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TRIVARIATE RESEARCH

# 2026 SECOND HALF US EQUITY MARKET OUTLOOK


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# EXECUTIVE SUMMARY / NEW INSIGHTS IN OUR 2H OUTLOOK

This second half outlook contains several new pieces of research and a summary of our views.

- More upside: Corporate earnings remain the primary driver of the U.S. equity market, supported by AI-driven productivity gains and improving long-term profit expectations. While interest rates remain a headwind, fundamentals continue to justify a constructive outlook for equities. We continue to think a reasonable base case is that market level multiple contraction offsets strong earnings growth, yielding volatile but continued gains.
- Nothing works forever: Several long-standing investment disciplines have become less effective in today's market. Quality and valuation alone are ineffective for security selection. We published new research on improving quality and also found it not to be a good tool for stock selection. Stocks where quality improved have not outperformed those where it deteriorated. We also have a new section that shows revisions to 5-year forward revenue forecasts have worked well of late, indicating fundamentals DO matter – and they involve longer-term / hard to verify projections.
- Risk management is key: Portfolio construction should evolve alongside changing market dynamics. Greater diversification, rethinking adding / trimming, disciplined risk management around AI-exposure, non-AI cyclicals, and defensives will be critical for navigating the new world order.
- What is Micron worth? We did some new work here containing thousands of simulations varying the periodicity and amplitude of MU's peak and normalized EPS and concluded more upside is likely (See Slides 38-43). The stock appears to be at 5-6x peak and 11-12x normalized EPS.
- Sector Selection: We did some new work here which includes a new quantitative model for industry selection. To be frank, we think top-down industry and sector selection is tough, and most are likely fooling themselves if they think using valuation, profitability, etc. are useful tools. We try to recommend sectors based on our perceptions about low correlation and estimate achievability. That leads us to fundamentally recommend Technology, Healthcare, and Energy. We disfavor Consumer Staples and Financials. We did not make any changes to our current sector recommendations for our 2H outlook.

# OUTLINE

**Part 1:** Earnings, Market Dynamics, 5-Year EPS Outlook

**Part 2:** AI Revenue, Non-AI Revenue, Defensives

**Part 3:** What is MU Worth?

**Part 4:** Diversification, Selling Losers

**Part 5:** Important Investing Disciplines Have Changed

**Part 6:** Sector Ideas

**Part 7**: Available Alpha

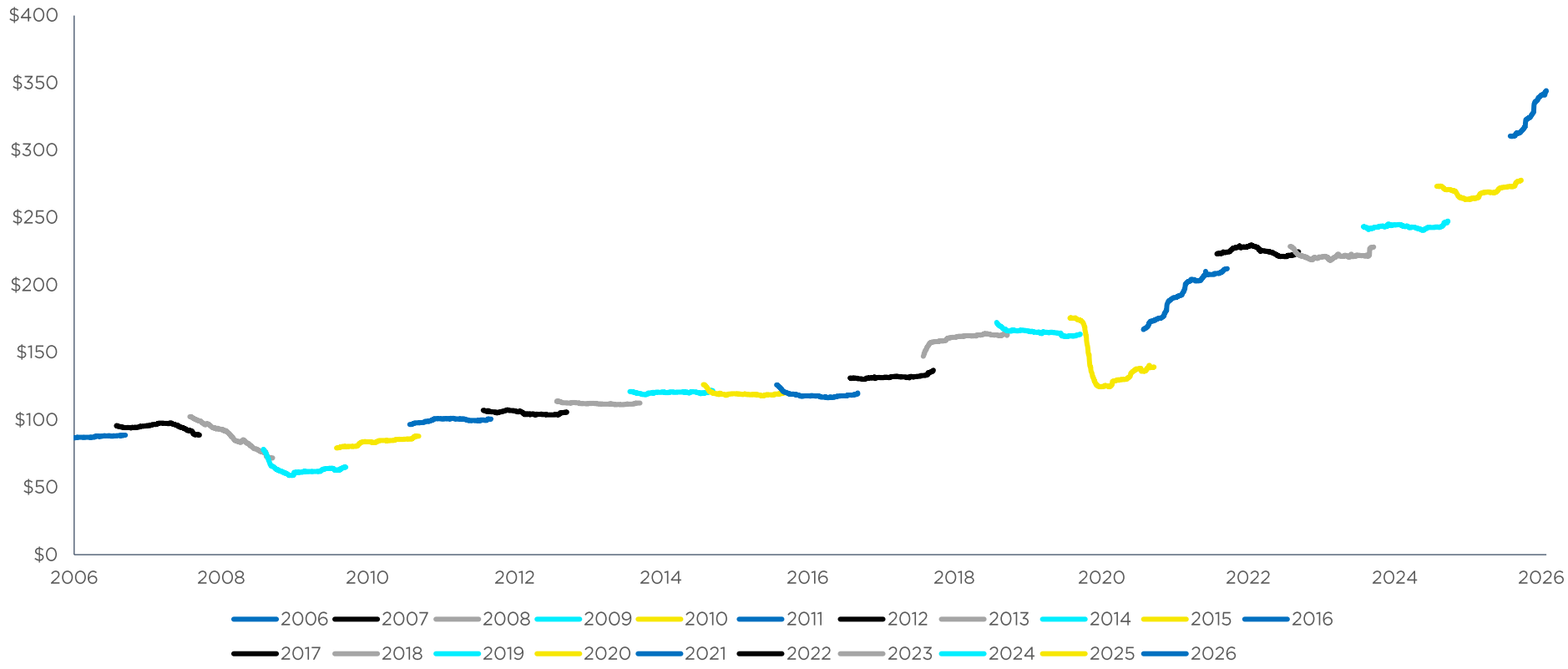
# PART 1: EARNINGS, MARKET DYNAMICS, 5-YEAR EPS OUTLOOK

- Corporate earnings continue to exceed expectations, driven by technology-led productivity gains rather than fiscal or monetary stimulus. We expect robust EPS growth through 2027, albeit modestly below Wall Street consensus, supporting a constructive long-term outlook. As a base case, we expect that the market multiple contracts to offset some of the earnings growth.
- Technology remains the dominant engine of earnings expansion and market performance. Nearly 60% of projected S&P 500 earnings growth over the next two years comes from the Technology sector, making sustained market leadership without Tech increasingly unlikely.
- Fundamentals continue to drive stock prices, but investors are increasingly discounting long-term earnings power. Revisions to four- and five-year revenue and EPS expectations have become stronger predictors of performance than traditional valuation P/E ratios.
- The market backdrop remains favorable but is becoming less forgiving. Higher expected interest rates pressure valuation multiples, while earnings misses—particularly among inexpensive or weak-momentum stocks—are being punished more severely than historically.
- Although market leadership remains exceptionally concentrated, current conditions do not yet resemble a classic equity bubble. Relatively few stocks are outperforming the index, but the underlying earnings outlook and historical precedent suggest further upside remains possible before reaching speculative extremes.

# IT IS UNUSUAL FOR EPS ESTIMATES TO COME UP THIS MUCH

For many years, it was considered common knowledge that sell-side analysts, in aggregate, were too optimistic about their earnings forecasts. Over the last 20 years, initial estimates called for 9% growth, and actual EPS growth was 6%. The years with the biggest upside surprises were 2021, coming out of the COVID-19 recovery, and 2010, accelerating out of the Financial Crisis - both of which were accompanied by massive incremental fiscal and monetary stimulus - and this year so far. In 2026 however, the upside and initially conservative estimates were raised. This stems from a step change in technological productivity more than incremental government intervention, as was the case in the only two previous times with this much upside.

**S&P 500 Yearly EPS Estimates Over the Course of the Respective Year Through End-June, 2026**

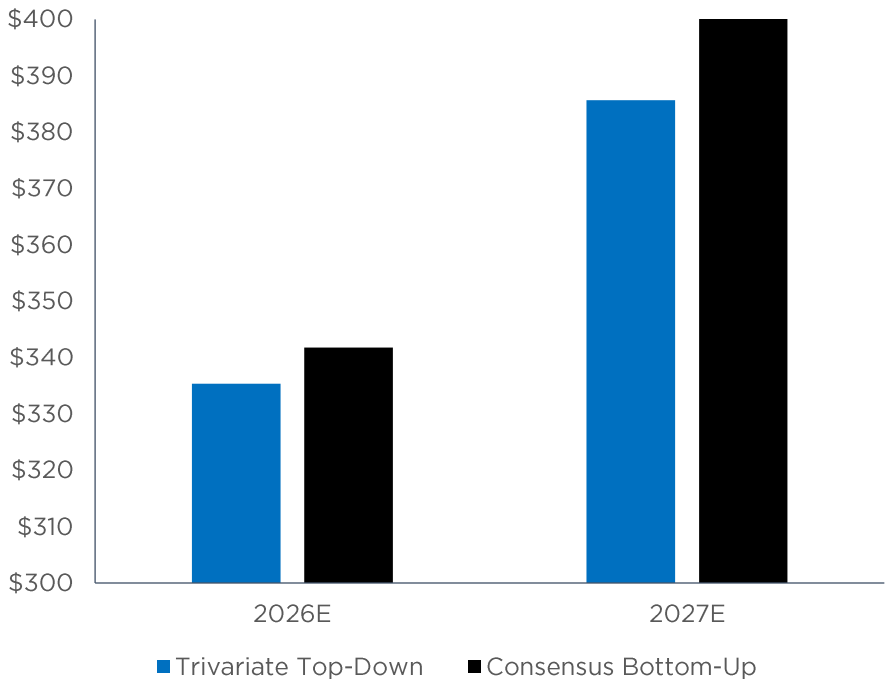



Source: Trivariate Research

# WE FORECAST STRONG GROWTH IN EPS, THOUGH BELOW CONSENSUS

Below we show the bottom-up consensus EPS estimates and Trivariate's top-down EPS estimates for the S&P500 through 2027. We forecast $335 in 2026 EPS and $387 in 2027 EPS vs. the consensus of $342 and $401 respectively (left). The consensus outlook implies 24.3% EPS growth for 2026 (right), followed by another year of 17.4% growth in 2027. Our top-down forecast is for 22% EPS growth in 2026 and 15% in 2027. The consensus 2027 forecasts are for 31.9% growth in Technology earnings, with only Energy expected to decline.

2026 and 2027 Estimated EPS
Trivariate Top-Down vs. Consensus Bottom-Up
As of June 26th, 2026




Source: Trivariate Research

Bottom-Up Analyst Earnings YoY Growth Expectations
As of June 26th, 2026

| Sector | 1Q26 | 2Q26E | 2026E | 2027E |
|---|---|---|---|---|
| S&P500 | 26.0% | 22.3% | 24.3% | 17.4% |
| S&P ex-Financials | 27.3% | 26.5% | 28.1% | 18.7% |
| Consumer Discretionary | 37.5% | 1.5% | 11.5% | 14.6% |
| Consumer Staples | 2.4% | 2.8% | 4.5% | 7.6% |
| Energy | (3.1%) | 112.5% | 64.7% | (7.2%) |
| Financials | 20.2% | 4.6% | 8.0% | 10.8% |
| Health Care | (6.1%) | (11.0%) | 1.0% | 18.6% |
| Industrials | 8.4% | 9.5% | 9.1% | 18.8% |
| Info Tech | 54.5% | 64.4% | 55.7% | 31.9% |
| Materials | 28.5% | 38.3% | 39.1% | 11.3% |
| Communication Services | 47.7% | 6.3% | 23.8% | 6.3% |
| Utilities | 19.7% | 12.8% | 13.8% | 7.8% |
| Real Estate | 3.0% | 5.0% | 5.0% | 7.7% |

Source: Trivariate Research

# 20X THE CONSENSUS OUTLOOK YIELDS AN S&P500 OVER 8000

We show a range of 2027 S&P500 EPS estimates based on 2026 and 2027 growth assumptions (left). Our estimates are shown in blue and the consensus bottom-up numbers in black. On the right, we show a range of price-to-forward earnings multiples and a range of 2027 earnings outcomes. 20x the consensus bottom-up estimates yields an S&P500 of $8020, and 22x our estimate would yield $8492.

**Range of 2027 Earnings Outcomes on Varying Assumptions**

| | 2026 EPS Growth | | | | | |
|---|---|---|---|---|---|---|
| 2027 EPS Growth | 16% | 18% | 20% | 22% | 24% | 26% |
| 10% | $351 | $357 | $363 | $369 | $376 | $381 |
| 13% | $360 | $367 | $373 | $379 | $386 | $391 |
| 15% | $367 | $373 | $379 | $386 | $393 | $398 |
| 17% | $374 | $381 | $387 | $394 | $401 | $407 |
| 20% | $383 | $389 | $396 | $402 | $410 | $416 |
| 23% | $392 | $399 | $406 | $412 | $420 | $426 |

Source: Trivariate Research

**S&P500 Price Target Based on EPS and Multiple Assumptions**

| | 2027 Expected Earnings | | | | | |
|---|---|---|---|---|---|---|
| Price-to-Forward Earnings | $340 | $355 | $370 | $386 | $401 | $410 |
| 17x | 5,780 | 6,035 | 6,290 | 6,562 | 6,817 | 6,970 |
| 18x | 6,120 | 6,390 | 6,660 | 6,948 | 7,218 | 7,380 |
| 19x | 6,460 | 6,745 | 7,030 | 7,334 | 7,619 | 7,790 |
| 20x | 6,800 | 7,100 | 7,400 | 7,720 | 8,020 | 8,200 |
| 21x | 7,140 | 7,455 | 7,770 | 8,106 | 8,421 | 8,610 |
| 22x | 7,480 | 7,810 | 8,140 | 8,492 | 8,822 | 9,020 |
| 23x | 7,820 | 8,165 | 8,510 | 8,878 | 9,223 | 9,430 |
| 24x | 8,160 | 8,520 | 8,880 | 9,264 | 9,624 | 9,840 |

Source: Trivariate Research

# FOR THE NEXT 2 YEARS, 59% OF THE GROWTH COMES FROM TECH.

The percentage of S&P500 earnings growth this year and next year coming from the Technology sector is incredibly high. We think it is hard for the market to go up a lot, and Technology to lag meaningfully.

**Percentage of S&P500 YoY EPS Growth By Sector**
**As of June 26th, 2026**

| Year | S&P 500 YoY EPS Growth | Consumer Disc. | Consumer Staples | Energy | Financials | Health Care | Industrials | Technology | Materials | Comm. Services | Utilities | Real Estate |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| 2005 | 13.4% | 6.0% | 0.2% | 37.7% | 5.6% | 12.9% | 17.3% | 10.4% | 0.9% | 2.1% | 6.6% | 0.3% |
| 2006 | 16.5% | 7.9% | 2.8% | 23.0% | 42.3% | 2.9% | 5.3% | 1.1% | 5.4% | 6.7% | 1.5% | 1.1% |
| 2010 | 35.6% | 8.2% | 1.8% | 15.5% | 36.2% | 2.4% | 6.8% | 23.0% | 3.3% | 0.9% | 0.9% | 1.0% |
| 2011 | 14.2% | 3.9% | 1.0% | 32.4% | 2.1% | 4.8% | 15.6% | 19.0% | 7.6% | 7.7% | 4.0% | 1.9% |
| 2012 | 7.8% | 8.3% | 6.9% | (7.5%) | 46.9% | 2.3% | 5.6% | 15.2% | (0.5%) | 24.7% | (5.1%) | 3.2% |
| 2013 | 7.8% | 11.8% | 1.4% | (8.9%) | 51.2% | 20.7% | 12.3% | (2.1%) | 5.1% | (9.2%) | 4.2% | 13.5% |
| 2014 | 7.7% | 7.7% | 1.1% | 1.9% | 0.8% | 25.8% | 13.5% | 17.6% | 3.1% | 20.9% | 3.1% | 4.5% |
| 2017 | 13.3% | 2.6% | 2.3% | 20.5% | 17.4% | 12.0% | 5.7% | 24.7% | 3.7% | 6.0% | 1.9% | 3.1% |
| 2018 | 22.7% | 5.8% | 2.8% | 15.1% | 22.6% | 10.4% | 8.6% | 17.7% | 2.8% | 11.1% | 1.8% | 1.2% |
| 2021 | 47.1% | 9.3% | 1.4% | 14.6% | 25.9% | 9.5% | 8.5% | 16.6% | 4.3% | 8.0% | 0.4% | 1.5% |
| 2022 | 5.3% | 2.9% | 2.2% | 133.4% | (58.6%) | 18.6% | 34.9% | 1.2% | 5.4% | (40.5%) | 2.5% | (2.1%) |
| 2024 | 9.5% | 13.1% | 2.0% | (19.1%) | 28.1% | 2.7% | (0.5%) | 48.8% | (3.2%) | 21.1% | 6.0% | 0.9% |
| 2025 | 12.1% | 3.0% | (1.2%) | (5.0%) | 18.8% | 10.8% | 7.1% | 49.3% | 1.2% | 14.4% | 0.6% | 0.9% |
| 2026E | 24.3% | 3.9% | 1.0% | 11.1% | 6.2% | 0.5% | 2.9% | 58.6% | 3.2% | 10.5% | 1.6% | 0.5% |
| 2027E | 17.4% | 6.1% | 2.0% | (2.3%) | 10.2% | 10.5% | 7.4% | 58.8% | 1.4% | 3.9% | 1.2% | 0.9% |

Source: Trivariate Research

# RETURNS ARE USUALLY STRONG WHEN EPS GROWS THIS FAST

We looked back at 98 years of S&P500 earnings growth and returns, and in particular, we focused on the S&P500 stock performance the first year when earnings grow double-digits the current year and the next year. Only 5x, and not since 1994, has the market acted poorly when the current and next year had such strong earnings growth.

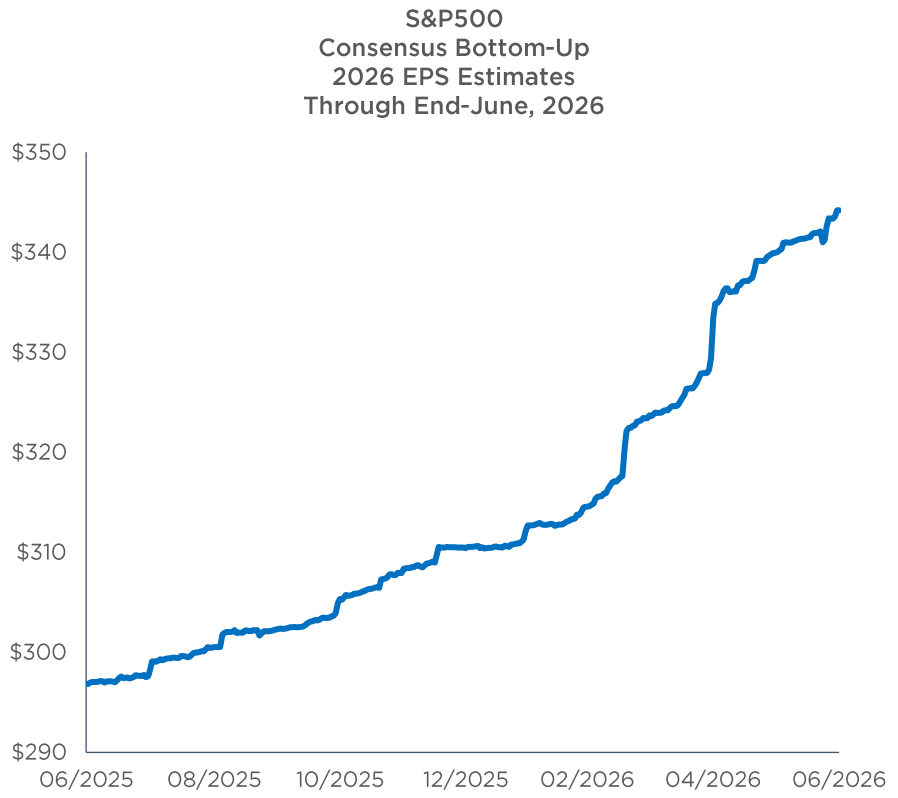
S&P500 As of End-June, 2026
Periods Where Current Year and Following Year Had Double-Digits EPS Growth AND The Market Was Down the Current Year

| Year | EPS Growth | | S&P 500 Return | |
|---|---|---|---|---|
| | Current Year | Next Year | Current Year | Next Year |
| 1929 | 23.9% | 11.4% | (11.9%) | (28.5%) |
| 1935 | 29.5% | 35.1% | 41.4% | 27.9% |
| 1936 | 35.1% | 36.4% | 27.9% | (38.6%) |
| 1940 | 40.9% | 12.9% | (15.1%) | (17.9%) |
| 1947 | 20.2% | 45.1% | 0.0% | (0.7%) |
| 1948 | 45.1% | 41.5% | (0.7%) | 10.5% |
| 1955 | 12.3% | 28.6% | 26.4% | 2.6% |
| 1963 | 13.2% | 10.6% | 18.9% | 13.0% |
| 1964 | 10.6% | 12.8% | 13.0% | 9.1% |
| 1965 | 12.8% | 14.2% | 9.1% | (13.1%) |
| 1973 | 14.1% | 25.6% | (17.4%) | (29.7%) |
| 1979 | 16.1% | 18.6% | 12.3% | 25.8% |
| 1984 | 14.9% | 14.7% | 1.4% | 26.3% |
| 1988 | 21.6% | 35.3% | 12.4% | 27.3% |
| 1993 | 11.9% | 11.6% | 7.1% | (1.5%) |
| 1994 | 11.6% | 15.8% | (1.5%) | 34.1% |
| 2004 | 30.9% | 13.4% | 9.0% | 3.0% |
| 2005 | 13.4% | 16.5% | 3.0% | 13.6% |
| 2010 | 35.60% | 14.20% | 12.78% | 0.00% |
| 2017 | 13.30% | 22.70% | 19.42% | (6.2%) |
| 2025 | 12.10% | 24.30% | 16.39% | 10.20% |
| 2026 | 24.30% | 17.40% | 10.20% | TBD |
| Average | 21.06% | 21.76% | 8.82% | 3.20% |

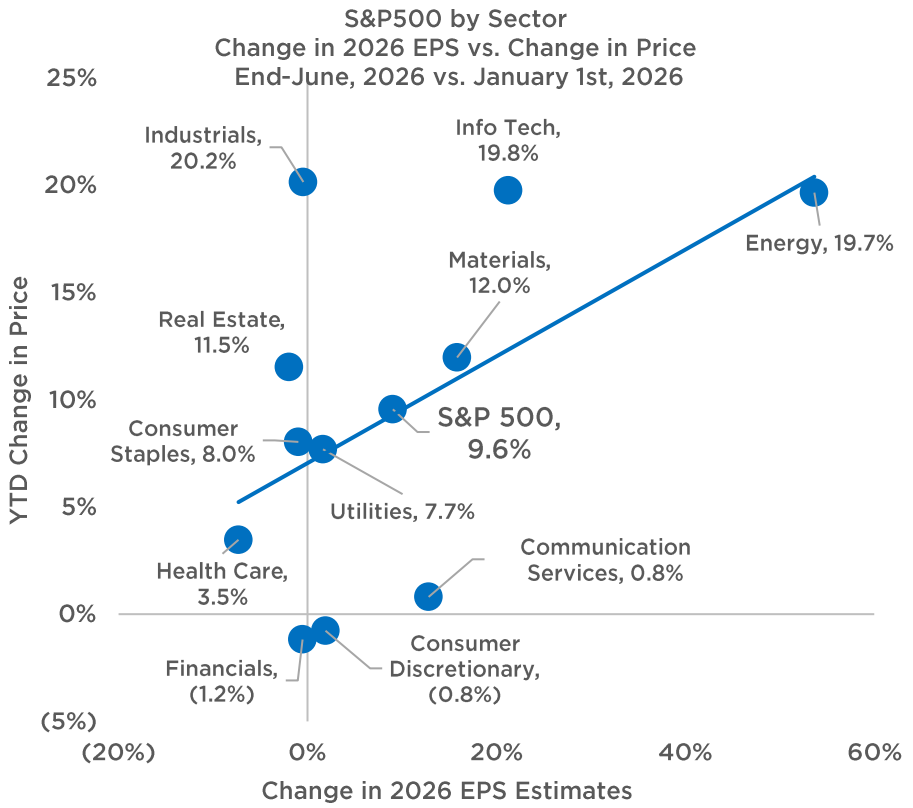
Source: Trivariate Research

# FUNDAMENTALS MATTER? THE MARKET PERFORMANCE = REVISIONS

While some investors are suggesting the market is not trading on fundamentals, we think that might not be a complete assessment. The bottom-up 2026 EPS estimates were $297 in the summer of 2025 and are $344 now, 16% higher (left). This year, estimates are 9% higher than they were on January 1st (right), very close to the year-to-date appreciation. Many sectors have performed similarly this year to how much their estimates have risen, with Industrials and Technology outperforming, and Consumer Discretionary and Financials underperforming.




