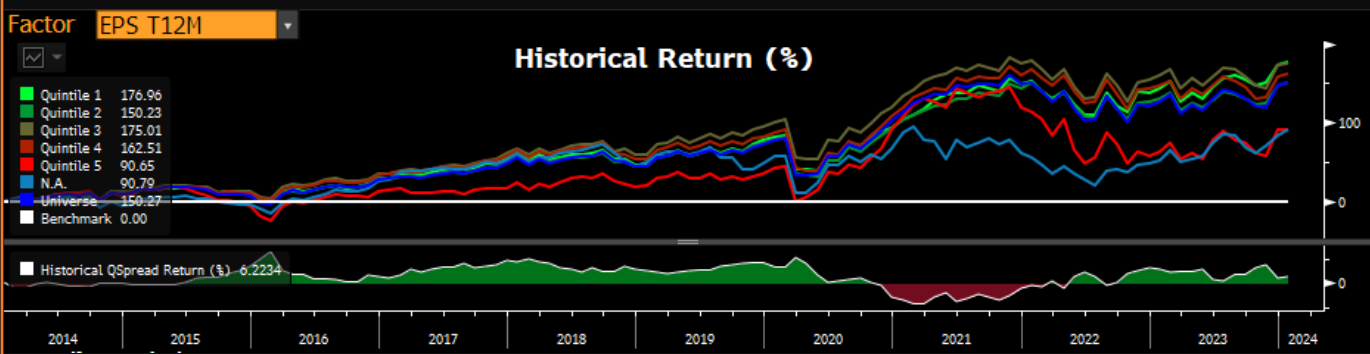
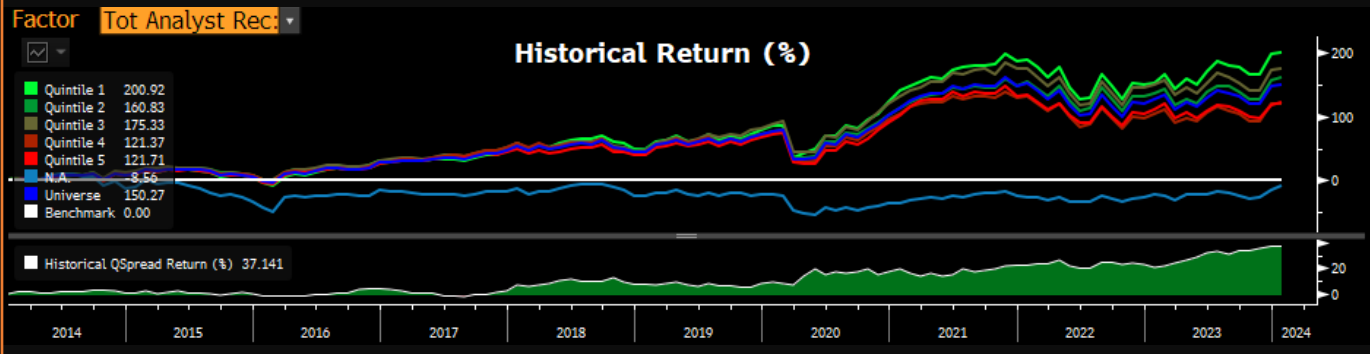