Source: Trivariate Research

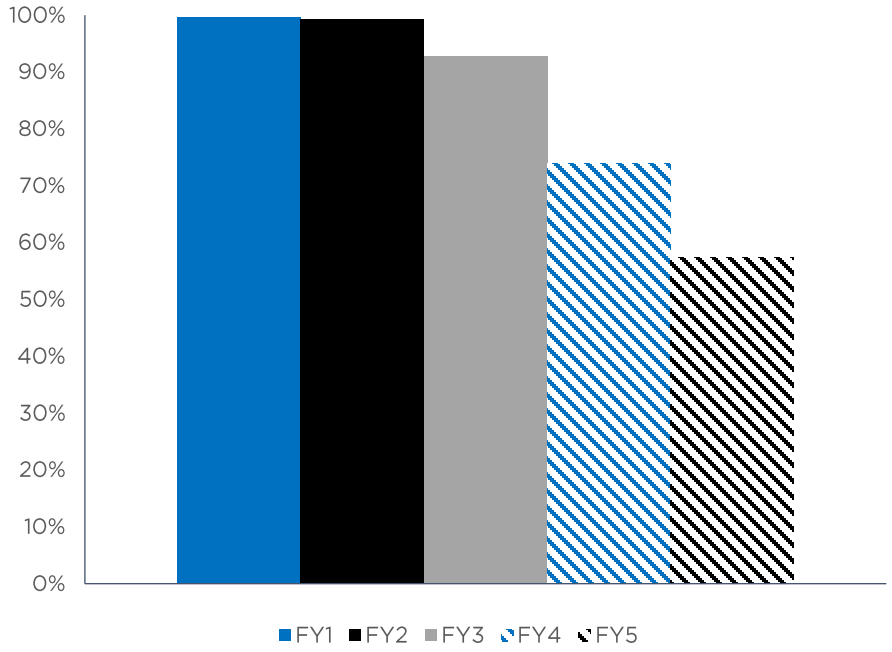



Source: Trivariate Research

# WE THINK LOOKING AT LONG-TERM FORECASTS IS RELEVANT NOW

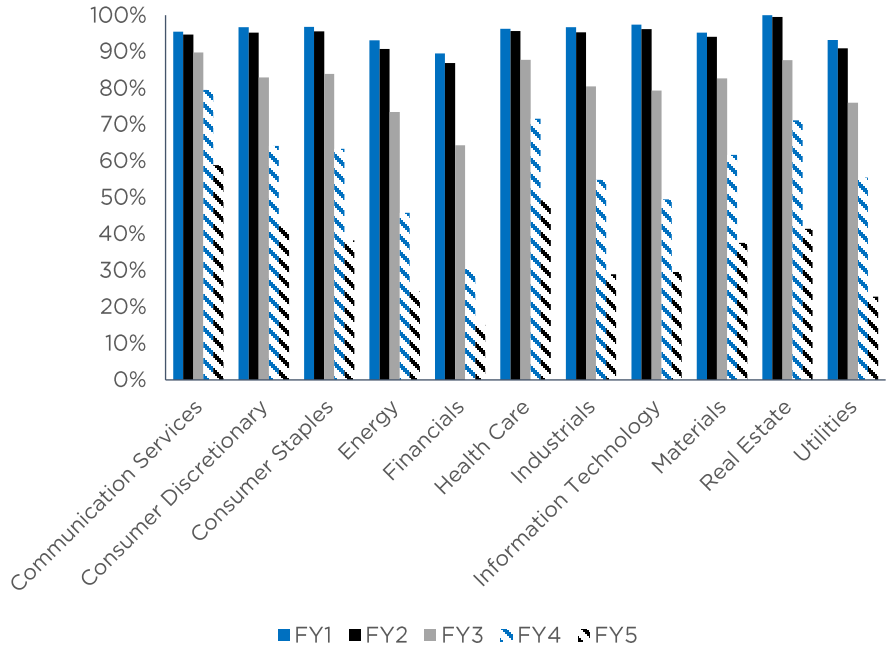
In addition to EPS revisions this year being correlated to performance, we think the market is trading on a distribution of outcomes for 2030 or 2031 earnings. Hence, we assessed the data coverage from analysts for each of the next five fiscal years and found about 1/3 of stocks in the top 500 by market cap. have at least 3 analyst forecasts five years forward (left), and about 80% have 3-year forward estimates. At the sector level, Healthcare and Comm. Services have the best 5-year out coverage (right), Financials the lowest.

Top 500 US Equities
Revenue Estimates
Average Coverage by Forecast Horizon
End-June, 1999 Through End-June, 2026




Source: Trivariate Research

Top 500 US Equities
Revenue Estimates
Average Coverage by Forecast Horizon and Sector
End-June, 1999 Through End-June, 2026

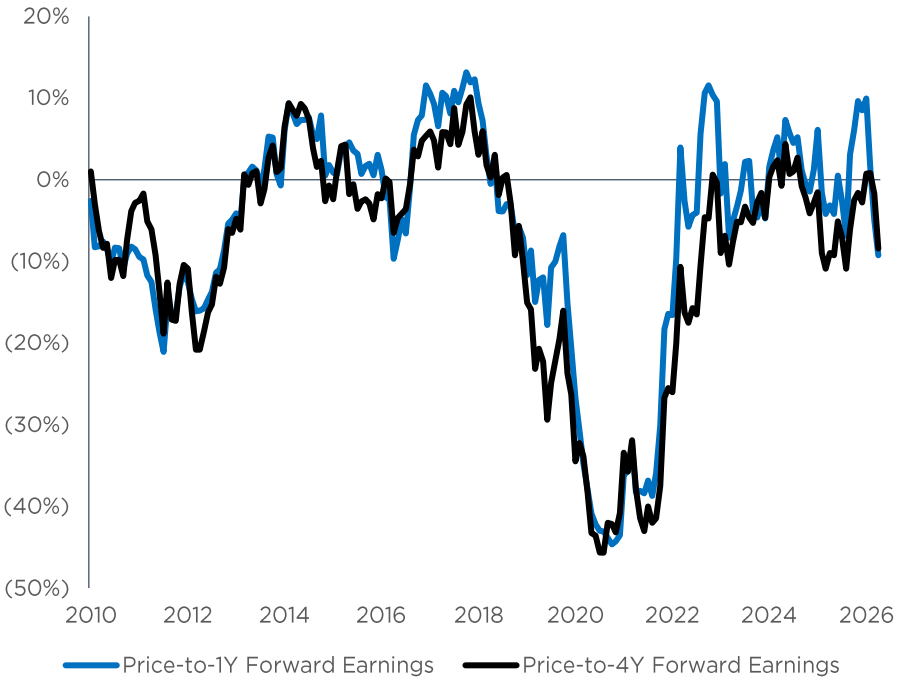



Source: Trivariate Research

# FUNDAMENTALS MATTER? CHANGES TO 5-YEAR FORWARD REVENUE?

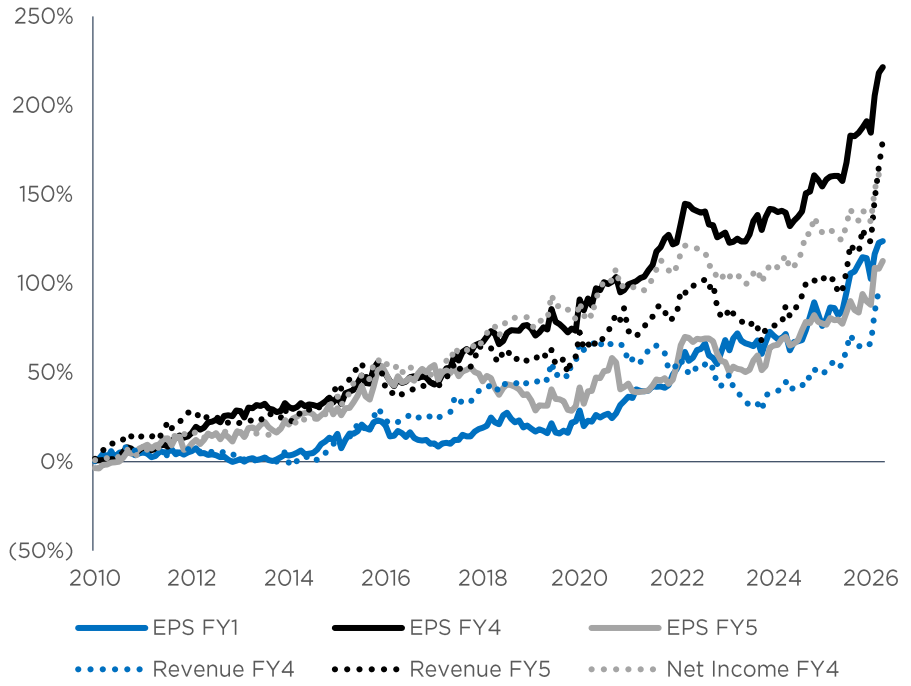
While some investors point at PEG ratios for security selection, we don't see any difference in the efficacy of price-to-four-year-forward earnings and price-to-one-year-forward earnings. Neither work well. In fact, cumulatively over the past 15 years, the most expensive quintile has outperformed the cheapest quintile. However, it does appear that revisions to 4 year-forward EPS and five year forward revenue, in particular, have worked very well of late. This means that perhaps the market IS trading on fundamentals – on revisions to 4- and 5-year forward estimates and perceived changes to the longer-term future.

**Price-to-Forward Earnings (4Y vs. 1Y)**
**Cumulative Return of Q1 (Cheapest) - Q5 Spread**
**1999 Through End-June, 2026**




Source: Trivariate Research

**3-Month Revision of Long-Horizon Forecast**
**Cumulative Return of Q1(Highest) - Q5 Spread**
**1999 Through End-June, 2026**

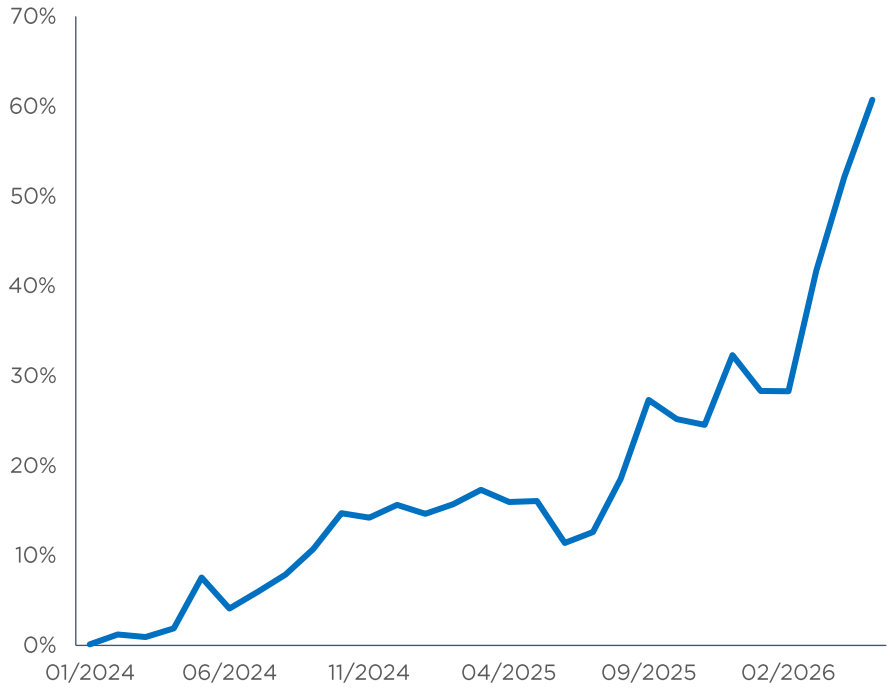



Source: Trivariate Research

# 5-YEAR FORWARD REVENUE REVISIONS HAVE WORKED WELL

Zooming in on the efficacy of 3-month revisions to 5-year forward revenue, we can see that in the last 2.5 years, those stocks with upward "out year" revenue revisions have strongly outperformed those stocks with downward revisions – by a cumulative 61% (left). Stocks with the biggest out year upward revisions of late include MU, DELL, CIEN, AMD and BE – among others (right). Given these stocks have all performed well this year - there does appear to be some alignment of price action and fundamentals.

**3-Month Revision of 5-Year Revenue Forecast**
**Cumulative Return of Q1(Highest) - Q5 Spread**
**2024 Through End-June, 2026**




Source: Trivariate Research

**T500 Stocks with Largest 3-Month Revision of 5-Year Forecasted Revenue**
**As of End-June, 2026**

| Date | Company | Sector | Market Cap. ($Bn) | Revision | YTD Return |
|---|---|---|---|---|---|
| RVMD | Revolution Medicines | Health Care | 39.8 | 77.1% | 135.1% |
| CRDO | Credo Technology Group | Information Technology | 50.7 | 67.4% | 89.0% |
| MU | Micron Technology, Inc. | Information Technology | 1303.6 | 58.5% | 304.6% |
| DELL | Dell Technologies Inc. | Information Technology | 278.8 | 55.0% | 245.4% |
| CIEN | Ciena Corporation | Information Technology | 69.4 | 35.9% | 109.8% |
| MELI | MercadoLibre, Inc. | Consumer Discretionary | 86.1 | 35.0% | (15.7%) |
| MRVL | Marvell Technology, Inc. | Information Technology | 260.6 | 32.4% | 251.0% |
| INTC | Intel Corporation | Information Technology | 701.8 | 28.3% | 278.4% |
| NVT | nVent Electric plc | Industrials | 27.4 | 28.2% | 66.9% |
| BE | Bloom Energy | Industrials | 86.1 | 28.0% | 248.4% |
| AMD | Advanced Micro Devices | Information Technology | 947.2 | 27.7% | 171.3% |
| FCX | Freeport-McMoRan Inc. | Materials | 90.4 | 26.8% | 24.4% |
| HPE | Hewlett Packard | Information Technology | 59.7 | 26.0% | 89.5% |
| CPNG | Coupang, Inc. | Consumer Discretionary | 31.2 | 24.4% | (26.4%) |
| VRT | Vertiv Holdings Co | Industrials | 128.6 | 23.4% | 106.8% |

Source: Trivariate Research

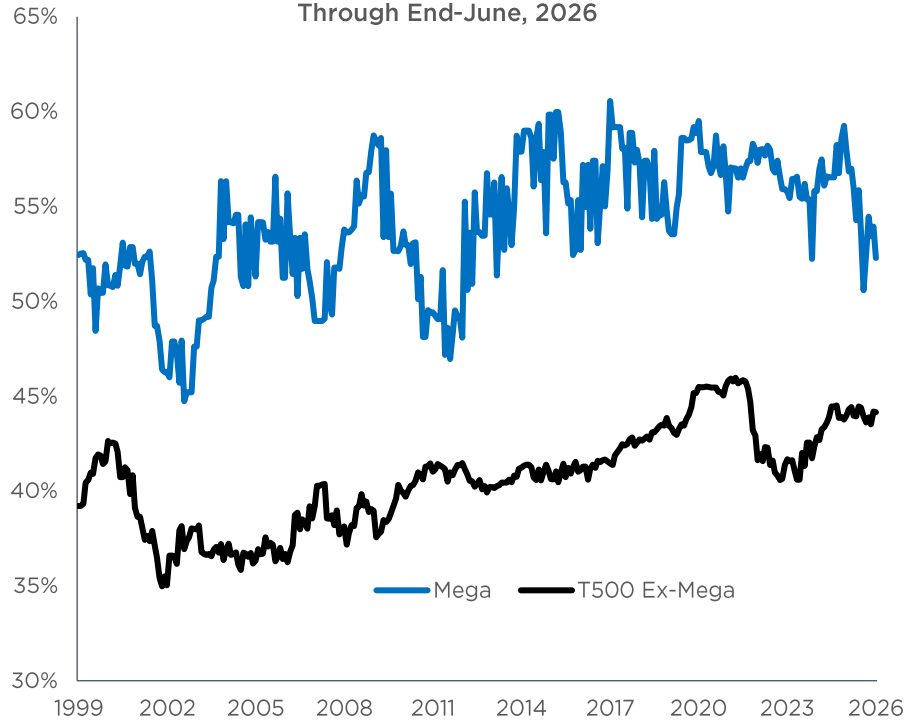
# THE MEDIAN STOCK'S GROSS MARGINS WERE FLAT AT 45.2% IN JUNE

Gross margins for the median company in the Top 500 by market cap. are slightly lower today than in February 2025, when they last peaked at 46.4% (left). The median stock's gross margins stayed flat in June vs. May at 45.2%. For mega-caps (the top 50 stocks by market cap.), the median stock's gross margins fell to 52.2% at the end of June vs. 53.9% at the end of May (right). While the smaller companies (stocks 51 through 500 by market cap.) have lower median margins, they have been more stable over the last three months, ending June at 44.1%, vs. the end May total of 44.2%.

Median Gross Margin
Top 500 US Equities, Ex-Financials & Real Estate
Through End-June, 2026


Source: Trivariate Research

Median Gross Margin by Market Cap. Group
Ex-Financials & Real Estate
Through End-June, 2026

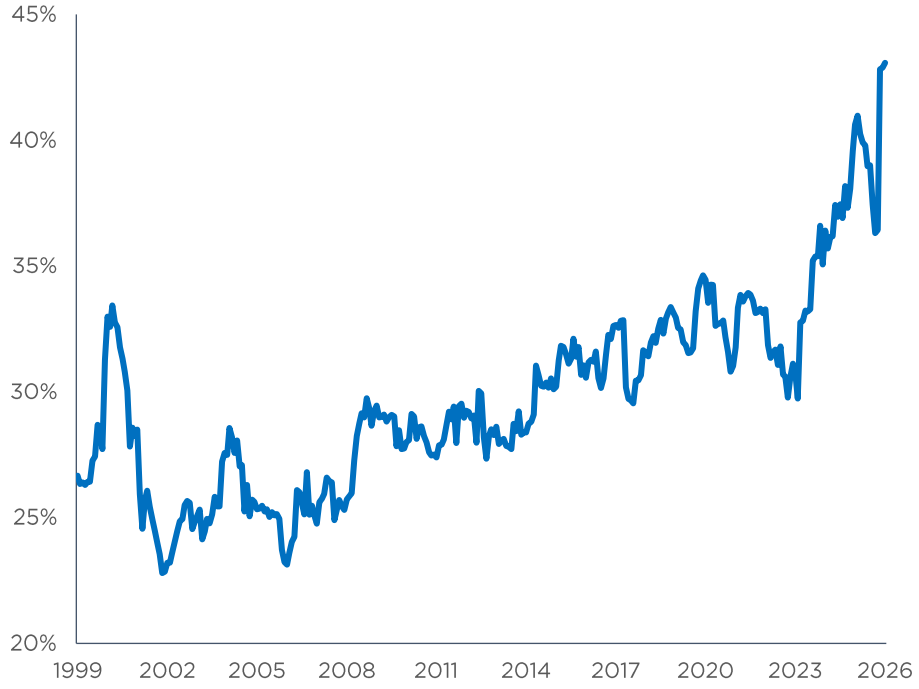



Source: Trivariate Research

# VALUATION IS STRONGLY RELATED TO GROSS MARGIN LEVEL

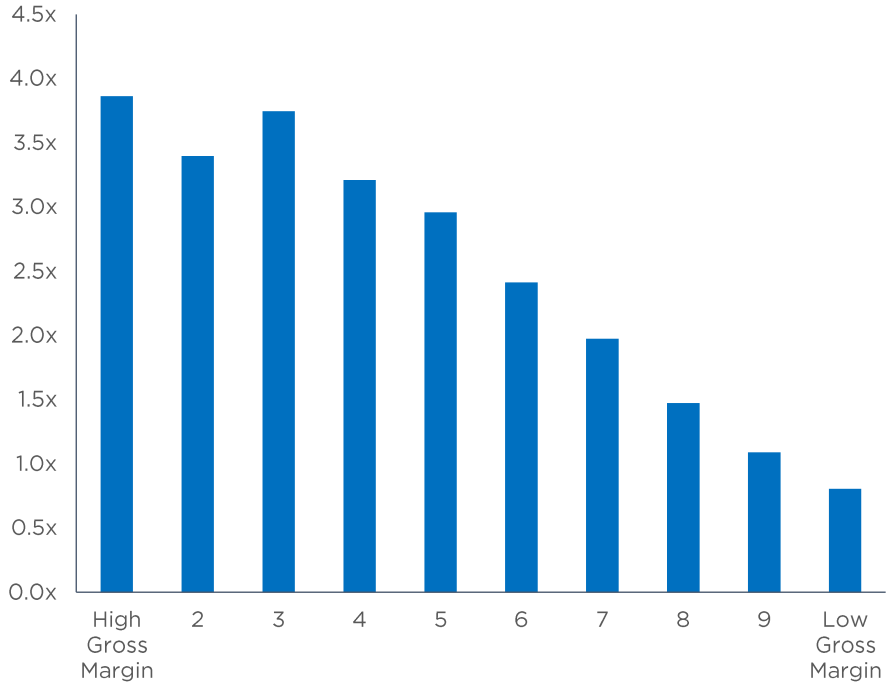
Several of the largest stocks in the market have high gross margins. We pointed out in July 2025 that 41% of all the market cap. in the US equity market had gross margins above 60% (left), and after Google crossed the hurdle on its recent report, we now have the most market cap. with above 60% gross margins ever at 43.1%. We think the bull case for individual stocks, and for the overall market, is gross margin expansion, because we have found that there is a strong relationship between gross margins and EV-to-forecast sales (right). Market-wide valuation will only go materially lower if there is a broad perception that gross margins for many stocks go lower.

**Percent of Market Cap. With >60% Gross Margins**
**Top 3000 US Equities, Ex-Financials & Real Estate**
**Through End-June, 2026**




Source: Trivariate Research

**Median EV-to-Forecast Sales by Gross Margin Decile**
**Top 3000 US Equities with Revenue >$100m**
**Through End-June, 2026**




Source: Trivariate Research

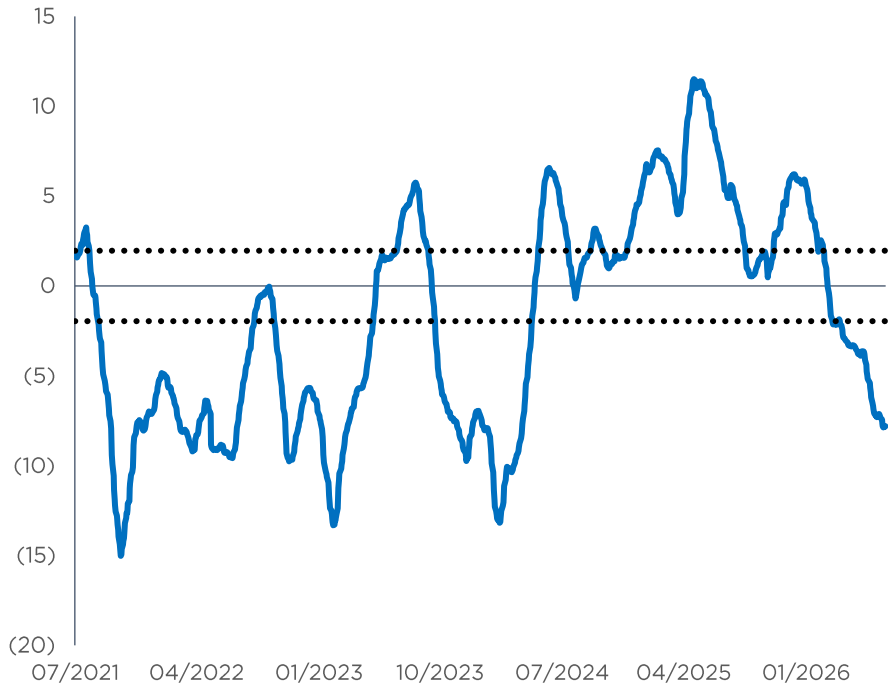
# THE CONSENSUS IS MORE HAWKISH- THAT'S BAD FOR MULTIPLES

One of the biggest changes to the consensus views this year revolves around the Fed's interest rate path. There was near-universal agreement among buy-and-sell-side year-ahead outlooks in January that the Fed would cut rates twice this year. We showed the Polymarket odds in our own year-ahead outlook in January. Today, most people think that is very unlikely, with the 12-month forward view of the Fed Funds rate 100bps higher than at the beginning of the year (left). We think if the Fed hikes rates, it will not be rewarded by the equity market, as evidenced by the current relationship between Fed Fund Futures and the price-to-forward earnings of the market being negative and statistically significant (right).

**12m Fed Funds Futures**
**Through End-June, 2026**


Source: Trivariate Research

**126d Rolling T-Statistic, Top 500 US Equities**
**24m Fed Fund Futures to Price-to-Forward Earnings**
**Through End-June, 2026**

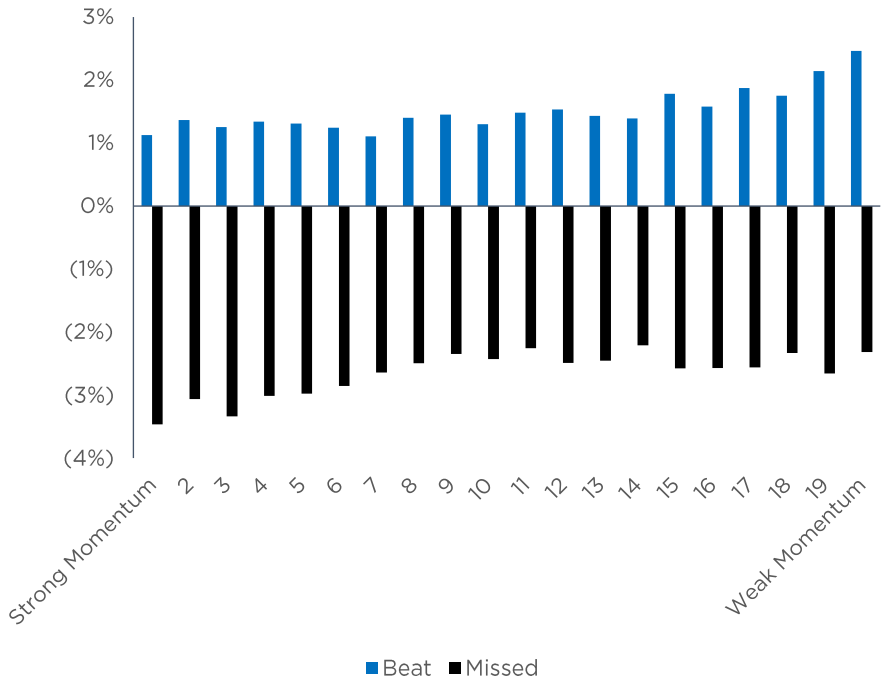



Source: Trivariate Research

# PENALTY FOR MISSING IS WORSE THAN THE REWARD FOR BEATING

Despite the strong market performance, the reward for beating earnings estimates has been smaller than the penalty for missing earnings (left), a trend we are watching carefully. Some of the recent misses have seen huge penalties (right).

**Mean Industry Group-Relative Return On Earnings Release By Prior 2-Week Momentum Vigintile & EPS Beat vs. Miss Through End-June, 2026**




Source: Trivariate Research

**Recent Mega / Large Cap Earnings Reactions to Misses As of End-June, 2026**

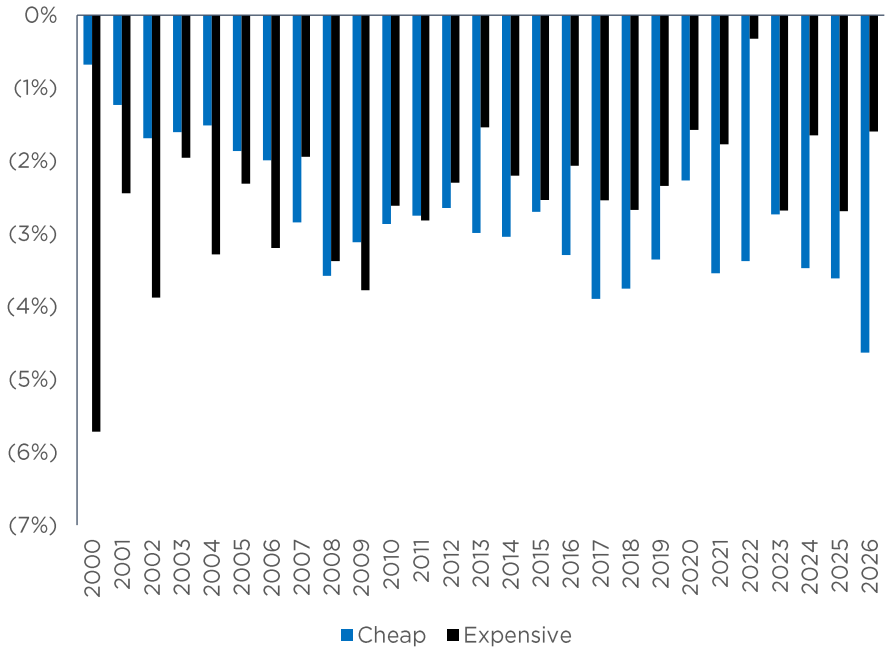
| Date | Ticker | Company | Industry-Relative Earnings Reaction |
|---|---|---|---|
| 6/18/2026 | KR | The Kroger Co. | (10.1%) |
| 5/11/2026 | SPG | Simon Property Group, Inc. | 2.3% |
| 5/7/2026 | ED | Consolidated Edison, Inc. | 0.9% |
| 5/7/2026 | COIN | Coinbase Global, Inc. | 1.6% |
| 5/7/2026 | CRWV | CoreWeave, Inc. | (19.2%) |
| 5/7/2026 | MELI | MercadoLibre, Inc. | (10.5%) |
| 5/7/2026 | ABNB | Airbnb, Inc. | 1.9% |
| 5/7/2026 | SRE | Sempra | (0.9%) |
| 5/7/2026 | ZTS | Zoetis Inc. | (23.4%) |
| 5/6/2026 | WBD | Warner Bros. Discovery, Inc. | (1.1%) |
| 5/6/2026 | COR | Cencora, Inc. | (17.3%) |
| 5/5/2026 | LYV | Live Nation Entertainment, Inc. | 6.0% |
| 5/5/2026 | EA | Electronic Arts Inc. | (1.0%) |
| 4/30/2026 | SYK | Stryker Corporation | (8.4%) |
| 4/29/2026 | CMG | Chipotle Mexican Grill, Inc. | 2.0% |
| 4/29/2026 | AFL | Aflac Incorporated | (1.0%) |
| 4/29/2026 | EQIX | Equinix, Inc. | 0.6% |
| 4/29/2026 | ETR | Entergy Corporation | 4.2% |
| 4/28/2026 | SYY | Sysco Corporation | (2.0%) |
| 4/28/2026 | ECL | Ecolab Inc. | (1.2%) |

Source: Trivariate Research

# CHEAP AND DECLINING STOCKS DON'T HELP IF YOU MISS

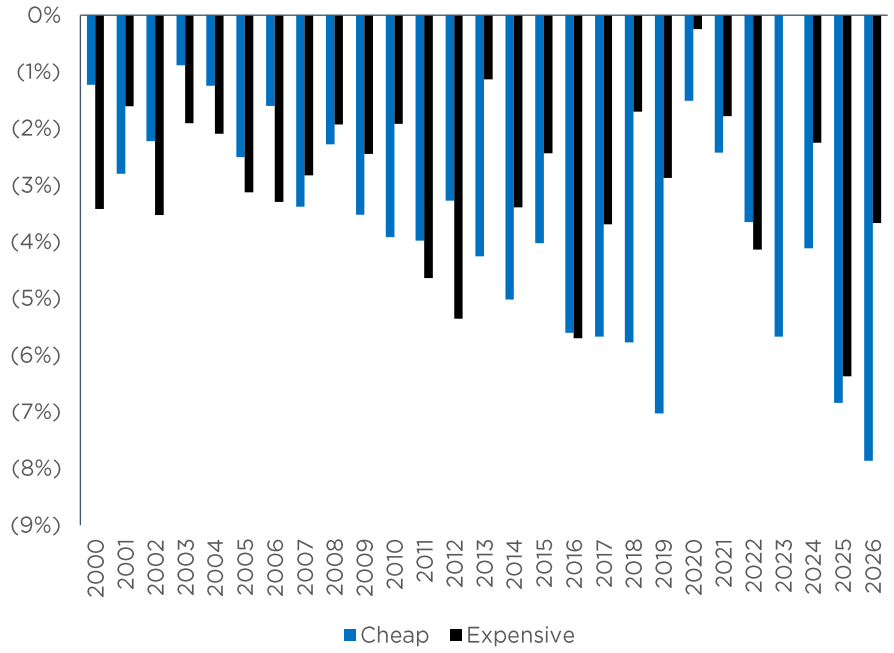
The penalty for missing estimates has been harsher for cheap stocks than for expensive stocks and has been the harshest for cheap stocks in 25 years (left). This implies valuation doesn't protect stocks that miss earnings. Stocks that go down a lot into earnings reports, and are cheap, also don't "de-risk" in advance of the print in any way, as the stocks in the bottom-quintile of price momentum that miss are going down more than any time since 2019 (right).

Top 2,000 Stocks by Market Cap.
Mean Industry-Relative Return for Missing EPS Over Time
By Price-to-Forward Earnings Quintile
Through End-June, 2026




Source: Trivariate Research

Mean Industry-Relative Return for Missing EPS Over Time
By Price-to-Forward Earnings Quintile
Stocks in Bottom Quintile of 12m Momentum
Through End-June, 2026

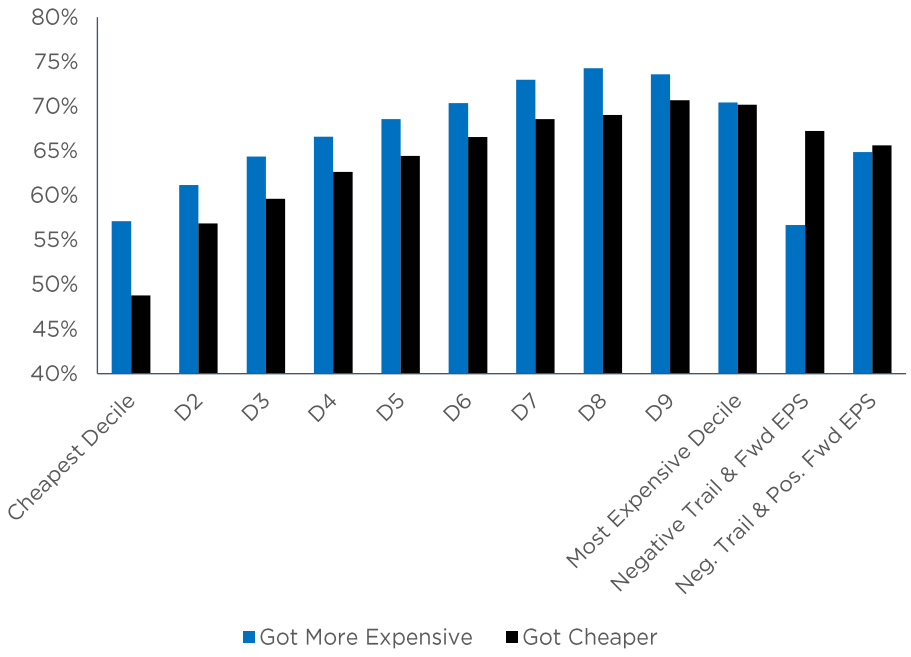



Source: Trivariate Research

# STOCKS THAT JUST GOT MORE EXPENSIVE BEAT EPS MORE OFTEN

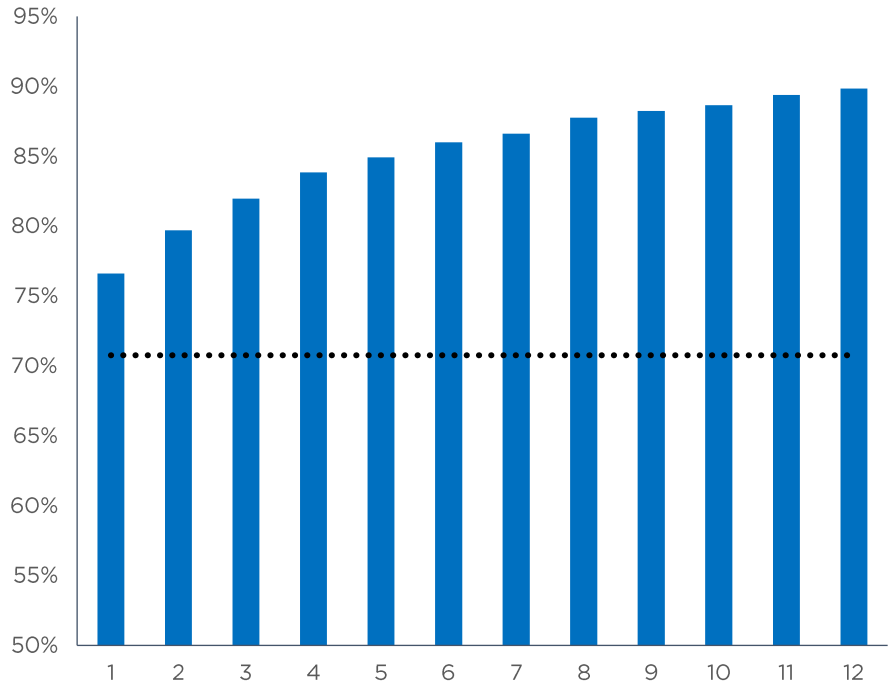
Other than the most expensive decile on price-to-forward earnings, stocks that just got more expensive over the last quarter have a higher probability of beating estimates than stocks that just got cheaper (left). Moreover, the probability a company beats earnings next quarter given they beat in the just reported quarter is higher than the unconditional probability. Stocks that just got more expensive are more likely to beat earnings.

**Percentage of Stocks with Positive 3-Month EPS Revisions By Prior 3-Month Expansion or Contraction of Price-to-Fwd Earnings Multiple, Top 900 US Equities Through End-June, 2026**




Source: Trivariate Research

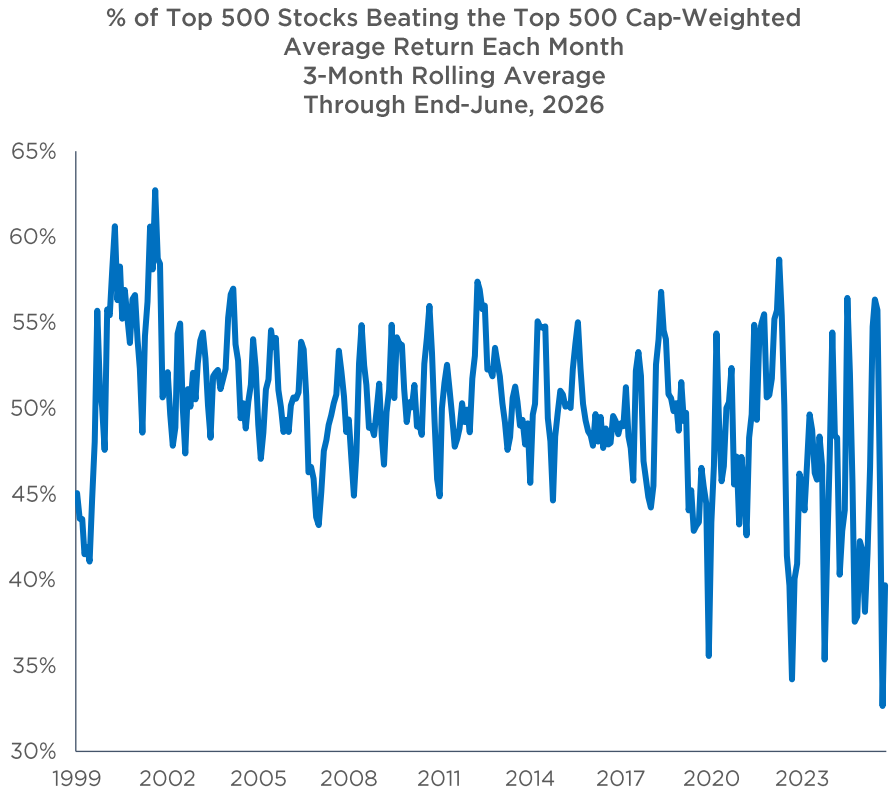
**Percentage of Stocks That Beat Consensus EPS Estimate By Number of Previous Consecutive Quarters of Beating Through End-June, 2026**



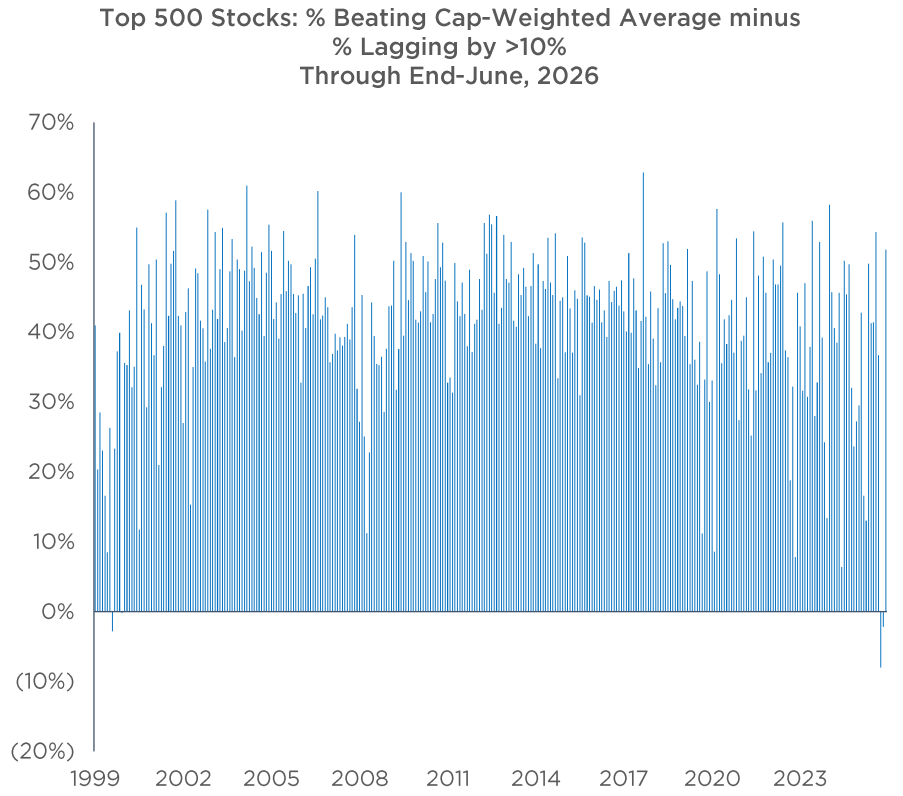

Source: Trivariate Research

# VERY FEW STOCKS HAVE BEATEN THE CAP-WEIGHTED INDEX

The biggest challenge to this equity market for many has been how concentrated the returns have been. Very few stocks have beaten the cap-weighted market average (left), and the percentage of stocks beating the market has been less than the percentage of stocks lagging the market by more than 10% in two of the last three months (right).



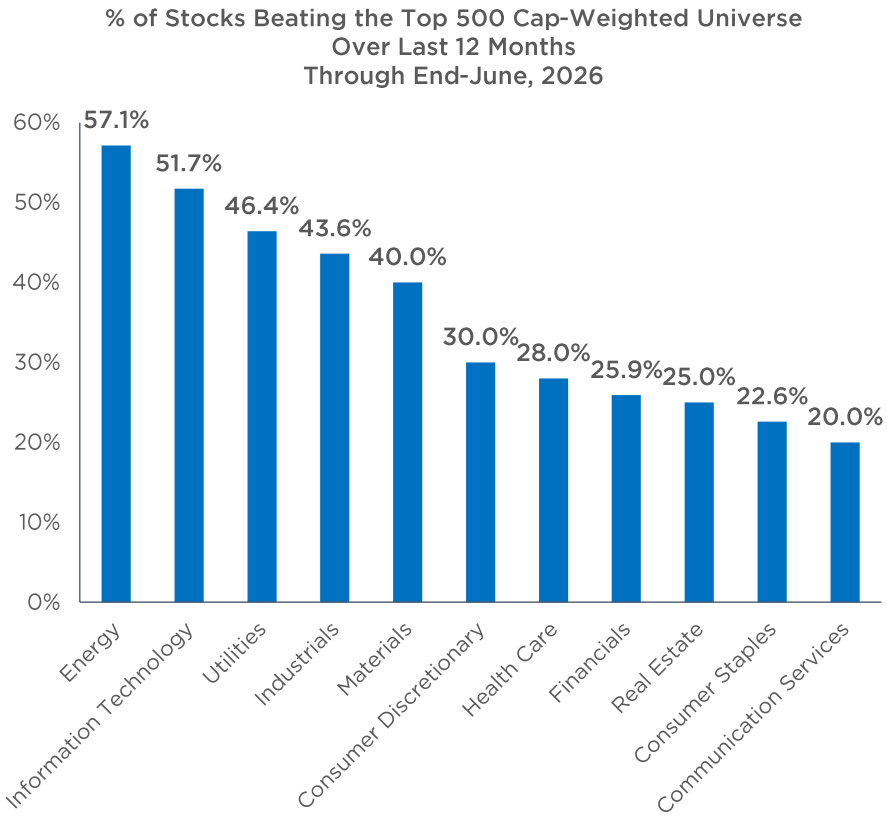

Source: Trivariate Research



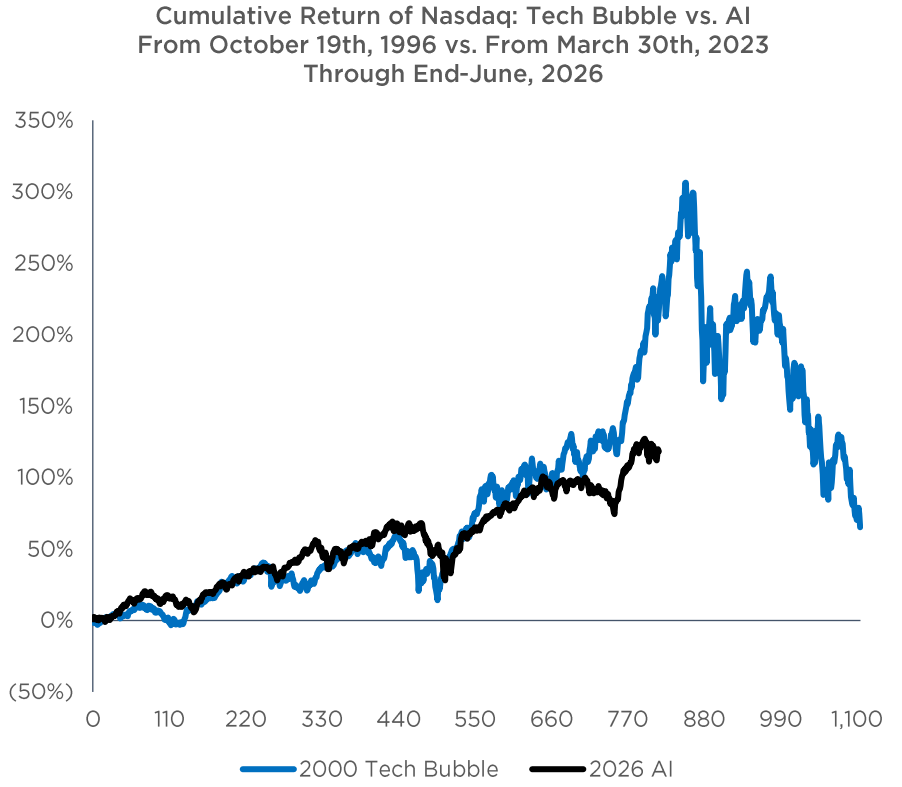

Source: Trivariate Research

# WE DON'T THINK WE ARE IN A BUBBLE YET

At the sector level, 30% or less of stocks have beaten the market in 6 of the 11 sectors, and only in Energy and Technology have more than half the stocks bettered the market (left). Despite this, we don't think we are in some sort of imminent price bubble – as there is likely far more upside to a "blow-off" top like the one we saw in March of 2000 (right).