Backtesting Results

EPS Estimate

EPS Estimate	Q1	Q5	Universe
Annualized Active Return (%)	13.37	8.93	10.39





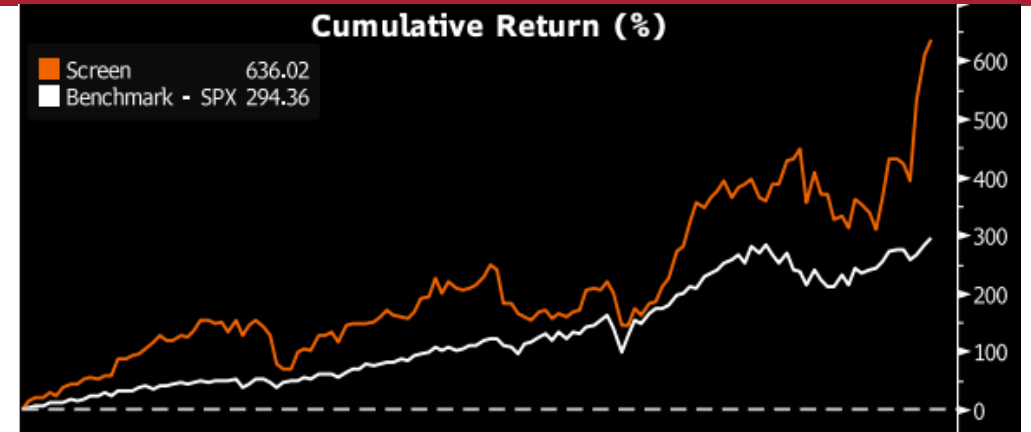
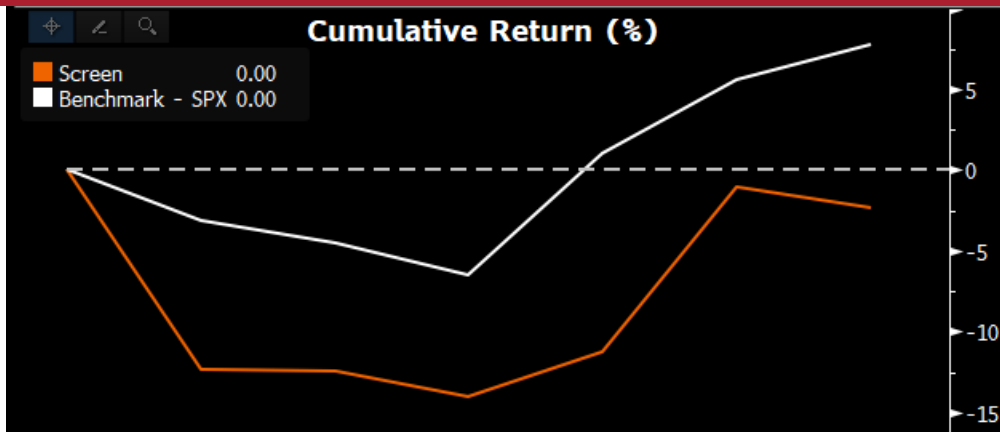
Time Series Data
for Analyst Earning
Revisions, EPS, and
Analyst
Recommendation

Portfolio Characteristics

<u>10-Year Analysis</u>	Mean	Min	25%	Median	75%	Max
Market Cap (\$Millions)	55,137	248	8,838	17,754	39,556	1,384,680
P/E Ratio	102	4	18	28	61	4,099
Monthly Trading Volume* (\$Millions)	294,050	12,750	48,765	223,850	421,335	1,500,000
Share Price*	57	8	20	46	76	154