Source: Trivariate Research




Source: Trivariate Research

# PART 2: AI REVENUE, NON-AI REVENUE, DEFENSIVES

- AI infrastructure has become the market's dominant growth engine, extending well beyond traditional Technology companies. Memory, Networking, Semiconductor Equipment, Power Infrastructure, Construction, Utilities, and Datacenter Real Estate are increasingly benefiting from AI-driven capital investment.
- AI-related Semiconductor and infrastructure groups continue to combine the strongest earnings outlook with the strongest price momentum. While leadership has become concentrated in Memory / Semiconductor Capital Equipment we think additional opportunities exist across other AI revenue categories we identified with our custom work.
- Traditional cyclical industries have steadily lost market leadership as capital has shifted toward AI beneficiaries. Non-AI cyclicals now represent a historically small share of the market and have experienced weaker earnings revisions for three consecutive years, despite relatively stable underlying profitability.
- Stock selection within non-AI cyclicals has become increasingly factor-driven rather than macro-driven. Momentum, earnings revisions, and accounting quality have been the most effective indicators of future performance, allowing investors to identify attractive opportunities even within lagging industries.
- Traditional defensive investing has become more difficult because the defensive universe is historically small and low-beta stocks no longer provide the downside protection investors expect. A more effective defensive strategy may emphasize high-quality companies with low correlation to AI semiconductors rather than relying solely on conventional defensive sectors.

# MEMORY, NETWORKING, CONSTRUCTION HAVE PERFORMED WELL

There are 265 companies with AI-revenue, which are broad from an industry perspective, but the largest categories are concentrated in the physical buildout layer, including Power & Thermal, Enterprise GenAI, Vertical & Edge, and Networking & Optical (left). Performance leadership has also been infrastructure-heavy, with Memory & Storage, Networking & Optical, Datacenter Construction, and Power & Thermal generating the strongest beta-adjusted returns, while Services & Integration has been the clear laggard (right).

**Number of Stocks with Meaningful AI Revenue**
**As of End-June, 2026**

| Category | Company Count | Top 5 Tickers |
|---|---|---|
| Power & Thermal | 39 | CAT, GEV, ETN, VRT, TT |
| Enterprise GenAI | 32 | META, PLTR, CRM, NOW, ADBE |
| Vertical & Edge | 32 | TSLA, QCOM, APP, MSI, LSCC |
| Networking & Optical | 27 | CSCO, MRVL, GLW, APH, ANET |
| SemiCap Equipment | 23 | AMAT, LRCX, KLAC, CDNS, TER |
| Services & Integration | 21 | ACN, CTSH, BAH, DOX, G |
| Accelerators & Systems | 16 | NVDA, AVGO, AMD, INTC, DELL |
| Cloud & Inference | 15 | GOOGL, MSFT, AMZN, ORCL, SNOW |
| Datacenter Construction | 15 | PWR, FIX, CBRE, EME, MTZ |
| Utilities | 13 | NEE, SO, CEG, AEP, VST |
| Security & Observability | 11 | PANW, IBM, CRWD, FTNT, DDOG |
| Datacenter REITs | 11 | EQIX, AMT, DLR, IRM, WULF |
| Memory & Storage | 10 | MU, SNDK, WDC, STX, NTAP |

Source: Trivariate Research

**Beta-Adjusted Cap-weighted Basket Performance**
**2024 Through End-June, 2026**

| Category | Annualized Return | Annualized Vol | IR |
|---|---|---|---|
| Memory & Storage | 136.8% | 58.9% | 2.32 |
| Networking & Optical | 75.2% | 35.3% | 2.13 |
| Datacenter Construction | 68.9% | 35.8% | 1.92 |
| Power & Thermal | 57.8% | 30.8% | 1.88 |
| SemiCap Equipment | 73.7% | 45.1% | 1.63 |
| Accelerators & Systems | 68.6% | 42.6% | 1.61 |
| Utilities | 31.5% | 20.2% | 1.56 |
| Security & Observability | 41.7% | 31.4% | 1.33 |
| Cloud & Inference | 28.3% | 23.9% | 1.19 |
| Datacenter REITs | 23.8% | 22.5% | 1.06 |
| Vertical & Edge | 45.1% | 50.7% | 0.89 |
| Enterprise GenAI | 26.8% | 31.6% | 0.85 |
| Services & Integration | (23.5%) | 27.9% | (0.84) |

Source: Trivariate Research

# EVERY SECTOR BUT STAPLES HAS AI-REVENUE TODAY

Technology is obviously the dominant AI revenue sector with 167 names (63% of the stocks), but Industrials constitutes 50 names, largely through Power & Thermal and Datacenter Construction, while Utilities and Real Estate are on the list due to exposure to power supply and datacenter capacity. This shows how the AI trade has permeated the broader market into Infrastructure and Power-related exposures rather than remaining confined to mega-cap Technology. Consumer Staples is the only sector with no stocks with meaningful AI revenue.

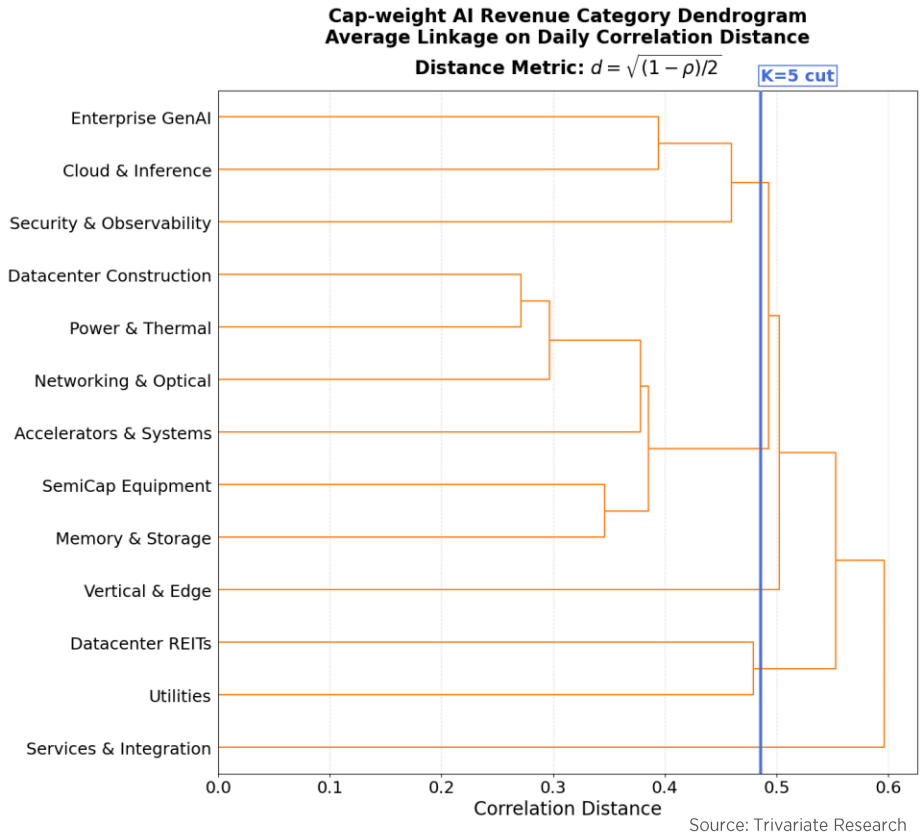
**Number of Stocks with Meaningful AI Revenue**
**As of End-June, 2026**

| Category | Comm. Services | Consumer Disc. | Energy | Financials | Health Care | Industrials | Information Technology | Materials | Real Estate | Utilities | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| Power & Thermal | 0 | 0 | 2 | 1 | 0 | 27 | 8 | 1 | 0 | 0 | 39 |
| Enterprise GenAI | 2 | 0 | 0 | 1 | 0 | 1 | 28 | 0 | 0 | 0 | 32 |
| Vertical & Edge | 1 | 3 | 0 | 0 | 7 | 4 | 17 | 0 | 0 | 0 | 32 |
| Networking & Optical | 2 | 0 | 0 | 0 | 0 | 0 | 25 | 0 | 0 | 0 | 27 |
| SemiCap Equipment | 0 | 0 | 0 | 0 | 0 | 1 | 20 | 2 | 0 | 0 | 23 |
| Services & Integration | 2 | 0 | 0 | 0 | 0 | 5 | 14 | 0 | 0 | 0 | 21 |
| Accelerators & Systems | 0 | 1 | 0 | 0 | 0 | 0 | 15 | 0 | 0 | 0 | 16 |
| Cloud & Inference | 1 | 1 | 0 | 0 | 0 | 0 | 13 | 0 | 0 | 0 | 15 |
| Datacenter Construction | 0 | 0 | 0 | 0 | 0 | 12 | 2 | 0 | 1 | 0 | 15 |
| Utilities | 0 | 0 | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 12 | 13 |
| Security & Observability | 0 | 0 | 0 | 0 | 0 | 0 | 11 | 0 | 0 | 0 | 11 |
| Datacenter REITs | 0 | 0 | 0 | 1 | 0 | 0 | 4 | 0 | 5 | 1 | 11 |
| Memory & Storage | 0 | 0 | 0 | 0 | 0 | 0 | 10 | 0 | 0 | 0 | 10 |
| Total | 8 | 5 | 3 | 3 | 7 | 50 | 167 | 3 | 6 | 13 | 265 |

Source: Trivariate Research

# WE NARROWED THE 13 FUNDAMENTAL CATEGORIES INTO 6 GROUPS

We then clustered the AI-revenue categories using daily return similarity, so the grouping reflects how the baskets have **actually traded** rather than only on our original business definitions (left). The resulting clusters are intuitive: Utilities and Datacenter REITs group together as Power / Capacity beneficiaries; Accelerators, Networking, Power & Thermal, and Construction form a Datacenter Buildout group; and Cloud, Enterprise GenAI, and Security form an AI Platform group. We kept Memory & Storage and Semi-Cap as a separate bucket because their return behavior is distinct enough to evaluate as a standalone exposure (right). In the end we have 6 AI revenue buckets.




Source: Trivariate Research

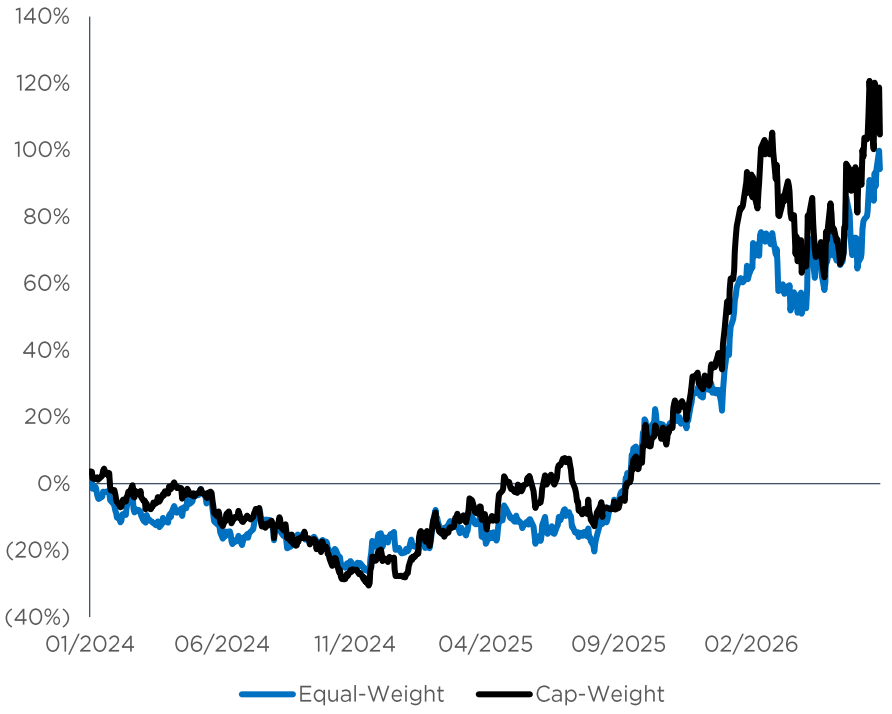
**Category Buckets From Clustering**

| Category Cluster | Category |
|---|---|
| Utilities / Datacenter REITs | Datacenter REITs |
| Utilities / Datacenter REITs | Utilities |
| Datacenter Buildout | Accelerators & Systems |
| Datacenter Buildout | Datacenter Construction |
| Datacenter Buildout | Networking & Optical |
| Datacenter Buildout | Power & Thermal |
| AI Platform | Cloud & Inference |
| AI Platform | Enterprise GenAI |
| AI Platform | Security & Observability |
| Vertical & Edge | Vertical & Edge |
| Services & Integration | Services & Integration |
| Memory & Semi Cap | Memory & Storage |
| Memory & Semi Cap | Semi Cap Equipment |

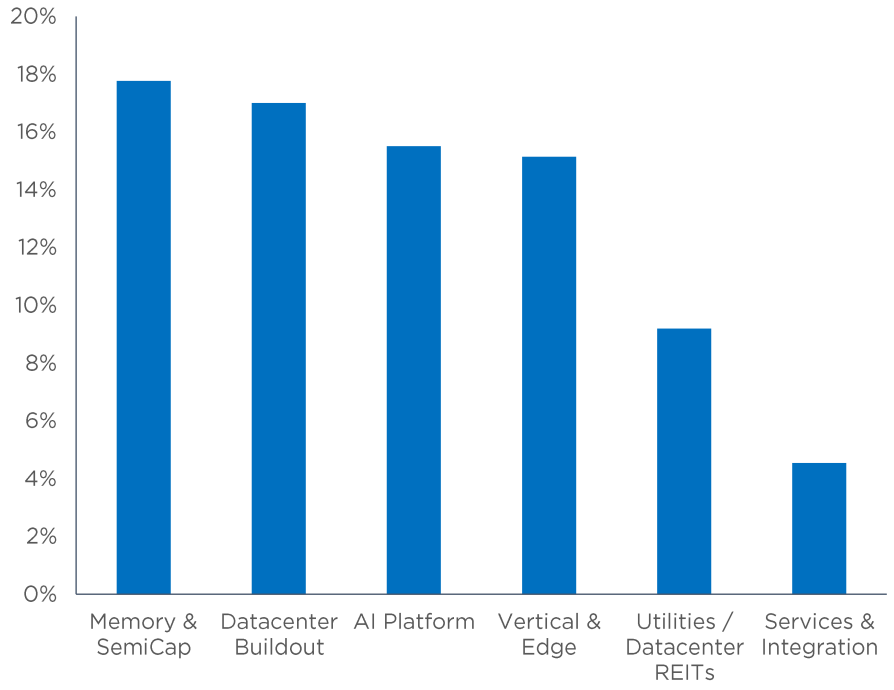
Source: Trivariate Research

# 4 OF THE 6 AI BUCKETS ARE FORECASTED TO GROW FASTER THAN 15%

The best performing bucket among our six AI revenue categories has been Memory and Semiconductor Capital Equipment, up over 100% in the last year on a cap- and equally-weighted basis (left). Forecasted revenue growth is also highest in this group, though forecasted growth for the median Datacenter Buildout, AI Platform, and Vertical & Edge stocks are all over 15% (right). Four of the six AI revenue categories are forecasted to grow faster than 15%.




Source: Trivariate Research




Source: Trivariate Research

# THE GREAT 8 EXCEPT AAPL ALL HAVE MEANINGFUL AI REVENUE

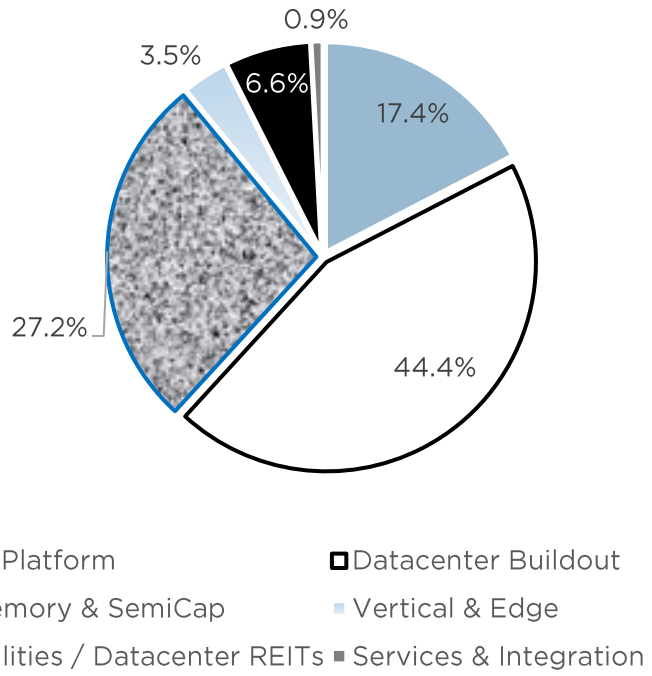
Given all of the Great 8 stocks except AAPL have meaningful AI revenue exposure, our 6 buckets are heavily influenced by their market cap. We put AMZN, GOOGL, META, and MSFT in the AI Platform bucket, and AVGO and NVDA in the Datacenter Buildout category, with TSLA in Vertical & Edge (left). There is still a high percentage of market cap available for non-Great 8 stocks in each category. Because AI Platform and Datacenter Buildout are the largest, there is still ample non-Great 8 market cap. to own in these buckets (right).

**262 US Companies with Meaningful AI Revenue Through End-June, 2026**

| AI Revenue Category | Count | Market Cap. (US $Tn.) | Category Weight | Great 8 Percentage of Category | Great 8 Category Weight | Non-Great 8 Category Weight | Great 8 Names |
|---|---|---|---|---|---|---|---|
| AI Platform | 60 | 13.73 | 39.9% | 80.9% | 32.3% | 7.6% | AMZN, GOOGL, META, MSFT |
| Datacenter Buildout | 93 | 13.33 | 38.8% | 49.8% | 19.3% | 19.4% | AVGO, NVDA |
| Memory & SemiCap | 33 | 4.10 | 11.9% | 0.0% | 0.0% | 11.9% | |
| Vertical & Edge | 33 | 2.11 | 6.1% | 74.8% | 4.6% | 1.5% | TSLA |
| Utilities / Datacenter REITs | 26 | 0.99 | 2.9% | 0.0% | 0.0% | 2.9% | |
| Services & Integration | 20 | 0.13 | 0.4% | 0.0% | 0.0% | 0.4% | |
| TOTAL | 265 | 34.39 | 100.0% | | 56.2% | 43.8% | AAPL not meaningful AI revenue |

Source: Trivariate Research

**% of Non-Great 8 Market Cap. Available by AI-Revenue Category As of End-June, 2026**




Source: Trivariate Research

# QUANTITATIVELY GENERATED IDEAS IN VARIOUS AI CATEGORIES

It will be challenging to time when to rotate out of Memory and Semi-Caps, despite their huge moves. We suspect the recent multiple expansion is a positive harbinger of upward earnings revisions, and that factor has still been effective. But finding ideas in other AI revenue categories seems prudent from a portfolio construction perspective. We show below long ideas with recent multiple expansion and upward revisions in each category on the left, and short ideas with multiple contraction and downward revisions on the right.

**Long Ideas: AI Revenue Stocks With Highest Multiple Expansion in EV-to-Forecast Sales and Earnings Revision**
**As of End-June, 2026**

| Ticker | Company | AI Bucket | Market Cap. ($Bn.) |
|---|---|---|---|
| MU | Micron Technology, Inc. | Memory & SemiCap | 1303.65 |
| PANW | Palo Alto Networks, Inc. | AI Platform | 277.93 |
| MRVL | Marvell Technology, Inc. | Datacenter Buildout | 220.16 |
| WDC | Western Digital Corporation | Memory & SemiCap | 194.27 |
| CRWD | CrowdStrike Holdings, Inc. | AI Platform | 50.71 |
| CRDO | Credo Technology Group Holding Ltd | Datacenter Buildout | 5.37 |
| DOX | Amdocs Limited | Services & Integration | 4.74 |
| BIPC | Brookfield Infrastructure Corporation | Utilities / Datacenter REITs | 3.98 |
| AMBA | Ambarella, Inc. | Vertical & Edge | 3.86 |
| OUST | Ouster, Inc. | Vertical & Edge | 3.76 |
| INOD | Innodata Inc. | Services & Integration | 2.47 |
| DGXX | Digi Power X Inc. | Utilities / Datacenter REITs | 0.50 |

Source: Trivariate Research

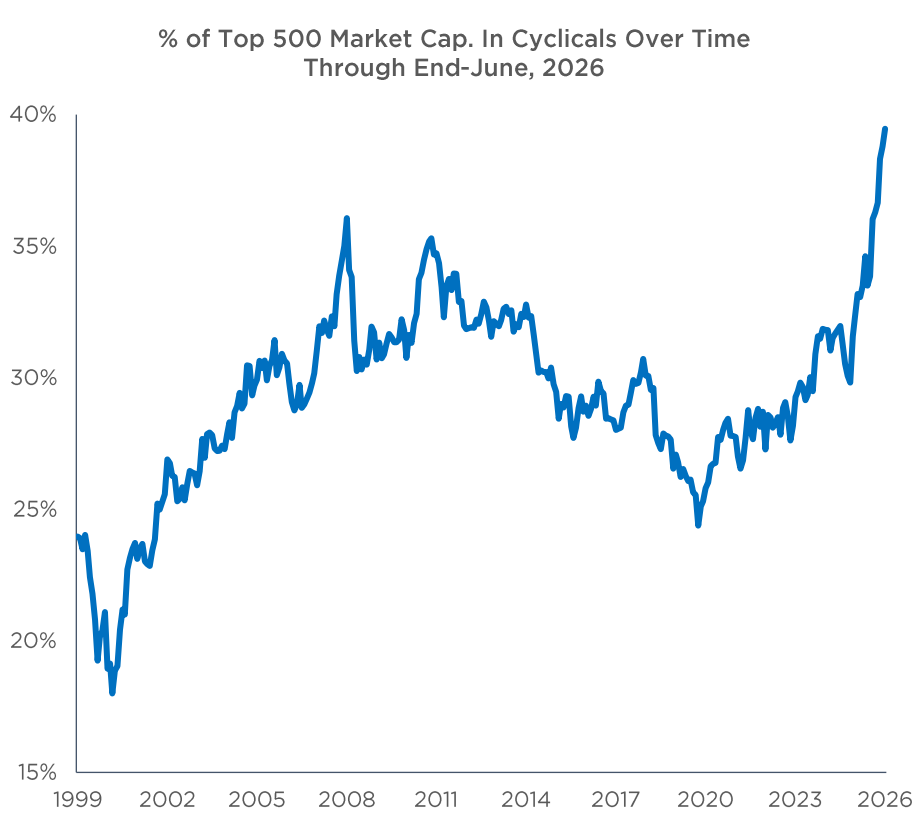
**Short Ideas: AI Revenue Stocks With Lowest Multiple Expansion in EV-to-Forecast Sales and Earnings Revision**
**As of End-June, 2026**

| Ticker | Company | AI Bucket | Market Cap. ($Bn.) |
|---|---|---|---|
| META | Meta Platforms, Inc. | AI Platform | 1429.87 |
| APP | AppLovin Corporation | Vertical & Edge | 173.09 |
| SO | The Southern Company | Utilities / Datacenter REITs | 107.89 |
| SLB | SLB N.V. | Datacenter Buildout | 76.15 |
| CTSH | Cognizant Technology Solutions Corporation | Services & Integration | 69.51 |
| DD | DuPont de Nemours, Inc. | Memory & SemiCap | 18.35 |
| NVMI | Nova Ltd. | Memory & SemiCap | 18.31 |
| BEPC | Brookfield Renewable Corporation | Utilities / Datacenter REITs | 17.26 |
| PEGA | Pegasystems Inc. | AI Platform | 12.70 |
| CCC | CCC Intelligent Solutions Holdings Inc. | Vertical & Edge | 5.01 |
| GLOB | Globant S.A. | Services & Integration | 3.03 |
| LMB | Limbach Holdings, Inc. | Datacenter Buildout | 0.92 |

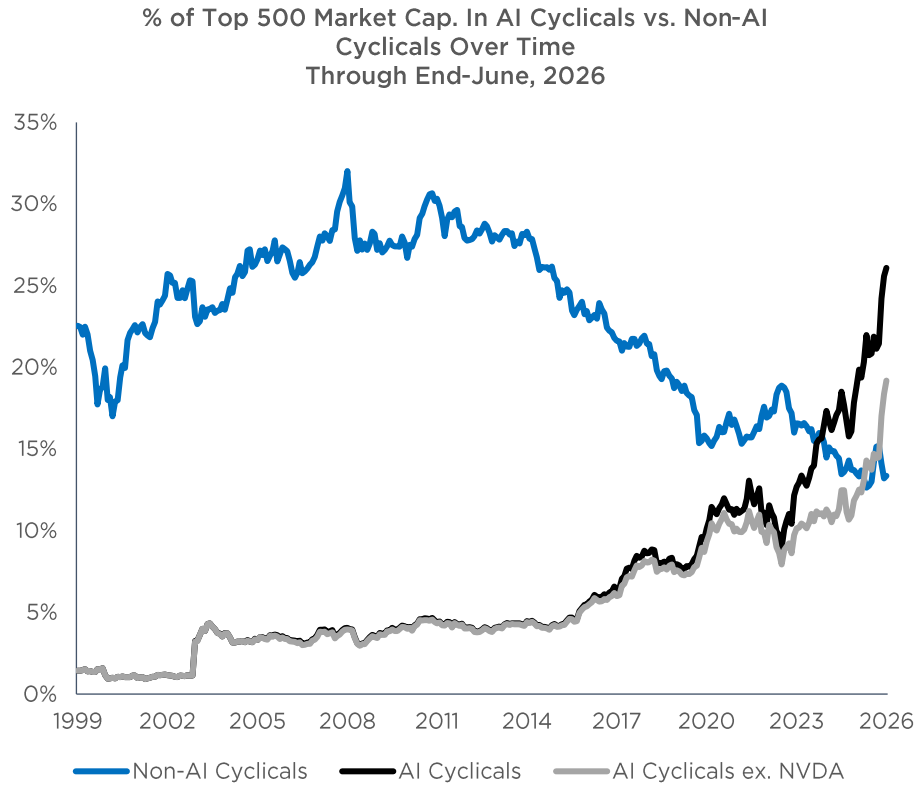
Source: Trivariate Research

# AI DOMINATES THE CYCLICAL UNIVERSE, EVEN EXCLUDING NVDA

What about non-AI cyclical exposure? Using the eight Industry Groups, cyclicals, driven by Semiconductors and Semiconductor Capital Equipment are now 39.5% of the S&P500 market cap. (left). Non-AI Cyclicals are 13.4%, are near a 25-year low, while the stocks that we tag as AI cyclicals are at all-time highs, at 26% of market cap. NVDA has grown at a rate that accounts for nearly half the non-AI cyclicals' demise (right), but AI-cyclicals excluding NVDA are 19.2% of the Top 500 market cap, larger than all non-AI cyclicals.



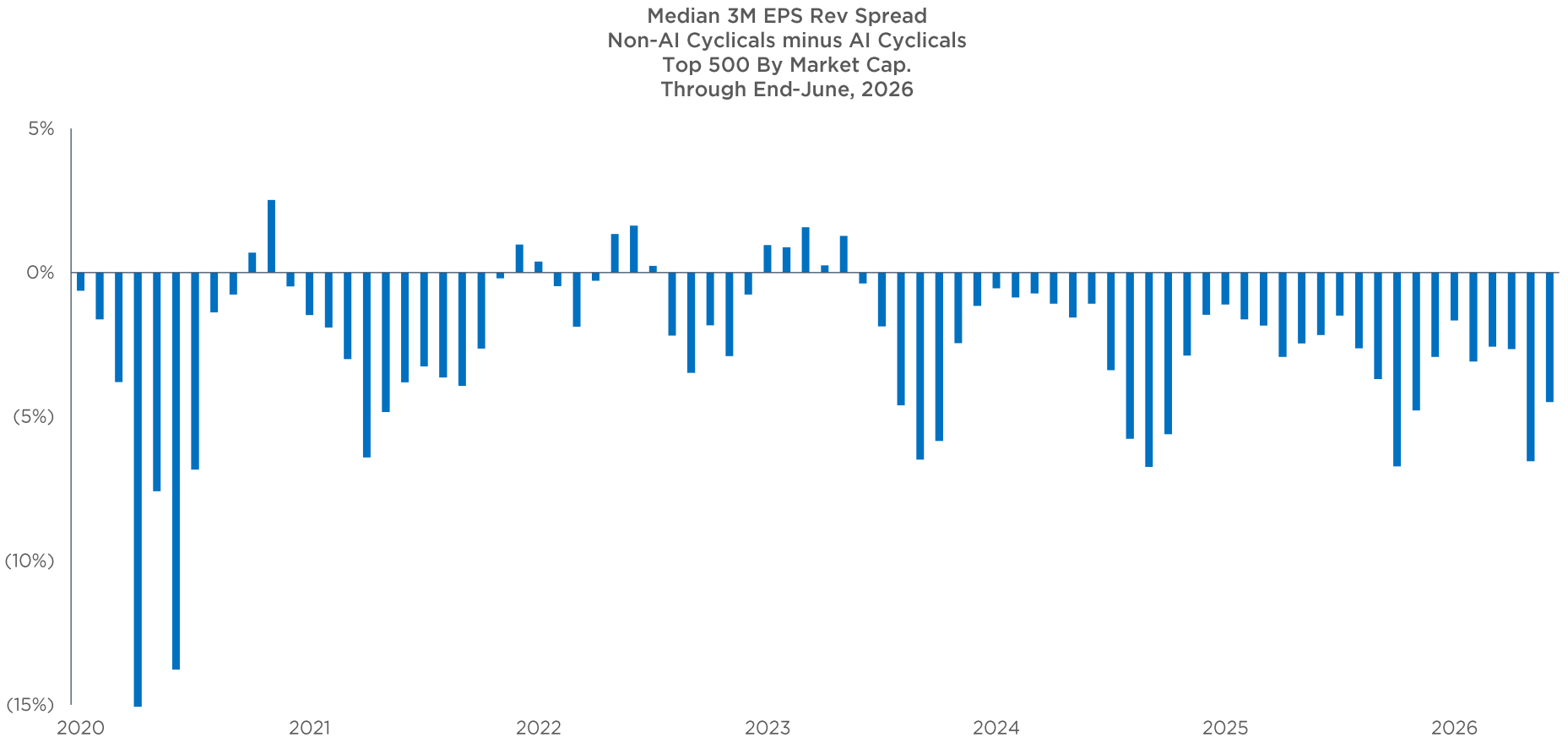

Source: Trivariate Research




Source: Trivariate Research

# NON-AI CYCLICALS HAVE HAD WORSE REVISIONS FOR 3 YEARS

While the AI complex and Semiconductors have flourished due to the insatiable demand for compute, economically exposed cyclicals have been consistently weak since COVID, showing poorer relative earnings revisions every month for three years in a row, since May of 2023.

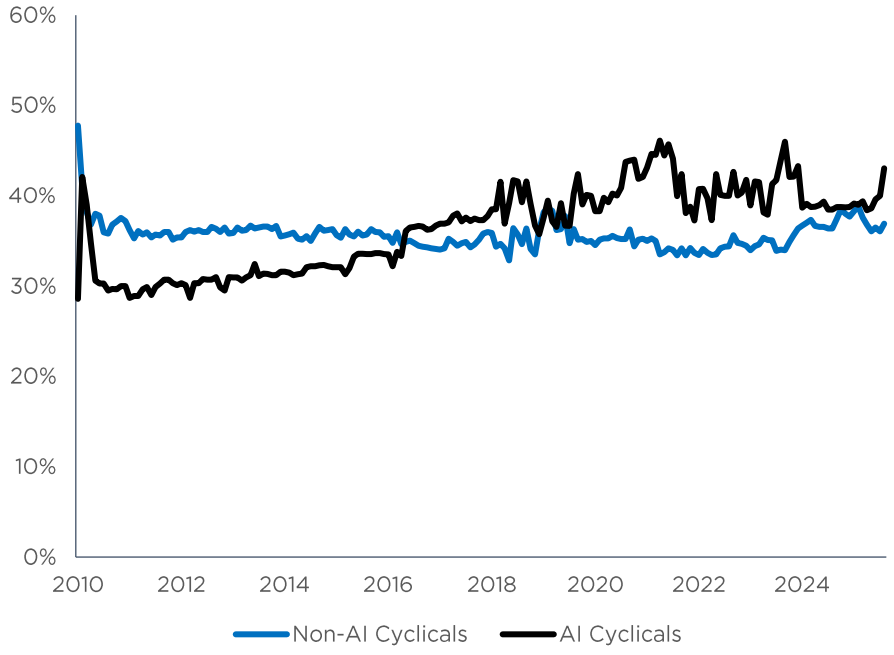



Source: Trivariate Research

# THE LEVEL OF GROSS MARGINS VARIES AMONG NON-AI CYCLICALS

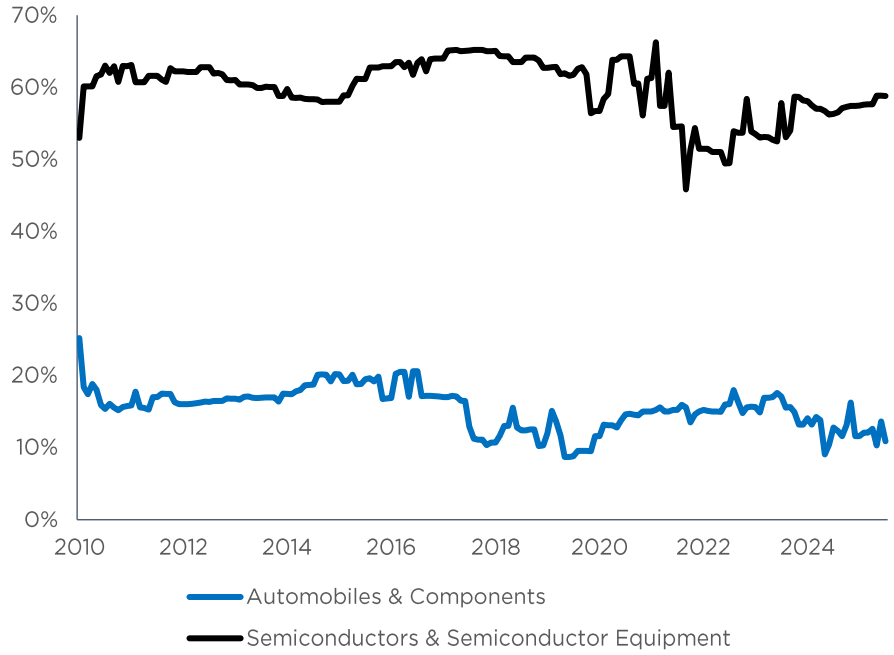
Forecasted gross margins are not really that different, though we are struck by the lack of volatility in the non-AI cyclicals' gross margins over the last 15 years (left). Moreover, very recently, AI cyclicals have shown a modest positive inflection in gross margins. However, gross margins do vary materially among cyclicals, with the median non-AI Semiconductors' gross margins forecasted to be 58.8%, vs. the worst cyclical, Automobiles & Components, forecasted to be 10.9% (right).

**Median Forecast Gross Margin**
**Non-AI vs. AI Cyclical**
**Top 500 By Market Cap.**
**Through End-June, 2026**




Source: Trivariate Research

**Median Forecast Gross Margin By Industry Group**
**Non-AI Cyclicals**
**Top 500 By Market Cap.**
**Through End-June, 2026**

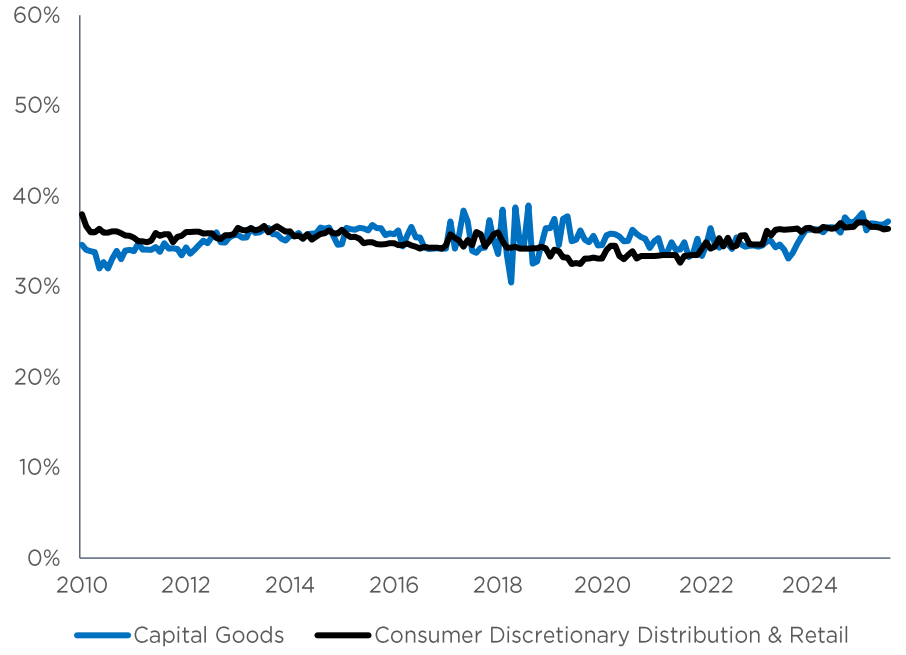



Source: Trivariate Research

# THE VOLATILITY OF GROSS MARGINS ALSO WIDELY VARIES

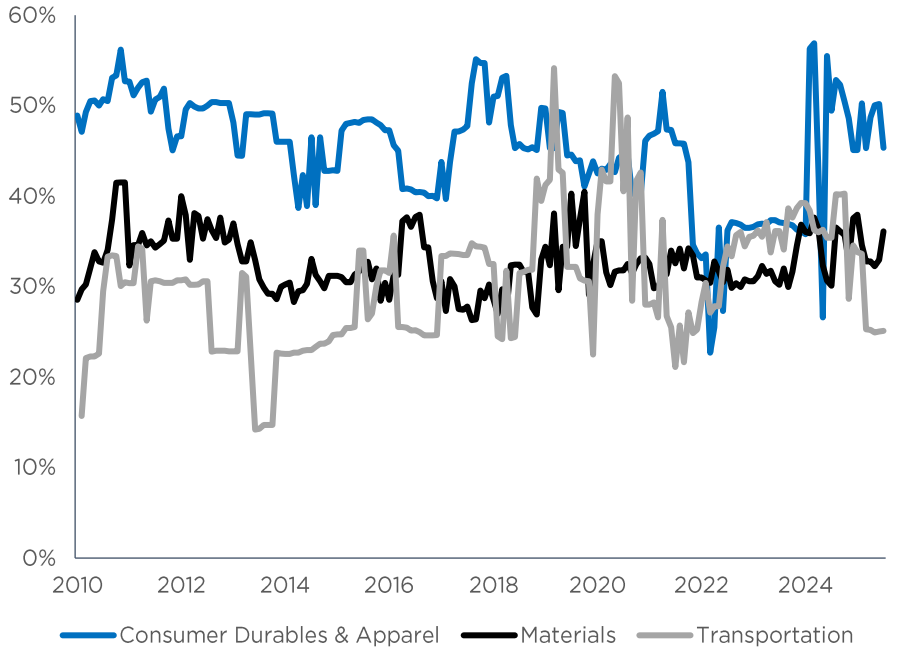
Capital Goods and Consumer Discretionary Distribution and Retail have extremely low volatility among their forecasted gross margins (left). On the other hand, Homebuilding-centric Consumer Durables & Apparel, Transportation, and Materials all have far more cyclical and volatile forecasted gross margins (right).

Median Forecast Gross Margin By Industry Group
Non-AI Cyclicals
Top 500 By Market Cap.
Through End-June, 2026




Source: Trivariate Research

Median Forecast Gross Margin By Industry Group
Non-AI Cyclicals
Top 500 By Market Cap.
Through End-June, 2026




Source: Trivariate Research

# QUANTITATIVELY-DERIVED NON-AI CYCLICAL LARGE-CAP. LONG IDEAS

Among non-AI cyclicals, momentum, accruals, and revisions have worked best for stock selection since 2020. Among the top 500 stocks by market cap., we offer below quantitatively derived long ideas that are in the top quintile of at least one key factor, not in the bottom quintile of any, and are no worse than average on 252-day momentum. LMT, GD, WMB, VLO, and MPC, among others screen well.

**Non-AI Cyclicals that Screen Well on Best 5 Factors**
**With Good Momentum, Low Correlation to AI Semis, and High Company-Specific Risk**
**Top 500 By Market Cap.**
**As of End-June, 2026**

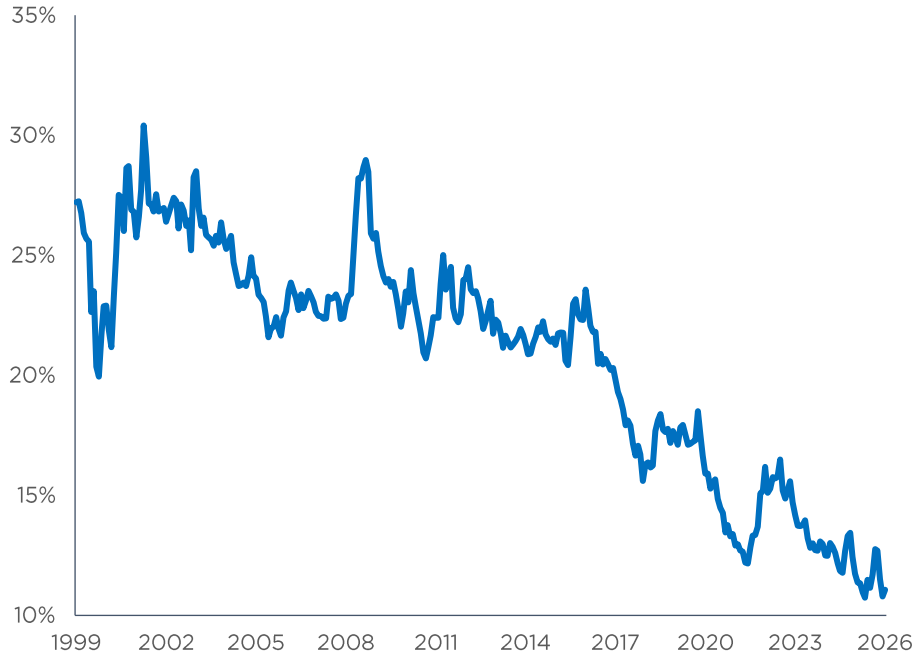
| Ticker | Company Name | Industry Group | Market Cap. ($Bn.) | 252-Day Momentum | Correlation to AI Semis | Company-Specific Risk |
|---|---|---|---|---|---|---|
| LMT | Lockheed Martin Corporation | Capital Goods | 117.5 | 14.1% | 2.1% | 88.4% |
| GD | General Dynamics Corporation | Capital Goods | 95.7 | 24.1% | (0.3%) | 75.4% |
| WMB | The Williams Companies, Inc. | Energy | 90.9 | 22.4% | 1.2% | 82.4% |
| VLO | Valero Energy Corporation | Energy | 77.3 | 98.4% | (13.1%) | 64.6% |
| MPC | Marathon Petroleum Corporation | Energy | 74.6 | 55.7% | (9.9%) | 64.9% |
| ROST | Ross Stores, Inc. | Consumer Discretionary Distribution & Retail | 68.3 | 67.9% | 25.2% | 75.1% |
| TRGP | Targa Resources Corp. | Energy | 57.6 | 57.2% | (12.8%) | 76.9% |
| LHX | L3Harris Technologies, Inc. | Capital Goods | 54.1 | 19.6% | (0.1%) | 79.0% |
| HAL | Halliburton Company | Energy | 28.4 | 68.9% | 11.6% | 66.8% |

Source: Trivariate Research

# THE TRADITIONAL DEFENSIVE UNIVERSE IS EXTREMELY SMALL

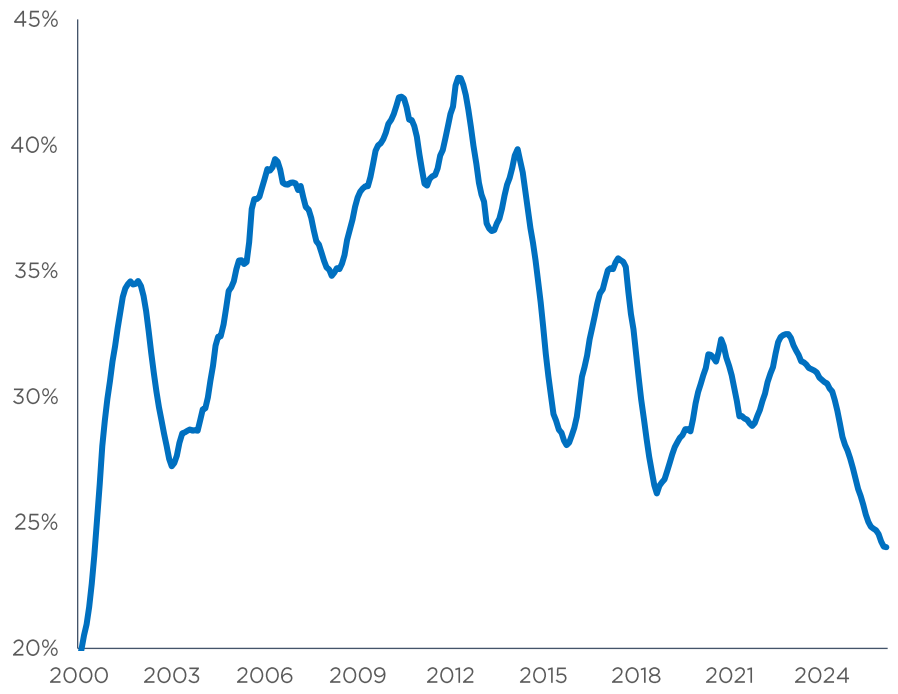
Historically, when investors wanted to get defensive within their equity portfolios, they looked for companies with more predictable revenue streams, and often would buy Pharmaceuticals, Telecoms, Staples, or Utilities. One major challenge today is that this traditional defensive part of the market has never been smaller (left). Twenty-five years ago, this type of Defense represented 30% of the S&P500 market cap. Today it is just over 10%. This means there really isn't even enough market cap. to get defensive. Another way to get defensive, is to buy low beta stocks – but today the low beta percentage of market cap. is also at 25-year lows (right).