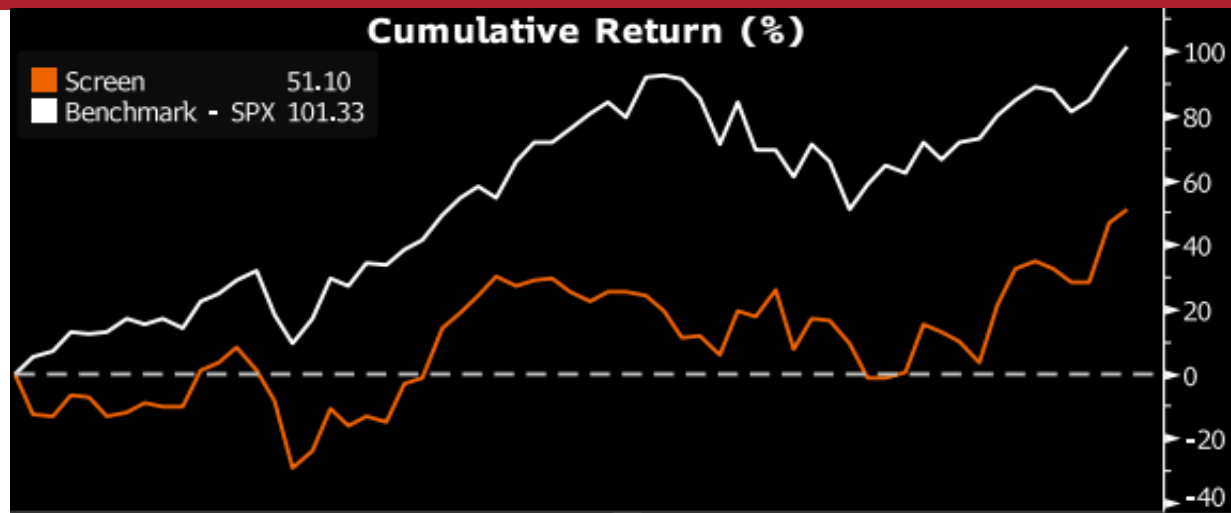
Backtesting Results for 10 stock Portfolio – 10 years (Monthly)



<u>Annualized</u>	Return	α^*	β^*	σ	Sharpe	Treynor	Max DD	Info Ratio*	Idio. Risk
10 Year	636.02	10.37	1.16	29.59	0.83	0.51	-33%	0.49	4.53
1 Year	50.28	26.78	1.47	25.89	2.2	0.31	-10%	1.55	3.27
6 months	-2.38	-21.59	1.25	24.83	-0.29	-0.05	11.44	-0.79	-0.01
10 Year SPY	294.36	0	1	17.73	0.71	0.25	-25%	-0.31	0
1 Year SPY	26.29	0	1	12.6	1.10	0.22	-3%	-0.36	0



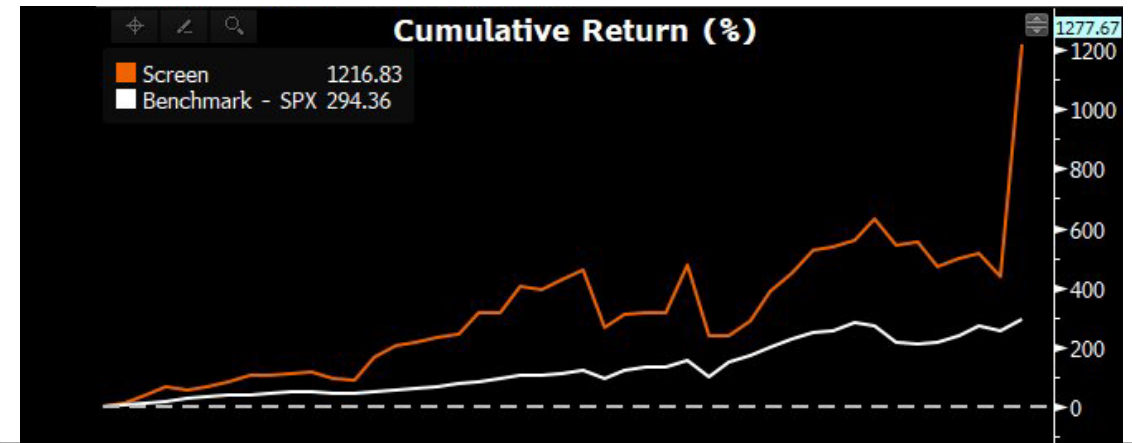
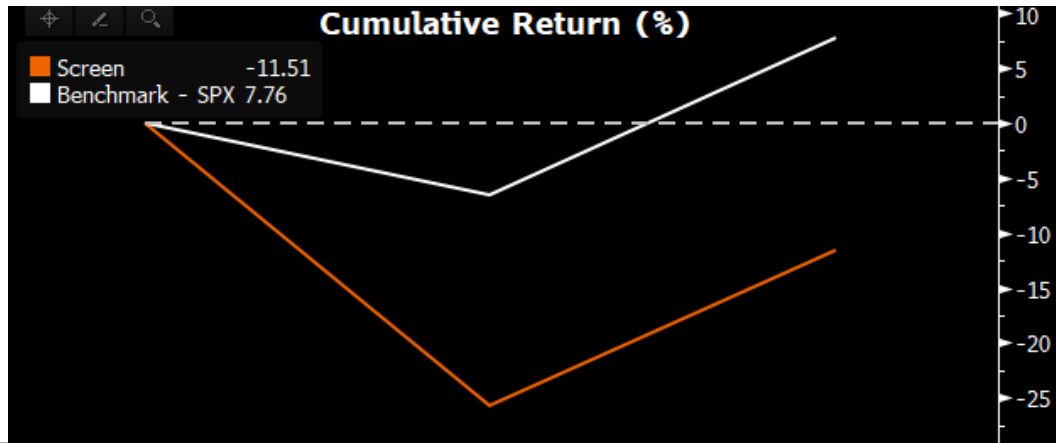
Backtesting Results for 10 stock Portfolio – 5 years (Monthly)



<u>Annualized</u>	Return	α^*	β^*	σ	Sharpe	Treynor	Max DD	Info Ratio*	Idio. Risk
5 Year	51.10	-3.84	1.08	32.95	0.40	0.44	-35%	-0.09	8.92
1 Year	50.28	26.78	1.47	25.89	2.2	0.31	-10%	1.55	3.27
5 Year SPY	101.33	0	1	12.88	1.12	0.06	-17%	-1.46	0
1 Year SPY	26.29	0	1	12.6	1.10	0.22	-3%	-0.36	0



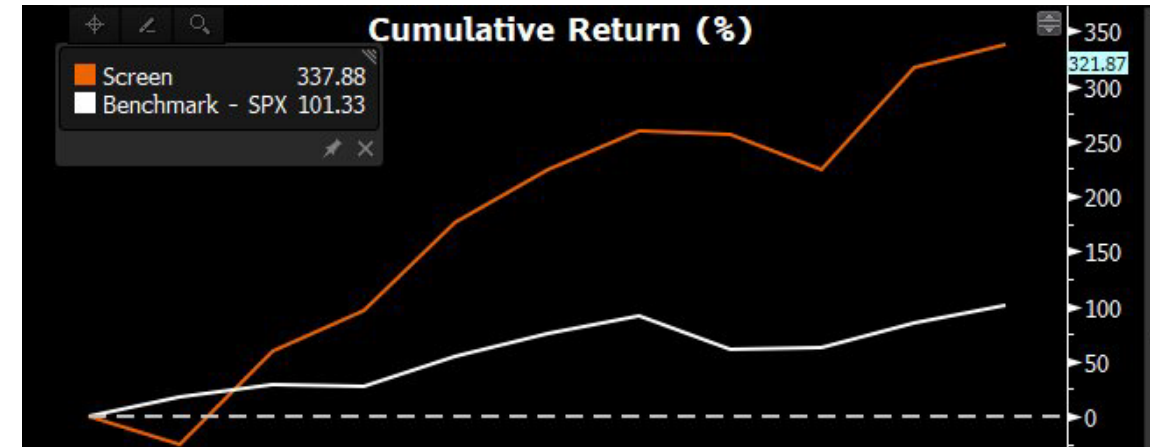
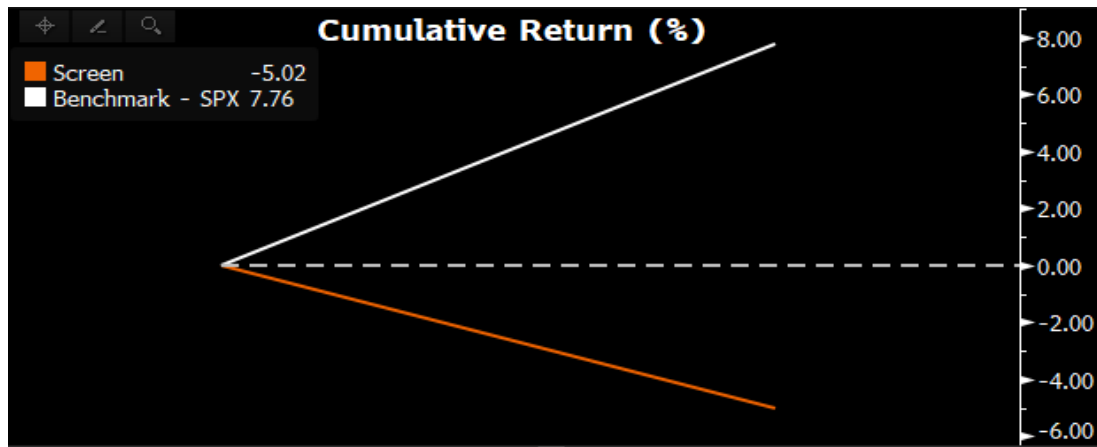
Backtesting Results for 10 stock Portfolio (Rebalanced Quarterly)