**Pharmaceuticals, Telecommunication Services, Consumer Staples, and Utilities**
**Percentage of Top 500 Market Cap.**
**Through End-June, 2026**




Source: Trivariate Research

**Percentage of Top 500 Market Cap.**
**in the Bottom Tertile of Beta**
**Through End-June, 2026**

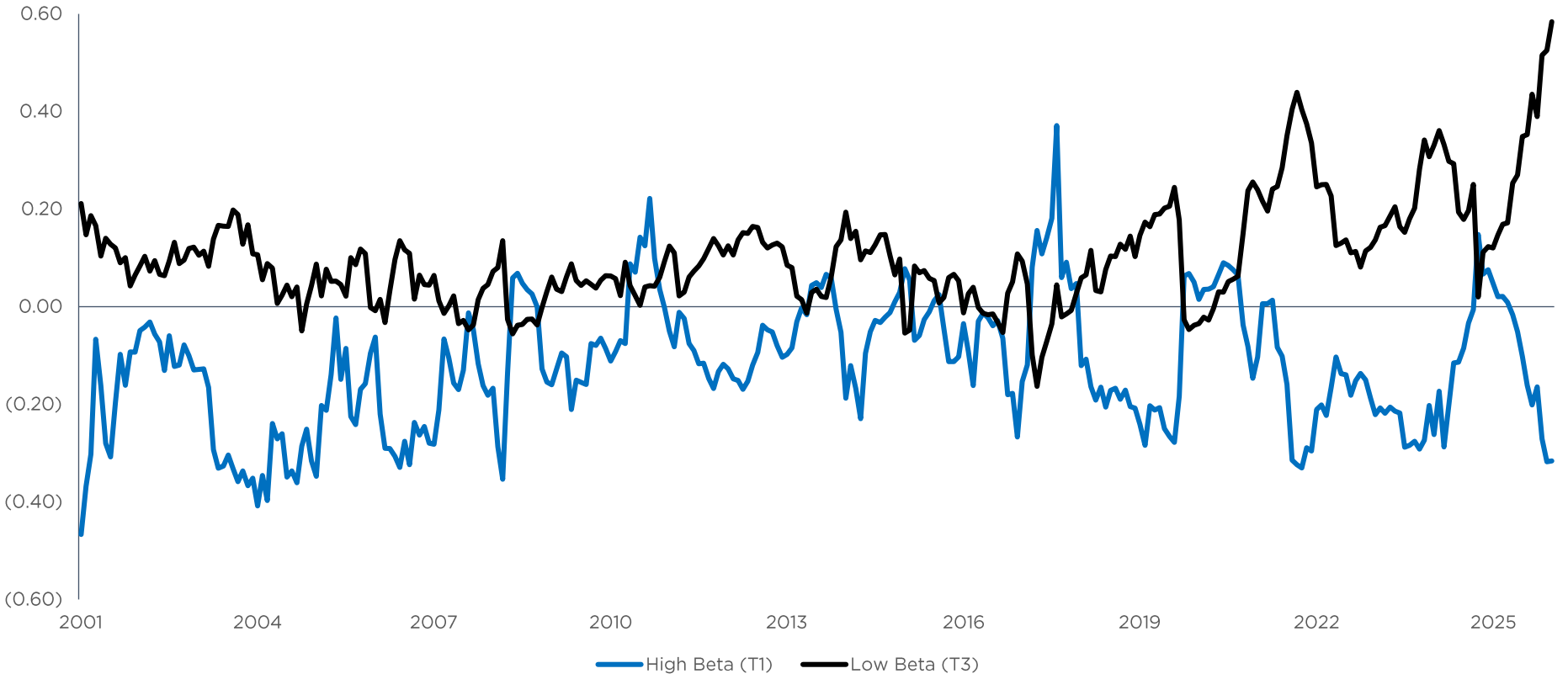



Source: Trivariate Research

# DOWNSIDE CAPTURE IS ELEVATED FOR THE LOW BETA UNIVERSE

We also compared the beta on down-market days of the lowest beta tertile of stocks to the highest beta tertile and have found low-beta stocks to be asymmetrically skewed to the downside, and high-beta stocks to have less downside capture. In fact, the low-beta universe has the highest beta on down days it has ever had — 0.58 higher on average than its overall beta. At the same time, high-beta stocks are lower beta on down days than they are overall. This perversity is the most extreme it has been in a quarter century. We are worried that investors that are positioned defensively will end up with MORE downside capture than they expect.

Median Downside Beta
(Beta on Days Market Is Down 75bps or More Minus Overall Beta)
By High and Low Beta-Tertile
Through End-June, 2026




Source: Trivariate Research

# LOW BETA STOCKS WITHOUT NEGATIVE DOWNSIDE BETA MAKE SENSE

In order to avoid this, owning some low beta stocks that do not have strong negative asymmetric beta is prudent. Many of these names are in Healthcare, and include Managed Care stocks like UNH, and ELV, among others.

**Stocks With Beta < 0.6, With Good Price Momentum, Strong Forecast EPS Growth, And Have Better Than Average Downside Beta**
**As of End-June, 2026**

| Ticker | Company | Industry | Market Cap. ($Bn.) | 6-Month Momentum | Forward EPS Growth |
|---|---|---|---|---|---|
| UNH | UnitedHealth Group Incorporated | Health Care Providers & Services | 377.45 | 26.9% | 37.9% |
| AMGN | Amgen Inc. | Biotechnology | 195.44 | 10.4% | 55.0% |
| VRTX | Vertex Pharmaceuticals Incorporated | Biotechnology | 126.07 | 7.3% | 12.0% |
| CSX | CSX Corporation | Ground Transportation | 88.32 | 30.6% | 17.3% |
| ELV | Elevance Health, Inc. | Health Care Providers & Services | 83.98 | 11.7% | 13.9% |
| ECL | Ecolab Inc. | Chemicals | 78.41 | 5.4% | 13.5% |
| CI | The Cigna Group | Health Care Providers & Services | 72.93 | 0.8% | 27.9% |
| SYY | Sysco Corporation | Consumer Staples Distribution & Retail | 39.97 | 14.3% | 36.3% |
| KMB | Kimberly-Clark Corporation | Household Products | 36.44 | 11.4% | 18.2% |
| RPRX | Royalty Pharma plc | Pharmaceuticals | 24.85 | 44.3% | 188.3% |
| INCY | Incyte Corporation | Biotechnology | 22.65 | 13.2% | 7.5% |

Source: Trivariate Research

# UNCORRELATED TO SEMIS THAT HAVE GENERATED ALPHA

Given how big the AI Semis universe is, another way to play defense is to just own stocks that are not AI Semis. The companies listed below have beta a less than 0.6, strong alpha over the last 12 months, and have low or negative correlation to the AI Semis basket, assuming that basket is associated with a broader market sell-off. Stocks include GH, DDOG, ILMN, VTRS, and MDB, among others.

**Stocks with Beta < 0.6, Strong Alpha Over Last 12 Months, and Low Correlation to Our AI Semiconductors Basket**
**As of End-June, 2026**

| Ticker | Company | Industry | Market Cap. ($Bn.) | 252-Day Alpha | Correlation to AI Semis |
|---|---|---|---|---|---|
| GH | Guardant Health, Inc. | Health Care Providers & Services | 19.89 | 300.2% | 24.1% |
| DDOG | Datadog, Inc. | Software | 92.68 | 157.5% | (1.7%) |
| ILMN | Illumina, Inc. | Life Sciences Tools & Services | 26.60 | 130.4% | 15.9% |
| VTRS | Viatris Inc. | Pharmaceuticals | 18.49 | 130.2% | 11.7% |
| MDB | MongoDB, Inc. | IT Services | 27.02 | 125.3% | 8.1% |
| TWLO | Twilio Inc. | IT Services | 31.32 | 117.4% | 7.0% |
| PANW | Palo Alto Networks, Inc. | Software | 277.93 | 116.8% | 10.6% |
| NTRA | Natera, Inc. | Biotechnology | 38.88 | 114.5% | 14.8% |
| UTHR | United Therapeutics Corporation | Biotechnology | 23.00 | 111.6% | 10.8% |
| CRWD | CrowdStrike Holdings, Inc. | Software | 194.27 | 100.8% | 16.1% |
| WST | West Pharmaceutical Services, Inc. | Life Sciences Tools & Services | 25.36 | 94.6% | 15.6% |
| INCY | Incyte Corporation | Biotechnology | 22.65 | 93.5% | 10.9% |
| NTAP | NetApp, Inc. | Technology Hardware, Storage & Peripherals | 30.32 | 93.3% | 22.4% |
| EXPE | Expedia Group, Inc. | Hotels, Restaurants & Leisure | 30.71 | 91.1% | 1.5% |
| HUM | Humana Inc. | Health Care Providers & Services | 47.69 | 86.5% | 2.9% |
| BIIB | Biogen Inc. | Biotechnology | 31.90 | 85.8% | 7.7% |
| FTNT | Fortinet, Inc. | Software | 112.55 | 84.2% | 5.9% |
| URI | United Rentals, Inc. | Trading Companies & Distributors | 70.97 | 84.1% | 23.9% |
| RPRX | Royalty Pharma plc | Pharmaceuticals | 24.85 | 82.2% | 4.9% |
| LLY | Eli Lilly and Company | Pharmaceuticals | 1069.58 | 81.1% | (1.2%) |

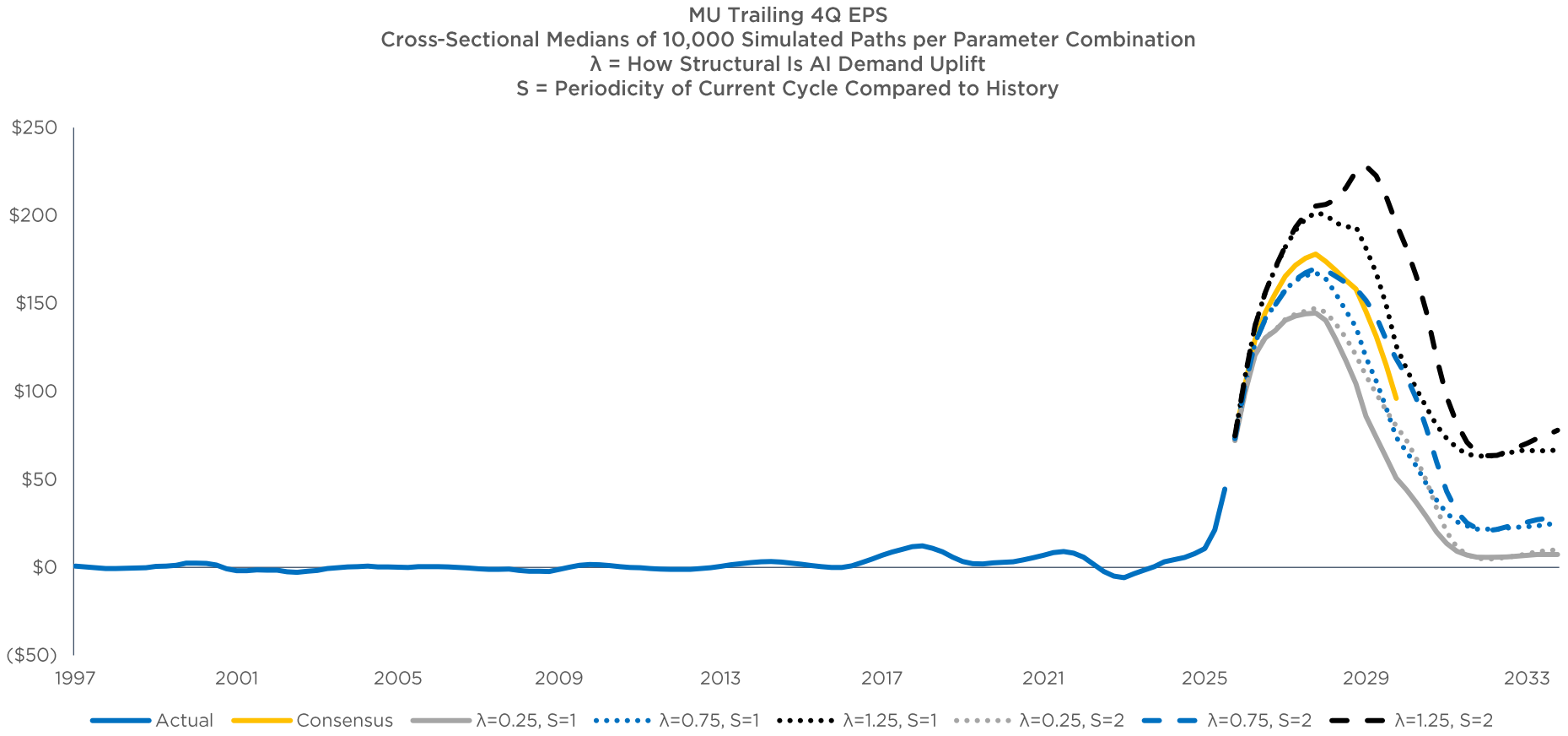
Source: Trivariate Research

# PART 3: WHAT MU IS WORTH?

- We attempted to model Micron's earnings using thousands of simulated scenarios that vary both the size and duration of the current memory cycle. The analysis suggests peak earnings are most likely to occur between mid-2028 and late-2029, with structural AI demand extending the cycle beyond historical norms.
- Our base case assumes that roughly 75% of the current earnings improvement is structural rather than purely cyclical. Under that scenario, Micron's peak EPS could approach **$190–$200**, substantially above current Wall Street expectations.
- After adjusting for cyclicality, we estimate Micron's normalized earnings power at approximately $82–$86 per share. This range represents our best current guess at long-term earnings level once the current memory cycle stabilizes.
- Based on projected peak earnings, Micron's current share price implies a valuation of only about 5–6x peak EPS. If investors ultimately value peak earnings closer to 8x, the stock could be worth roughly **$1,500–$1,600 per share** under the firm's assumptions.
- Even using normalized earnings rather than peak profits, Micron appears reasonably valued rather than expensive. The stock currently trades around **11–12x normalized EPS**, leaving room for additional upside if investors assign a premium multiple to a business benefiting from long-term AI-driven memory demand and the massive profits made this cycle.

# SIMULATED EPS PEAKS FOR MICRON: MIDDLE OF ’28 TO END OF ’29?

The bottom-up consensus EPS estimates for MU’s EPS are shown in yellow. We estimated MU’s future earnings with many combinations, but below we show six of them (3 magnitude crossed with 2 duration). Each line represents the median of 10,000 simulations for earnings. Roughly, in gray, we show that if 25% of this cycle is a structural improvement and this cycle has the same duration as previous ones, a cycle peak around $147 in EPS in the middle of 2028 is the base case. However, if the profit trend settles 25% higher than the current outlook and the cycle last twice as long as history, peak earnings could be above $225 near the end of 2029 (see below).




Source: Trivariate Research

# WE THINK THE CONSENSUS MIGHT UNDERESTIMATE PEAK MU EPS

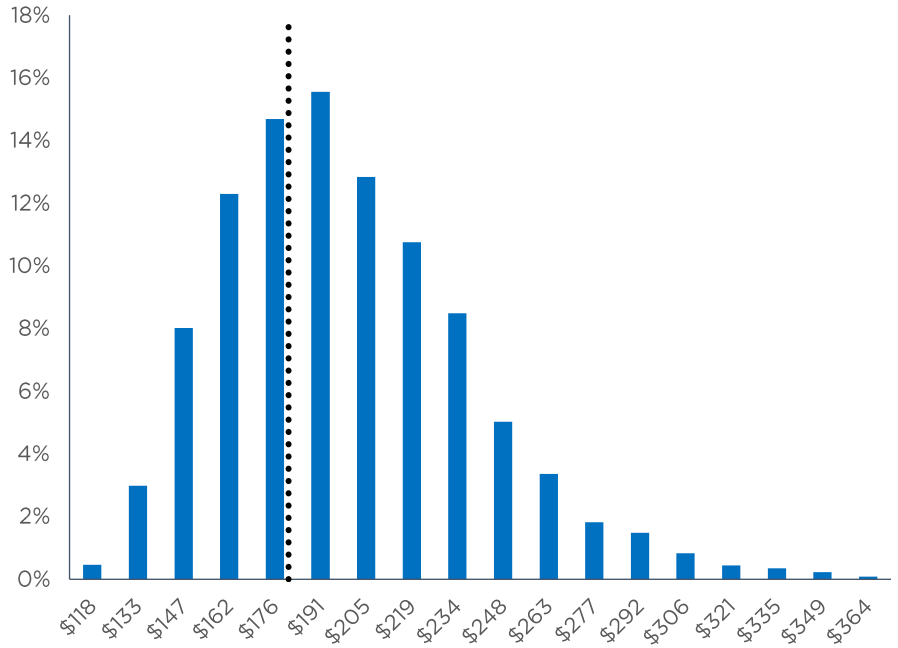
The median peak EPS under various duration and magnitude scenarios is shown on the left. It seems reasonable this cycle would be longer than normal, but perhaps not reasonable that all the improvement is structural. Under a λ=.75 and S=2 scenario, peak EPS this cycle would center around $194. Using this as a base case- twice as long as normal – and 75% structural and 25% mean-reversion view of forward earnings path - we show the distribution of 10,000 outcomes for earnings below for this one scenario (right). The consensus view appears to underestimate peak EPS.

**MU Implied Peak EPS For Current Cycle**
**(Based on 10,000 Simulations Per Parameter Combination)**

| | S = Periodicity of Current Cycle Compared to History | | | | |
|---|---|---|---|---|---|
| λ = How Structural Is AI Demand Uplift | S = 1.0 | S = 1.5 | S = 2.0 | S = 2.5 | S = 3 |
| λ = 0.25 | $156 | $160 | $161 | $162 | $162 |
| λ = 0.5 | $169 | $174 | $176 | $177 | $178 |
| λ = 0.75 | $184 | $190 | $194 | $197 | $197 |
| λ = 1.0 | $205 | $217 | $223 | $227 | $228 |
| λ = 1.25 | $234 | $255 | $264 | $272 | $276 |
| λ = 1.5 | $274 | $310 | $340 | $355 | $360 |
| λ = 1.75 | $327 | $403 | $450 | $469 | $481 |
| λ = 2.0 | $410 | $539 | $592 | $618 | $643 |

Source: Trivariate Research

**MU Peak EPS**
**Distribution Across 10,000 Simulations**
**λ = 0.75 (How Structural Is AI Demand Uplift)**
**S = 2.0 (Periodicity of Current Cycle Compared to History)**




Source: Trivariate Research

# $82-$86 IN NORMALIZED EPS SEEMS LIKE A REASONABLE BASE CASE

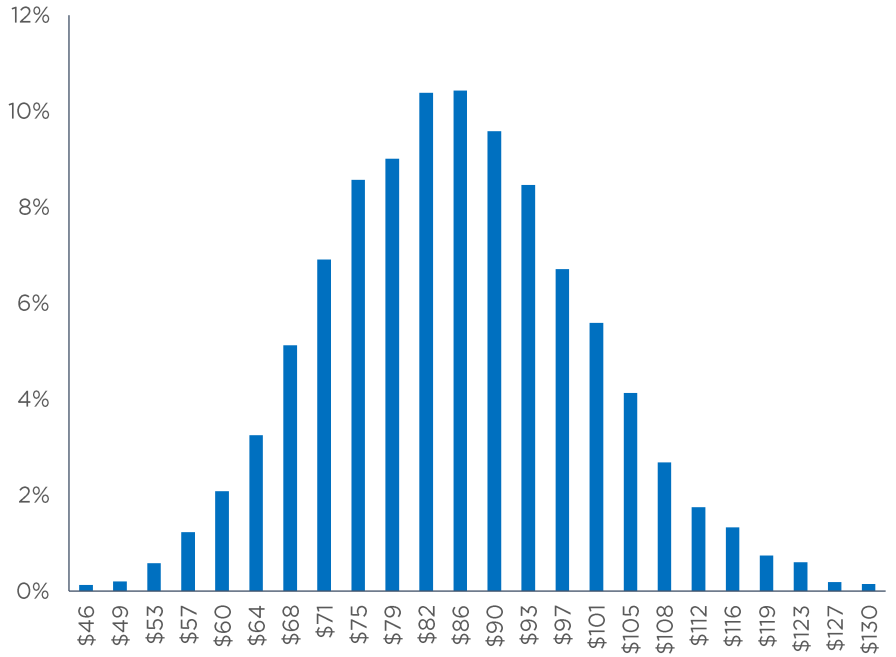
We show the median "normalized" EPS for each of the 10,000 simulations for reach duration and magnitude combination (left). Normalized EPS of $75 to $115 seems to encompass the highest probability range of outcomes based on what we believe today. Using the same "base case" scenario of λ = 0.75 and S=2.0 (right), we show the distribution of "normalized" EPS, with $82 and $86 having the most likely outcomes.

**MU Implied Normalized EPS For Current Cycle**
**(Based on 10,000 Simulations Per Parameter Combination)**

| | S = Periodicity of Current Cycle Compared to History | | | | |
|---|---|---|---|---|---|
| λ = How Structural Is AI Demand Uplift | S = 1.0 | S = 1.5 | S = 2.0 | S = 2.5 | S = 3 |
| λ = 0.25 | $63 | $67 | $69 | $70 | $71 |
| λ = 0.5 | $69 | $74 | $76 | $77 | $78 |
| λ = 0.75 | $78 | $83 | $85 | $86 | $87 |
| λ = 1.0 | $89 | $95 | $97 | $99 | $100 |
| λ = 1.25 | $101 | $110 | $113 | $115 | $116 |
| λ = 1.5 | $116 | $128 | $135 | $139 | $140 |
| λ = 1.75 | $134 | $154 | $163 | $168 | $170 |
| λ = 2.0 | $159 | $188 | $199 | $206 | $211 |

Source: Trivariate Research

**MU Cycle-Normalized EPS**
**Distribution Across 10,000 Simulations**
**λ = 0.75 (How Structural Is AI Demand Uplift)**
**S = 2.0 (Periodicity of Current Cycle Compared to History)**




Source: Trivariate Research

# TODAY'S PRICE IMPLIES ROUGHLY 5X PEAK EPS FOR MU

Taking our scenario and the range of peak EPS, we show an implied MU share price below. At $1000, the stock is trading between 5x and 6x peak earnings. If 8x peak EPS turns out to be 'right', MU is likely worth $1500-$1600 per share.

MU Share Price
Implied From Peak EPS Possibilities Based on Simulation with λ = 0.75 and S = 2.0
And Varied Price-to-Peak Earnings Multiples

| | | Price-to-Normalized Earnings (Trivariate Labeled Probabilities) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| Peak EPS | Probabilities Implied by Simulation | 4x (4%) | 5x (8%) | 6x (12%) | 7x (16%) | 8x (20%) | 9x (16%) | 10x (12%) | 11x (8%) | 12x (4%) |
| $118 | 0.5% | $472 | $590 | $708 | $826 | $944 | $1,062 | $1,180 | $1,298 | $1,416 |
| $133 | 3.0% | $532 | $665 | $798 | $931 | $1,064 | $1,197 | $1,330 | $1,463 | $1,596 |
| $147 | 8.0% | $588 | $735 | $882 | $1,029 | $1,176 | $1,323 | $1,470 | $1,617 | $1,764 |
| $162 | 12.3% | $648 | $810 | $972 | $1,134 | $1,296 | $1,458 | $1,620 | $1,782 | $1,944 |
| $176 | 14.7% | $704 | $880 | $1,056 | $1,232 | $1,408 | $1,584 | $1,760 | $1,936 | $2,112 |
| $191 | 15.6% | $764 | $955 | $1,146 | $1,337 | $1,528 | $1,719 | $1,910 | $2,101 | $2,292 |
| $205 | 12.8% | $820 | $1,025 | $1,230 | $1,435 | $1,640 | $1,845 | $2,050 | $2,255 | $2,460 |
| $219 | 10.8% | $876 | $1,095 | $1,314 | $1,533 | $1,752 | $1,971 | $2,190 | $2,409 | $2,628 |
| $234 | 8.5% | $936 | $1,170 | $1,404 | $1,638 | $1,872 | $2,106 | $2,340 | $2,574 | $2,808 |
| $248 | 5.0% | $992 | $1,240 | $1,488 | $1,736 | $1,984 | $2,232 | $2,480 | $2,728 | $2,976 |
| $263 | 3.4% | $1,052 | $1,315 | $1,578 | $1,841 | $2,104 | $2,367 | $2,630 | $2,893 | $3,156 |
| $277 | 1.8% | $1,108 | $1,385 | $1,662 | $1,939 | $2,216 | $2,493 | $2,770 | $3,047 | $3,324 |
| $292 | 1.5% | $1,168 | $1,460 | $1,752 | $2,044 | $2,336 | $2,628 | $2,920 | $3,212 | $3,504 |
| $306 | 0.8% | $1,224 | $1,530 | $1,836 | $2,142 | $2,448 | $2,754 | $3,060 | $3,366 | $3,672 |
| $321 | 0.4% | $1,284 | $1,605 | $1,926 | $2,247 | $2,568 | $2,889 | $3,210 | $3,531 | $3,852 |
| $335 | 0.4% | $1,340 | $1,675 | $2,010 | $2,345 | $2,680 | $3,015 | $3,350 | $3,685 | $4,020 |
| $349 | 0.2% | $1,396 | $1,745 | $2,094 | $2,443 | $2,792 | $3,141 | $3,490 | $3,839 | $4,188 |
| $364 | 0.1% | $1,456 | $1,820 | $2,184 | $2,548 | $2,912 | $3,276 | $3,640 | $4,004 | $4,368 |

Source: Trivariate Research

# MU APPEARS TO BE TRADING BETWEEN 11X AND 12X NORMALIZED EPS

It is hard to forecast what the market will pay for "normalized" EPS for MU. But our highest probability scenarios of $82 to $86 indicate the stock is trading between 11x and 12x normalized EPS. A dominant player in an important business could arguably command a higher "normalized" multiple, so we show the full range of outcomes below. For instance, 15x $90 in "normalized" EPS implies $1350 for MU.

**MU Share Price**
**Implied From Normalized EPS Possibilities Based on Simulation with λ = 0.75 and S = 2.0**
**And Varied Price-to-Normalized Earnings Multiples**

| | | Price-to-Normalized Earnings (Trivariate Labeled Probabilities) | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|
| **Normalized EPS** | **Probabilities Implied by Simulation** | **10x (4%)** | **11x (8%)** | **12x (12%)** | **13x (16%)** | **14x (20%)** | **15x (16%)** | **16x (12%)** | **17x (8%)** | **18x (4%)** |
| **$53** | **0.6%** | $530 | $583 | $636 | $689 | $742 | $795 | $848 | $901 | $954 |
| **$57** | **1.2%** | $570 | $627 | $684 | $741 | $798 | $855 | $912 | $969 | $1,026 |
| **$60** | **2.1%** | $600 | $660 | $720 | $780 | $840 | $900 | $960 | $1,020 | $1,080 |
| **$64** | **3.3%** | $640 | $704 | $768 | $832 | $896 | $960 | $1,024 | $1,088 | $1,152 |
| **$68** | **5.1%** | $680 | $748 | $816 | $884 | $952 | $1,020 | $1,088 | $1,156 | $1,224 |
| **$71** | **6.9%** | $710 | $781 | $852 | $923 | $994 | $1,065 | $1,136 | $1,207 | $1,278 |
| **$75** | **8.6%** | $750 | $825 | $900 | $975 | $1,050 | $1,125 | $1,200 | $1,275 | $1,350 |
| **$79** | **9.0%** | $790 | $869 | $948 | $1,027 | $1,106 | $1,185 | $1,264 | $1,343 | $1,422 |
| **$82** | **10.4%** | $820 | $902 | $984 | $1,066 | $1,148 | $1,230 | $1,312 | $1,394 | $1,476 |
| **$86** | **10.4%** | $860 | $946 | $1,032 | $1,118 | $1,204 | $1,290 | $1,376 | $1,462 | $1,548 |
| **$90** | **9.6%** | $900 | $990 | $1,080 | $1,170 | $1,260 | $1,350 | $1,440 | $1,530 | $1,620 |
| **$93** | **8.5%** | $930 | $1,023 | $1,116 | $1,209 | $1,302 | $1,395 | $1,488 | $1,581 | $1,674 |
| **$97** | **6.7%** | $970 | $1,067 | $1,164 | $1,261 | $1,358 | $1,455 | $1,552 | $1,649 | $1,746 |
| **$101** | **5.6%** | $1,010 | $1,111 | $1,212 | $1,313 | $1,414 | $1,515 | $1,616 | $1,717 | $1,818 |
| **$105** | **4.1%** | $1,050 | $1,155 | $1,260 | $1,365 | $1,470 | $1,575 | $1,680 | $1,785 | $1,890 |
| **$108** | **2.7%** | $1,080 | $1,188 | $1,296 | $1,404 | $1,512 | $1,620 | $1,728 | $1,836 | $1,944 |
| **$112** | **1.8%** | $1,120 | $1,232 | $1,344 | $1,456 | $1,568 | $1,680 | $1,792 | $1,904 | $2,016 |
| **$116** | **1.3%** | $1,160 | $1,276 | $1,392 | $1,508 | $1,624 | $1,740 | $1,856 | $1,972 | $2,088 |
| **$119** | **0.7%** | $1,190 | $1,309 | $1,428 | $1,547 | $1,666 | $1,785 | $1,904 | $2,023 | $2,142 |
| **$123** | **0.6%** | $1,230 | $1,353 | $1,476 | $1,599 | $1,722 | $1,845 | $1,968 | $2,091 | $2,214 |

Source: Trivariate Research

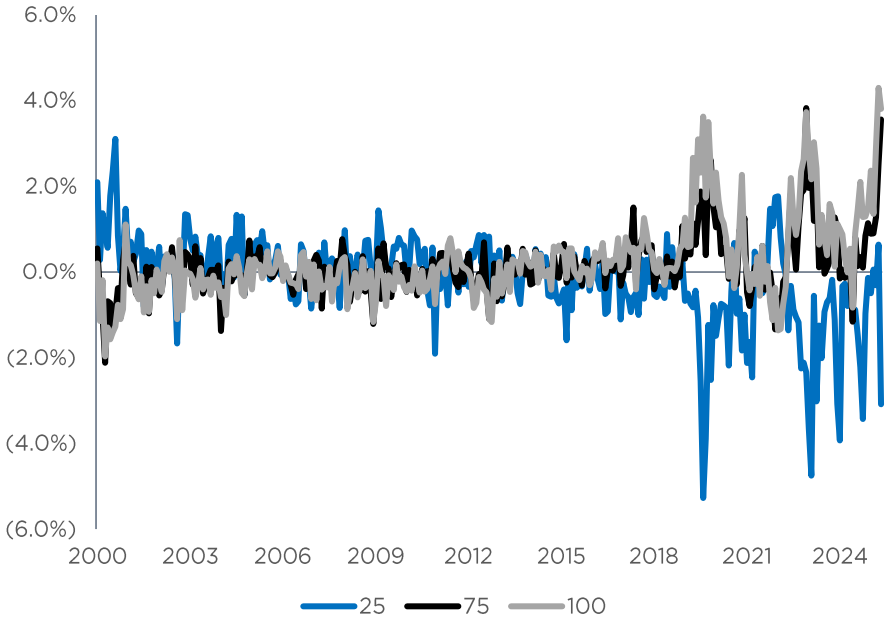
# PART 4: DIVERSIFICATION / SELLING LOSERS

- The benefits of diversification have increased meaningfully since 2019. While concentrated portfolios often performed as well as diversified ones in prior decades, portfolios holding roughly **75–100 stocks** have generally produced stronger results for the typical portfolio manager in the current market environment than 25-50 stock portfolios.
- Even highly skilled investors should consider owning more stocks than they historically have. Although concentrated portfolios can still outperform when stock selection is exceptional, broader diversification has become a more reliable strategy as market leadership has narrowed and volatility has increased. 75$^{th}$ percentile alpha generators have needed to own more stocks since 2019.
- Traditional "buy low, sell high" position sizing has become less effective in the recent market. Since 2023, persistent market momentum has favored simply holding winning positions, reducing the advantage of trimming outperformers / adding to laggards.
- Mean-reversion strategies have faced their most difficult period in at least 25 years. Stocks that have outperformed have tended to continue outperforming, while adding to underperformers has often reduced returns, particularly in AI-driven Technology leaders.
- A disciplined fundamental overlay can improve contrarian investing. Investors should continue holding or adding to positions only when companies also exhibit strong expected revenue growth, expanding margins, and positive earnings revisions, while avoiding weak businesses simply because their share prices have declined.

# SINCE 2019 THE BENEFITS OF DIVERSIFICATION HAVE CHANGED

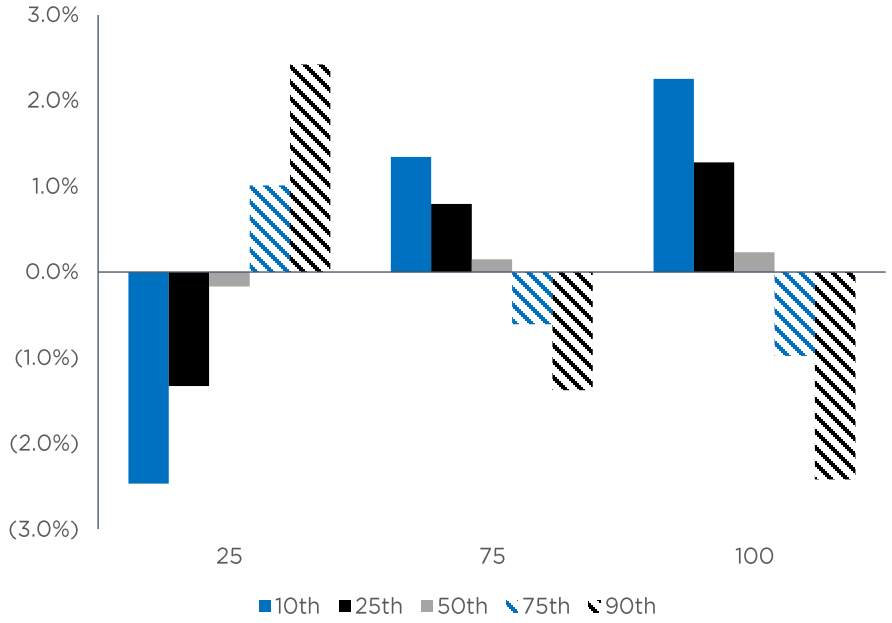
The benefits of diversification for the median-performing portfolio manager weren't meaningful from 2000-2019. Generally, concentrated portfolios performed as well or better than more diversified portfolios from 2000 to 2012. However, since 2019, diversification has been a much better idea. The benefits of a 100-stock portfolio vs. a 75-stock portfolio since 2019 are relatively small. However, owning 75 stocks vs. 50 or 25 has generally been much better since 2019 (left). Very recently, the more diversified the better. But perhaps this is all a confidence game. For bad stock pickers, the 10th percentile performance of a 25-stock portfolio is worse than the 10th percentile performance of a 50-stock portfolio (right). But of course, at the 90th percentile, the best performance is a concentrated portfolio. For the most skilled managers, the more concentrated the better. Clearly, if you own a few stocks and they are great, you win. But for the median portfolio, 75 and 100 stocks are better than 50 stocks over the long-term.

Top 500, Cap-Weighted Portfolios
Return Differential vs. 50-Stock Portfolio
Median of 500 Simulated Portfolios Per Size Bucket Per Month
Through End-May, 2026




Source: Trivariate Research

Top 500, Cap-Weighted Portfolios
Average Return Differential vs. 50-Stock Portfolio
Across the Distribution (10th, 25th, Median, 75th, 90th Percentile Portfolio Performance)
Through End-May, 2026

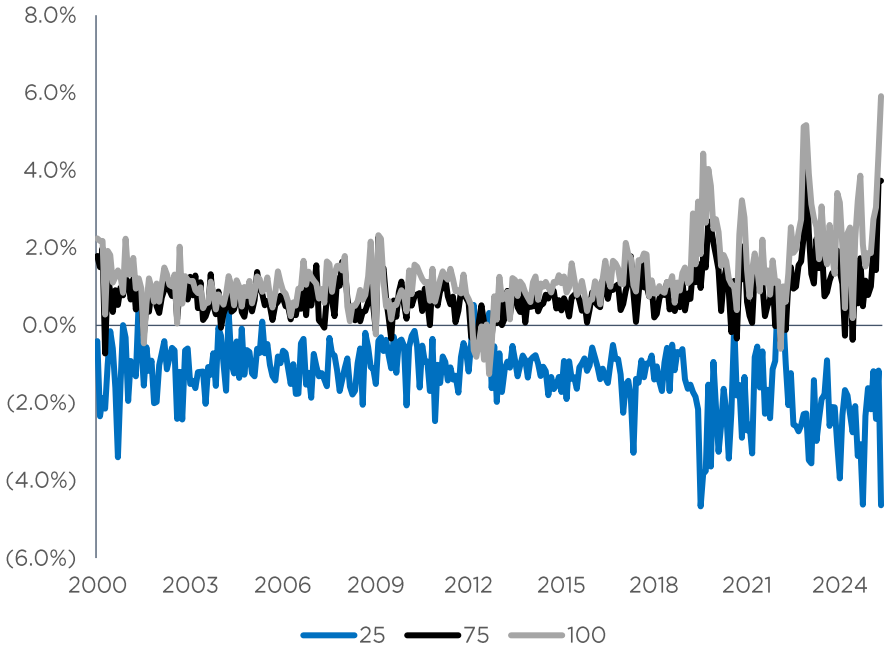



Source: Trivariate Research

# EVEN SKILLED MANAGERS SHOULD BE RUNNING MORE DIVERSIFIED

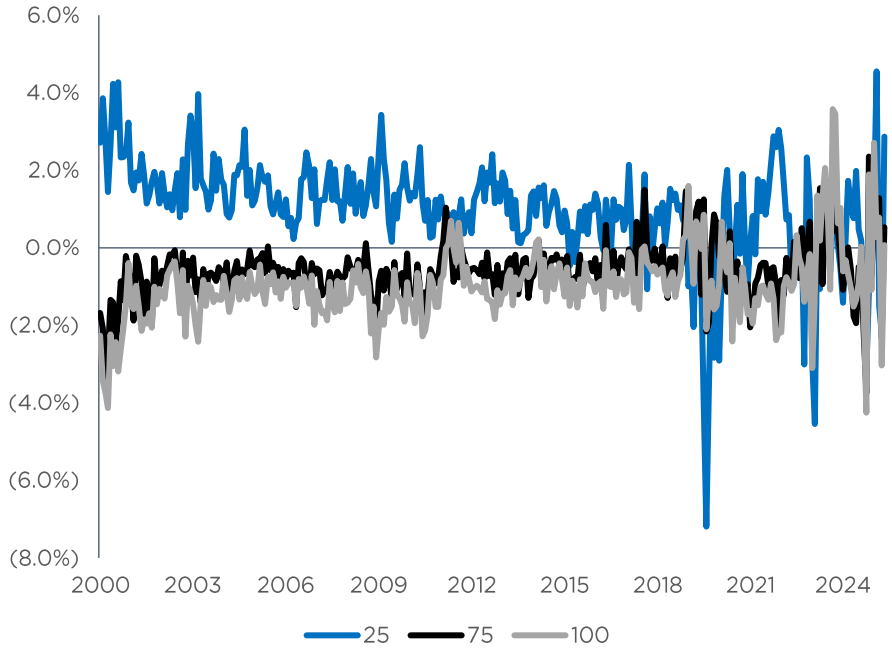
For the 25th percentile performing fund, concentrated portfolios consistently lag and have performed particularly poorly since 2019 (left). 100-stock portfolios have fared slightly better than 75-stock portfolios, but unsurprisingly, more diversification than 50 stocks appears to be a prudent approach for funds performing poorly. For "skilled" managers performing in the 75th percentile (right), diversification hurt performance from 2000 through 2018 but has been more mixed since. Hence, even skilled managers should be running with more diversification than normal today.

Top 500
25th Percentile Performing Funds (So Having a Bad Year)
Cap-Weighted Return Gap vs 50-stock Portfolio
Through End-May, 2026




Source: Trivariate Research

Top 500
75th Percentile Performing Funds (So Having a Good Year)
Cap-Weighted Return Gap vs 50-stock Portfolio
Through End-May, 2026




Source: Trivariate Research

# BUY-LOW/SELL-HIGH WAS SUPERIOR UNTIL RECENTLY

We compare the performance of three types of position-sizing rules in the Top 500 universe over both the full sample since 1999 (left) and just during the recent period since 2023 (right). Over a longer horizon, the standard buy-low / sell-high approach holds up reasonably well, indicating that trimming positions after strong performance and adding after weakness was beneficial over time. In the more recent period, however, that edge is weaker, as a more momentum-driven market has made it harder for contrarian rebalancing to keep up. The comparison suggests that the value of this sizing discipline is not stable through time and depends on the underlying market. Since 2023, buy-and-hold was very competitive, particularly since the table below does not include trading impact and transaction costs.

Top 500 Stocks
Average Metrics By Various Portfolio Strategies
1000 Simulated Portfolios Each Month
1999 Through End-February, 2026

| Strategy | 2-Year Return | Volatility | Max Drawdown |
|---|---|---|---|
| buy-1.90%-2.00% sell-2.10%-2.00% | 26.4% | 27.1% | (32.3%) |
| buy-1.50%-2.00% sell-2.50%-2.00% | 25.6% | 27.0% | (32.2%) |
| buy-1.00%-2.00% sell-3.00%-2.00% | 25.4% | 26.8% | (32.1%) |
| buy-2.10%-2.50% sell-1.90%-1.50% | 24.4% | 26.8% | (32.4%) |
| buy-and-hold | 24.3% | 26.7% | (32.5%) |
| buy-2.25%-2.50% sell-1.75%-1.50% | 24.3% | 26.8% | (32.5%) |
| buy-2.50%-3.00% sell-1.50%-1.00% | 24.2% | 26.8% | (32.5%) |

Source: Trivariate Research

Top 500 Stocks
Short-term Average Metrics By Portfolio Strategies
2023 Through End-February, 2026

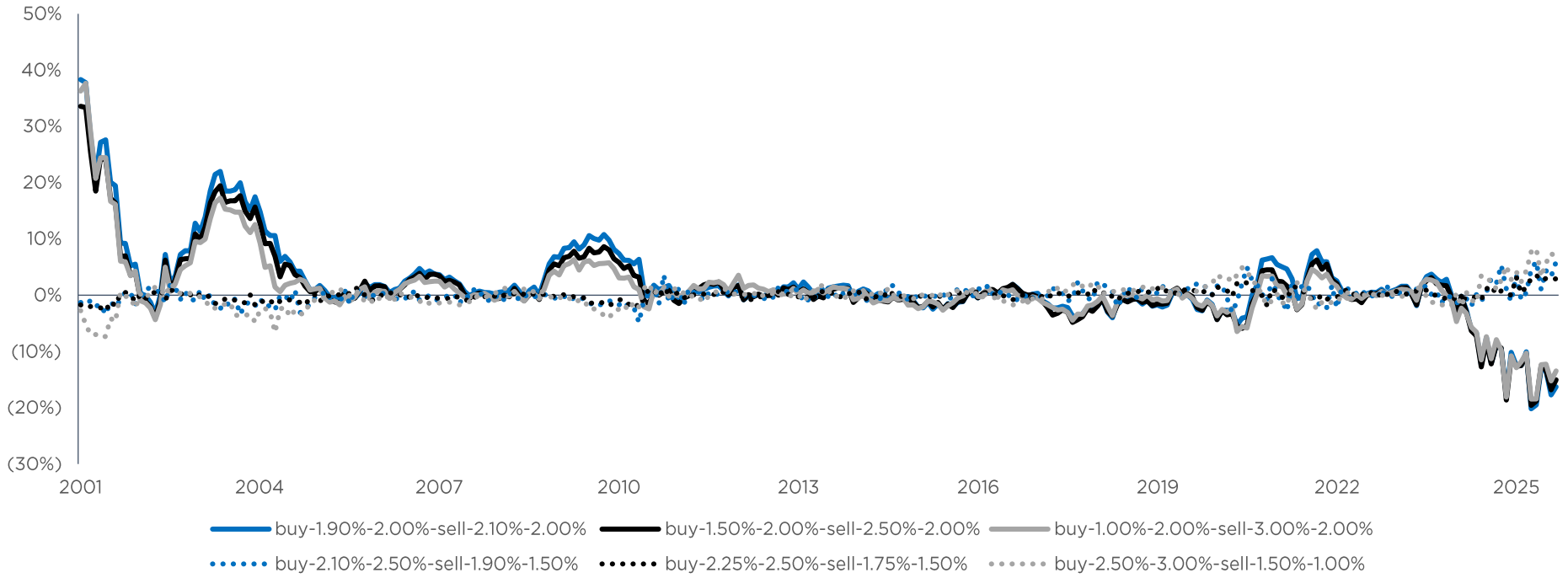
| Strategy | 2-Year Return | Volatility | Max Drawdown |
|---|---|---|---|
| buy-2.50%-3.00% sell-1.50%-1.00% | 35.9% | 15.5% | (18.0%) |
| buy-2.10%-2.50% sell-1.90%-1.50% | 35.4% | 15.4% | (17.9%) |
| buy-2.25%-2.50% sell-1.75%-1.50% | 35.3% | 15.4% | (17.9%) |
| buy-and-hold | 34.6% | 15.3% | (17.8%) |
| buy-1.00%-2.00% sell-3.00%-2.00% | 33.4% | 14.9% | (16.9%) |
| buy-1.90%-2.00% sell-2.10%-2.00% | 33.2% | 15.2% | (17.1%) |
| buy-1.50%-2.00% sell-2.50%-2.00% | 33.0% | 15.1% | (17.0%) |

Source: Trivariate Research

# MEAN-REVERSION FOR SIZING HAS BEEN THE WORST IN 25 YEARS

Over time, the mean reversion rules also worked in Technology during the TMT and Financial Crisis recoveries but were less effective during the COVID recovery because some Tech. was "work from home" and not "reopening" focused. Since 2023, winners have kept winning, so trimming strength and adding to laggards has become a much bigger headwind to performance. In fact, the mean reversion approach to position sizing has never been worse in the last 25 years than it has over the last two years. Of course, we worry that this could change and it is possible this dynamic is very AI-regime specific. <u>But our sense is there is enough data to be cautious about adding to losers in particular.</u>

**Top 1000 Technology Stocks**
**Median Rolling 2-Year Return vs. Buy-and-Hold**
**Through End-February, 2026**




Source: Trivariate Research

# ADD/KEEP HIGH FORECASTED GROWTH HELPS CONTRARIAN

Hence, we thought it made sense to add a simple fundamental overlay to the base contrarian rule by allowing the portfolio to add to or keep a position only when the stock also passes a daily signal screen. In the last three years, some overlays — especially forecasted revenue growth, gross margin growth, and earnings revision signals — modestly improved the base buy-low / sell-high rule. **The takeaway is that if you want to stick with contrarian rebalancing, a fundamental overlay can help protect against adding to the wrong losers.** So, if a stock that becomes big, you should keep if it has high forecasted revenue and gross margin growth and recent upward revisions. However, we strongly advise against adding to losing positions with weak growth, margin contraction, and recent negative revisions. Within Technology, buy-and-hold has been strong, and selling winners has been a particularly poor strategy.