<u>Annualized</u>	Return	α^*	β^*	σ	Sharpe	Treynor	Max DD	Info Ratio*	Idio. Risk
10 Year	1216.83	22.27	1.19	38.26	0.94	10.19	145.63	0.66	0.01
5 Year	84.41	4.81	1.09	37.74	0.54	0.74	44.91	0.18	0.12
1 year	4.74	-10.31	1.24	25.90	0.19	0.006	11.37	-0.31	0.04
6 months	-11.51	-37.13	1.38	38.19	-0.55	-0.11	19.14	-0.80	0.14



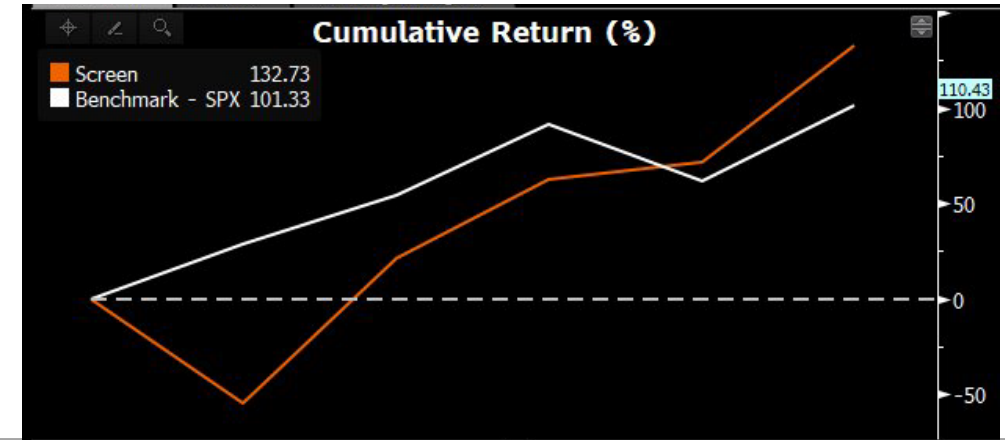
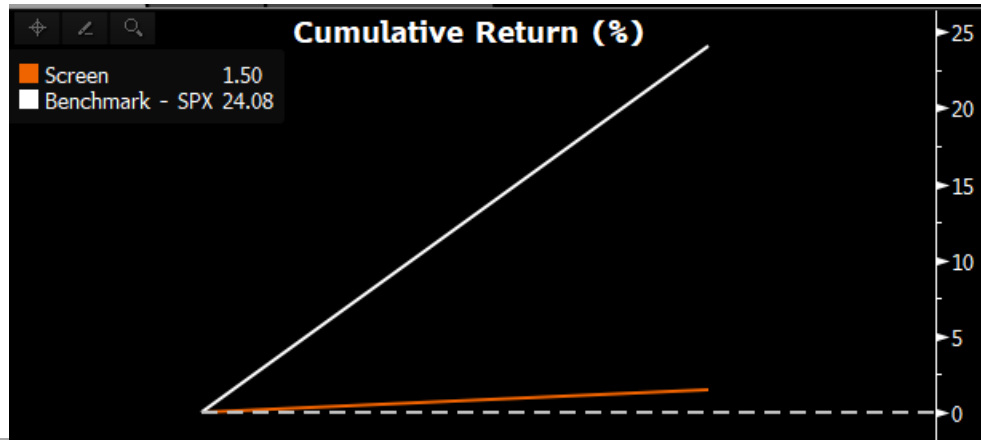
Backtesting Results for 10 stock Portfolio (Rebalanced Semi Annually)



<u>Annualized</u>	Return	α^*	β^*	σ	Sharpe	Treynor	Max DD	Info Ratio*	Idio. Risk
10 Year	1727.69	22.90	1.12	37.73	1.02	15.38	90.05	0.66	0.10
5 Year	337.88	25.57	1.17	40.58	1.08	2.85	113.66	0.74	0.14
1 year	34.90	7.14	1.41	29.15	1.22	0.21	28.30	0.53	0.05
6 months	-5.02	-32.63	1.2	29.76	-0.38	-0.07	-5.02	-0.86	0.1



Backtesting Results for 10 stock Portfolio (Rebalanced Annually)



<u>Annualized</u>	Return	α^*	β^*	σ	Sharpe	Treynor	Max DD	Info Ratio*	Idio. Risk
10 Year	937.26	39.50	1.09	39.50	0.82	8.56	226.01	0.46	0.11
5 Year	132.73	9.55	1.12	41.50	0.66	1.15	167.37	0.29	-0.03
1 year	35.62	9.26	1.36	30.25	1.22	0.24	35.62	0.53	-0.05
6 months	1.50	-27.53	1.31	21.77	-0.06	-0.02	1.50	-1.17	0.09



Recommended Purchases

Name	Ticker	P/E Ratio	Monthly Trading Volume (\$M)	Market Cap (\$B)	Share Price	# of Shares	Total Value
Wayfair Inc	W		4.24M	6.53B	55.36	90	4982.4
Ventas	VTR	2.39K	2.11M	19.59B	48.68	102	4965.4
Sarepta Therapeutics	SPRT		1.14M	9.11B	97.34	51	4964.3
Sofi Technology	SOFI		44.23M	7.88B	8.22	608	4997.8
Azek Co	AZEK	95.25	1.74M	5.33B	36.12	138	4984.6



Recommended Purchases

Name	Ticker	P/E Ratio	Monthly Trading Volume (\$M)	Market Cap (\$B)	Share Price	# of Shares	Total Value
Affirm Holding	AFRM		25.64M	12.98B	43.01	116	4989.2
American Airlines	AAL	4	33.23M	8.89B	13.6	367	4991.2
Micron Technology	MU		15.15M	92.12B	83.45	59	4923.6
Robinhood Market	HOOD		17.45M	10.28B	11.89	420	4993.8
Coinbase Global	COIN		14.35M	36.84B	153.98	32	4927.4



Analyst Recommendation

Morgan Stanley recommends buying American Airlines

Mizuho Securities recommends buying Affirm Holdings

RBC Capital, Baird, and Goldman Sachs recommend buying Azek

JMP Securities recommends buying Robinhood

Wells Fargo, JP Morgan, and Goldman Sachs recommend buying Micron Technology

Wedbush recommends buying Coinbase Global

Morningstar recommends buying Sofi Technologies

Wells Fargo and Morningstar recommend buying Ventas

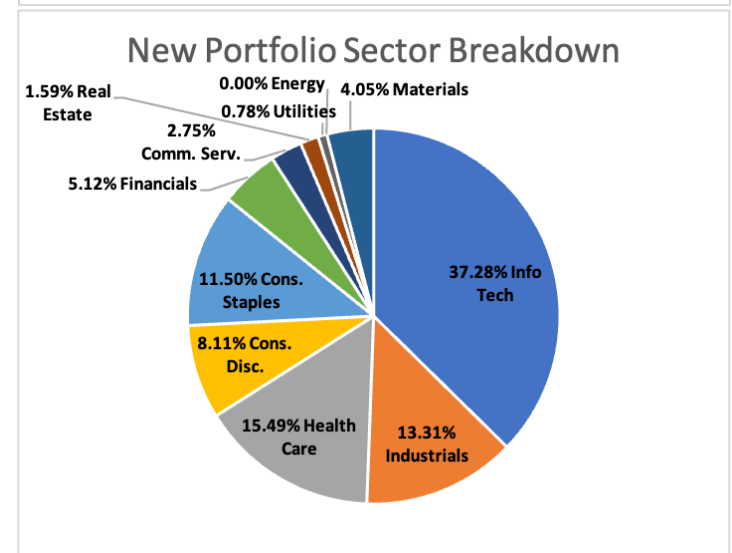
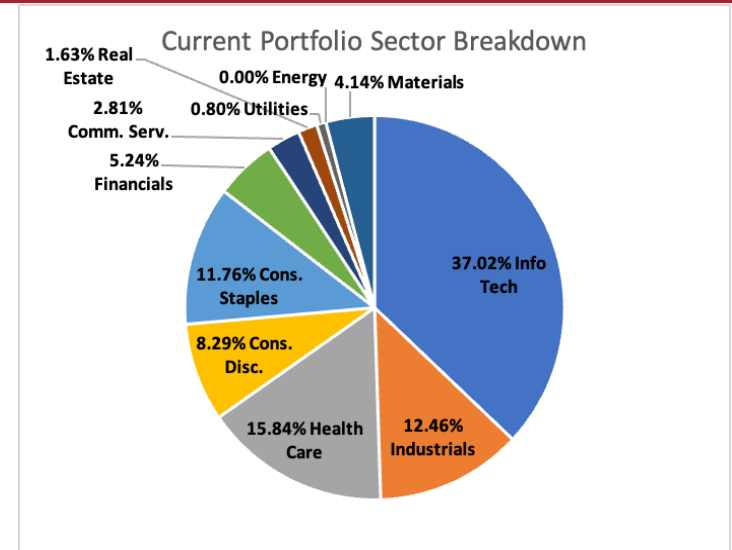
Morgan Stanley, JP Morgan, and Goldman Sachs recommend buying Sarepta Therapeutics

Wells Fargo and JP Morgan recommend buying Wayfair



Effect on the Portfolio

	Existing Portfolio	New Portfolio
Beta	1.22	1.26
SMB (size)	1.0	1.0
HML (value)	.9	.9
Momentum	.9	.9
Standard Deviation	16.59	17.26
Expected Return	21.68%	24.72%
Idiosyncratic Risk	.41	.46



Recap

Idea – Bloomberg Current Year EPS - 1 Month Revision

Strategy – Identifying top 10 stocks with strong current earnings, positive recent earnings trends, and favorable overall analyst recommendations.

Historical Performance – very good for single factor and performance of 10 stocks

Recommendation – Buy \$50k In School Fund allocating 5k/stock

What to Sell – \$50k in Current SPY holdings

Effect on Portfolio – Higher standard deviation, Higher return



Class Decision

- Earnings Revision Strategy
- Voting Results: 13-1 in favor of Earnings Revision Strategy
- Rebalancing Semiannually
- 10 Stocks from analyst's recommendations
- Buy \$50K using the School Fund
- Allocating \$5k per stock