**Top 500 Stocks**
**Do Fundamental Overlays Improve the 1.9% Buy / 2.1% Sell Rule?**
**2023 Through End-February, 2026**

| Strategy | 2-Year Return | Volatility | Max Drawdown |
|---|---|---|---|
| Add/Keep High Forecasted Revenue Growth | 35.4% | 15.6% | (17.8%) |
| Buy and Hold | 34.9% | 15.3% | (17.8%) |
| Add/Keep High Forecasted Gross Margin Growth | 33.8% | 15.1% | (17.2%) |
| Add/Keep Up>Down Earnings Revision | 33.6% | 15.2% | (17.5%) |
| Add/Keep High Earnings Revision | 33.6% | 15.2% | (17.4%) |
| Base Strategy: buy-1.90%-2.00%-sell-2.10%-2.00% | 33.5% | 15.3% | (17.1%) |
| Only Sell 2.10% to 2.00% | 33.4% | 15.1% | (17.1%) |
| Add/Keep Positive Earnings Revision | 33.3% | 15.2% | (17.3%) |
| Only Sell 2.50% to 2.10% | 33.1% | 14.8% | (16.9%) |
| Add/Keep High CSR | 32.3% | 14.6% | (16.3%) |

Source: Trivariate Research

**Top 1000 Technology Stocks**
**Do Fundamental Overlays Improve the 1.9% Buy / 2.1% Sell Rule?**
**2023 Through End-February, 2026**

| Strategy | 2-Year Return | Volatility | Max Drawdown |
|---|---|---|---|
| Buy and Hold | 50.4% | 26.6% | (28.8%) |
| Add/Keep High Forecasted Revenue Growth | 44.6% | 26.2% | (29.1%) |
| Add/Keep High Forecasted Gross Margin Growth | 41.5% | 25.8% | (28.7%) |
| Add/Keep Up>Down Earnings Revision | 38.8% | 25.2% | (27.8%) |
| Add/Keep High Earnings Revision | 37.9% | 25.4% | (27.7%) |
| Add/Keep High CSR | 37.6% | 24.8% | (27.0%) |
| Only Sell 2.50% to 2.10% | 36.7% | 24.8% | (27.3%) |
| Base Strategy: buy-1.90%-2.00%-sell-2.10%-2.00% | 36.6% | 25.2% | (27.2%) |
| Add/Keep Positive Earnings Revision | 36.5% | 25.3% | (27.6%) |
| Only Sell 2.10% to 2.00% | 36.4% | 25.1% | (27.3%) |

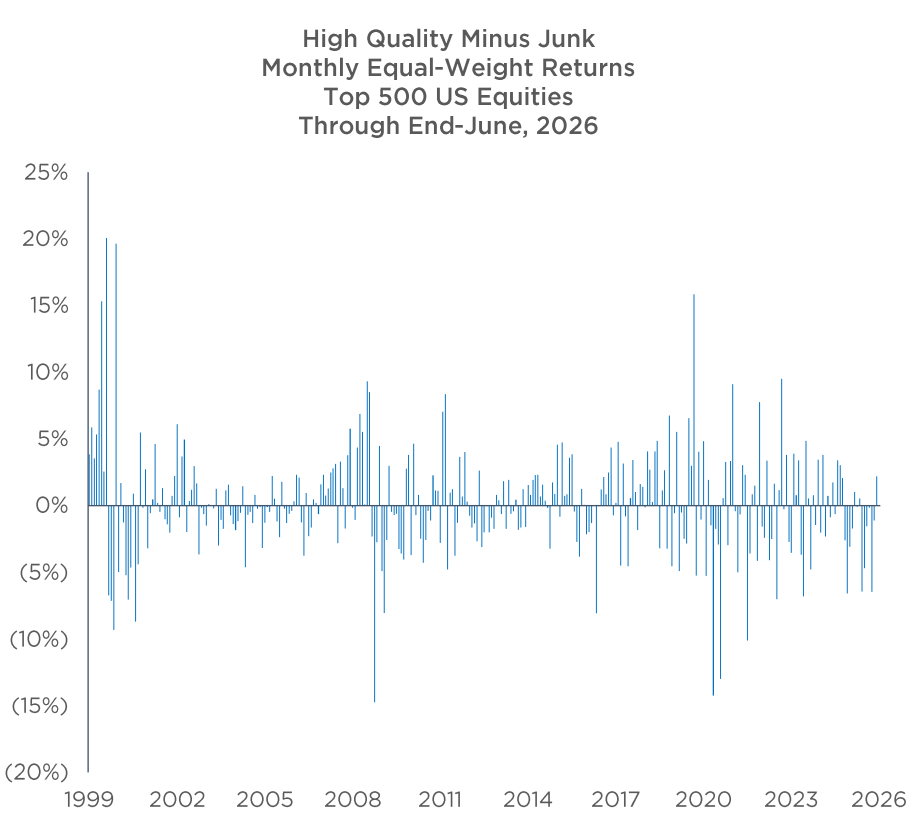
Source: Trivariate Research

# PART 5: IMPORTANT INVESTING DISCIPLINES HAVE CHANGED

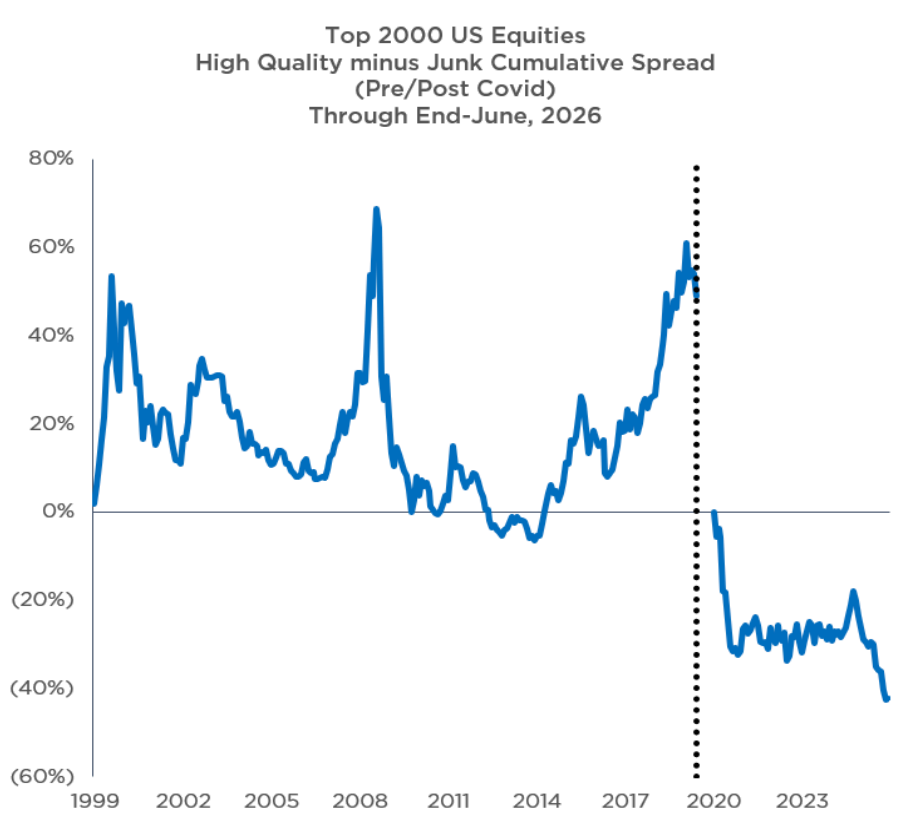
- Traditional quality investing has struggled since 2020. High-quality companies have underperformed lower-quality stocks for nearly five years, as investors have favored faster-growing and more speculative businesses while valuation multiples for quality stocks have compressed.
- Among high-quality companies, the strongest performers have combined rapid revenue growth, heavy R&D investment, low debt, and strong price momentum. Simply buying companies with improving quality metrics has added little value in recent years.
- Valuation and improving quality have failed: Stocks with strong momentum have continued to outperform, while strategies based on buying cheaper stocks or expecting quality improvements have generally failed, reflecting a market increasingly driven by earnings revisions rather than valuation.
- AI has fundamentally changed how investors should think about valuation and diversification. Companies benefiting from AI have generally become more expensive, while firms vulnerable to AI disruption have become cheaper, making traditional value investing less effective. At the same time, many AI-related investment themes have become highly correlated, reducing the diversification investors may expect.
- Market-weight the Great 8: Maintaining meaningful exposure to the market's largest Technology companies remains important. The "Great 8" represent 47% of the beta-adjusted exposure of the S&P500 and are growing gross profit dollars much faster than the other 492, fueling our belief that owning close to market-weight the cohort is prudent.

# HIGH-QUALITY HAS LAGGED JUNK FOR NEARLY FIVE YEARS

Part of the reason performance has been challenging for many portfolio managers is that high-quality stocks have lagged, and junk stocks have outperformed. The relative weakness of high-quality stocks vs. junk stocks (left) has persisted for more than five years and is not just associated with acute risk-on regimes. It really appears to have changed around COVID, which isn't necessarily an artifact of the virus, but rather a time where multi-strats, passives, and other market influences became increasingly impactful (right).




Source: Trivariate Research




Source: Trivariate Research

# QUALITY MULTIPLES HAVE CONTRACTED MORE THAN JUNK

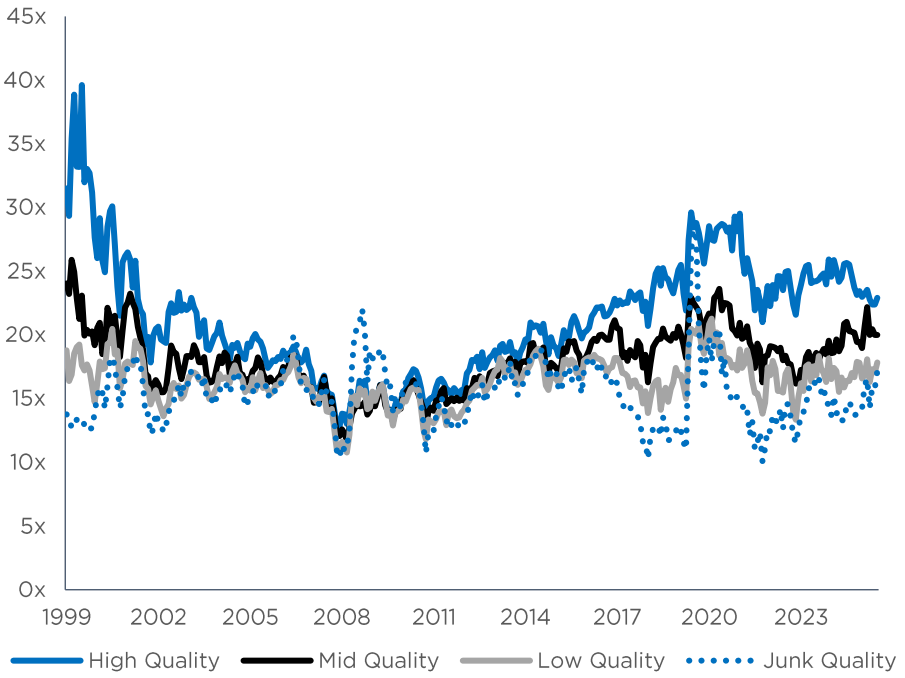
We took all the stocks by market capitalization that were around in 2019 and are still around today, clustered by the quality bucket we assigned them to in 2019. Below we show that high-quality stocks tended, across their distribution, to have the MOST multiple contraction of any quality quantile since 2019. Only the median junk stock was able to maintain its multiple, and 25% of junk stocks saw at least four turns of price-to-forward earnings multiple expansion (left). On the contrary, less than 25% of the high-quality stocks saw one turn of multiple expansion. Price-to-forward earnings multiples bifurcated from 2011 through 2019 but have consolidated since (right).

**Change in Price-to-Forward Earnings Multiple**
**By Quality Cohort Over Six-Year Period**
**End-2019 vs. End-2025**

| Substance | N | 25th Percentile | Median | 75th Percentile |
|---|---|---|---|---|
| High | 331 | (10.2x) | (4.0x) | 0.4x |
| Mid | 334 | (6.4x) | (2.5x) | 2.1x |
| Low | 341 | (4.8x) | (1.3x) | 2.4x |
| Junk | 319 | (3.9x) | 0.0x | 4.0x |

Source: Trivariate Research

**Median Price-to-Forward Earnings by Quality**
**Top 1,000 US Equities**
**Through End-June, 2026**




Source: Trivariate Research

# FAST GROWTH, BUYBACKS, LOW DEBT, AND LOW SI MATTER

We looked at our factor library to identify signals that were efficacious at predicting high-quality stock winners from high-quality stock losers since 2020. Buying stocks with high R&D intensity, high revenue growth, strong momentum, and low debt was the best approach. Avoiding relatively higher days of inventory was helpful.

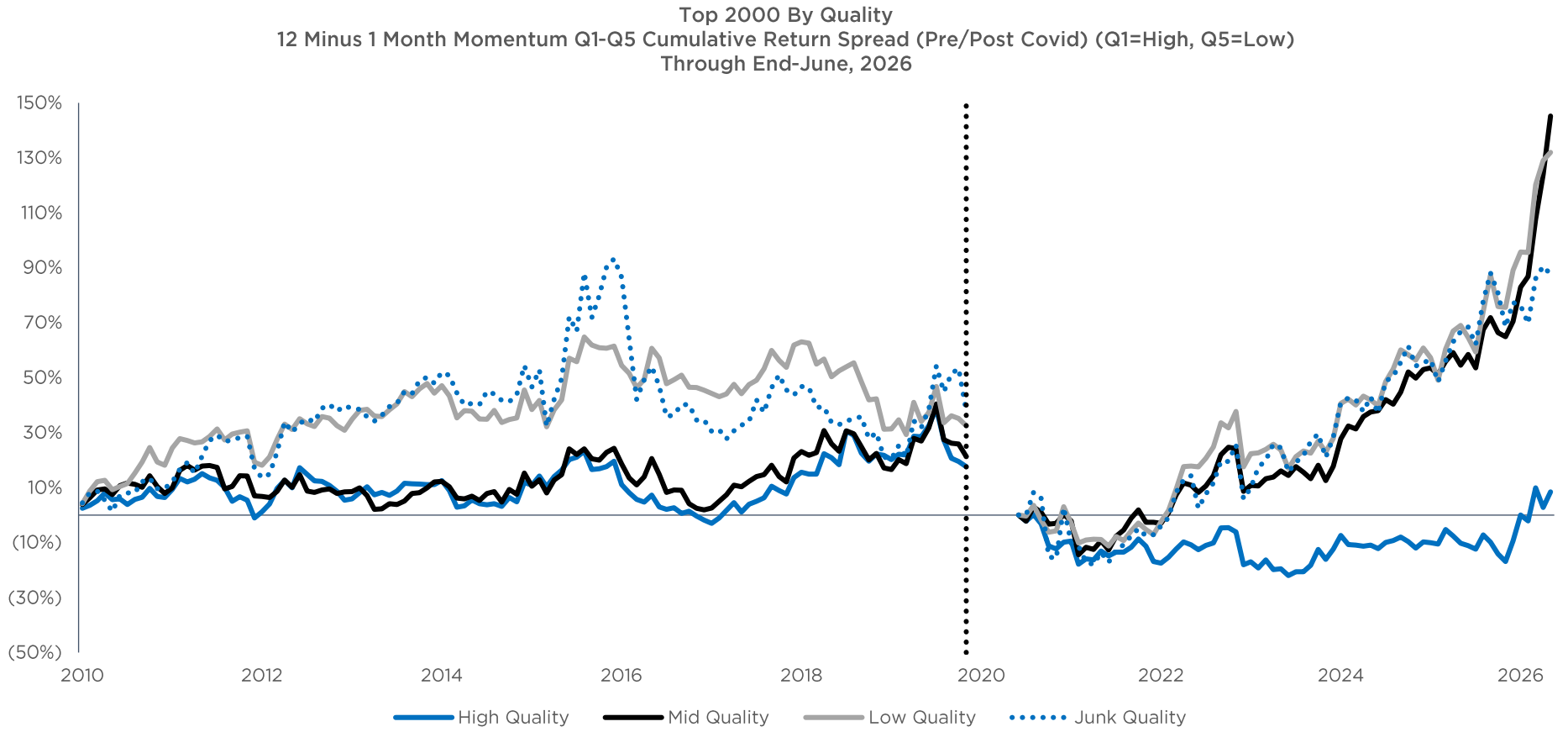
**Best and Worst Performing Signals in High Quality Universe Since 2020**
**Top 2k US Equities**
**As of End-June, 2026**

| Signal | Annualized Mean Return | Annualized Std. Dev of Returns | Sharpe Ratio | Hit Rate |
|---|---|---|---|---|
| R&D-to-Sales | 8.0% | 22% | 0.36 | 58% |
| Revenue Growth | 7.5% | 14% | 0.52 | 56% |
| Net Debt to Market Cap | 6.5% | 13% | 0.49 | 53% |
| 12-Month Momentum | 5.6% | 15% | 0.37 | 54% |
| Dividend Coverage Ratio | 4.3% | 9% | 0.46 | 60% |
| Short Interest-to-Value Traded | 4.1% | 9% | 0.44 | 58% |
| Buyback Yield | 3.7% | 11% | 0.34 | 53% |
| Indicated Dividend Growth | 3.7% | 7% | 0.55 | 55% |
| EPS Growth (Trailing 12Q) | 3.0% | 8% | 0.39 | 54% |
| EV-to-Forecast Sales | 2.8% | 15% | 0.19 | 54% |
| Forecast Net Margin Expansion | (0.5%) | 10% | (0.05) | 47% |
| Forecast Gross Margin | (0.8%) | 18% | (0.04) | 53% |
| Price-to-Forward Earnings | (1.2%) | 21% | (0.06) | 46% |
| Net Margin | (1.5%) | 15% | (0.09) | 47% |
| Gross Margin | (1.6%) | 10% | (0.16) | 47% |
| Quick Ratio Growth | (1.8%) | 7% | (0.27) | 44% |
| Accruals | (2.1%) | 9% | (0.23) | 47% |
| Operating Margin | (3.0%) | 17% | (0.17) | 44% |
| Indicated Annual Dividend Yield | (4.1%) | 16% | (0.26) | 46% |
| Inventory-to-Sales | (5.4%) | 10% | (0.53) | 45% |

Source: Trivariate Research

# MOMENTUM HAS NOT WORKED IN HIGH-QUALITY

We looked at the 12-month minus 1-month price momentum for each of our quality buckets. **While momentum was never sustainably effective for high-quality stocks, it has worked everywhere else except since 2020.** We have found that strong momentum more often leads to upward earnings revisions, so mean-reverting trading strategies have failed over the last few years.

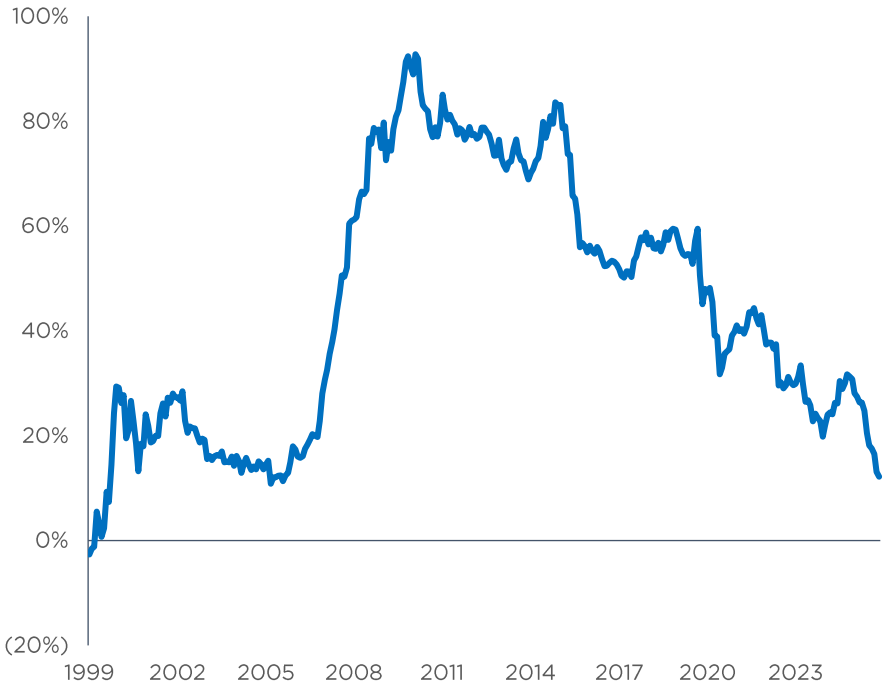



Source: Trivariate Research

# BUYING STOCKS THAT ARE IMPROVING QUALITY DOESN'T WORK

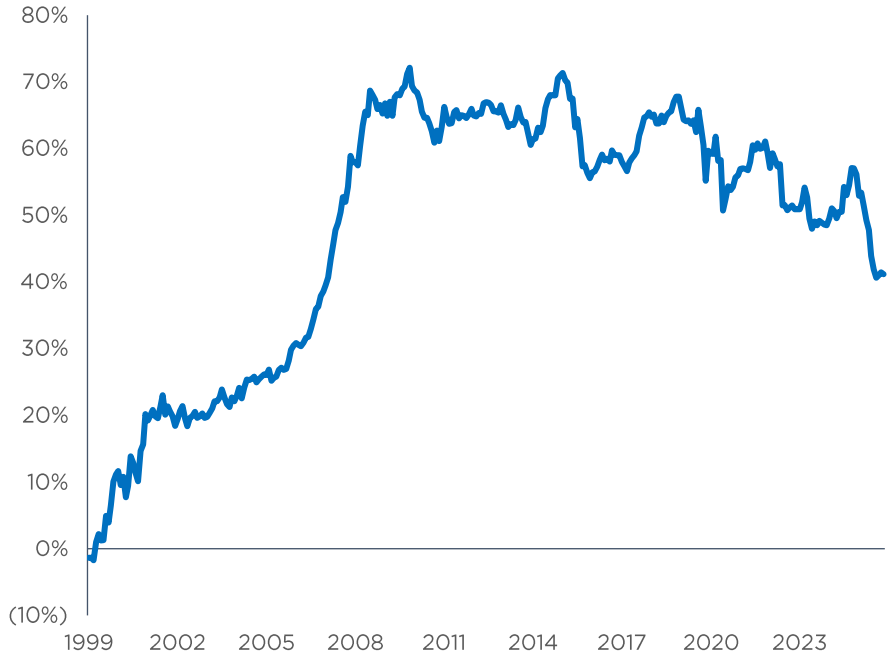
We believed this approach was logical, and some of our clients were inquiring whether they should focus on improving quality, given that high-quality strategies have not been working as expected. It seemed to us that buying low-quality or junk stocks that migrate to higher quality would be a positive. We ranked all stocks on our "raw" quality score and looked for the performance of those that improved quality the most vs. those where it deteriorated the most (left). That strategy worked great from 2005-2008 but has sharply failed since 2011 and even recently. This also hasn't added value looking at relative-to-industry-group returns. We are surprised to report that buying improving quality on average isn't an effective strategy.

**Change in Quality Q1 vs. Q5 Spread**
**Top 2,000 US Equities**
**Through End-June, 2026**




Source: Trivariate Research

**Change in Quality Q1 vs. Q5 Spread**
**Top 2,000 US Equities**
**Industry Group-Relative Returns**
**Through End-June, 2026**

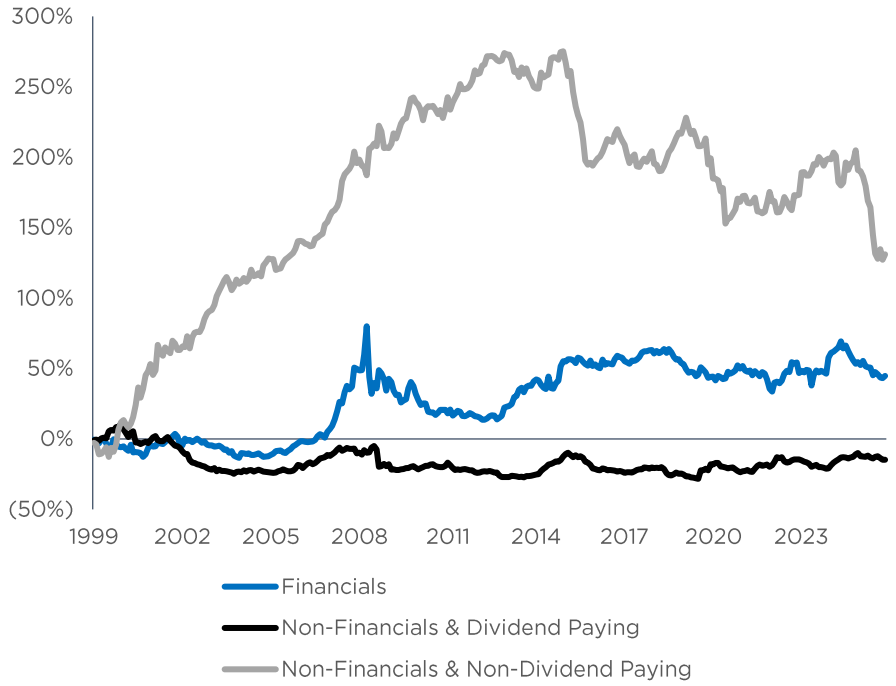



Source: Trivariate Research

# IT NEVER WORKED EXCEPT UNTIL 2011 IN PARTS OF THE MARKET

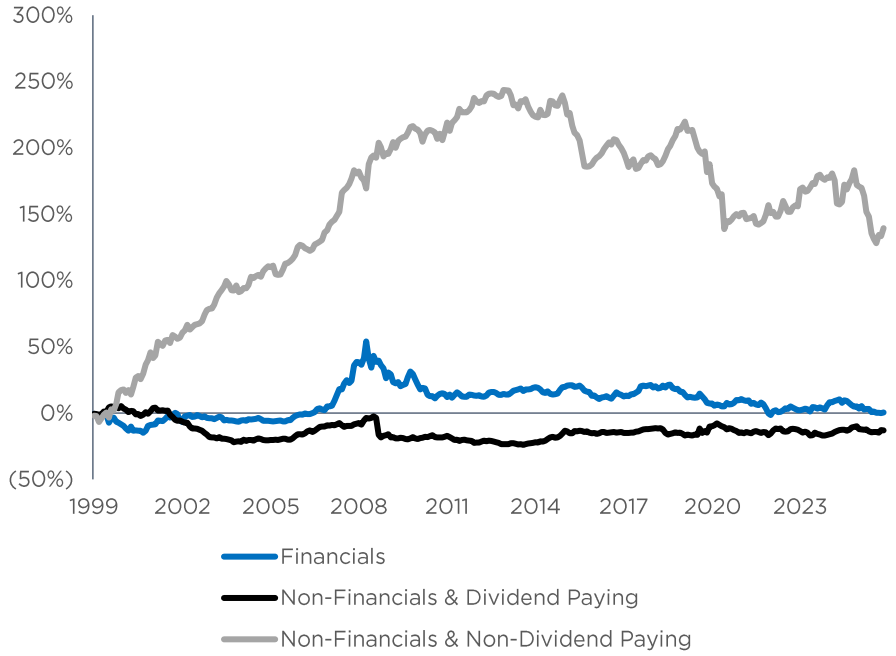
We wondered if there was something confounding happening where buying improving quality worked in some parts of the market, but not in others, given the premise seems so logical. We looked at absolute (left) and relative-to-industry group returns (right) for improving quality scores among Financials, Dividend payers, and the rest of the market. Among Financials, the strategy cumulatively generates less than 2% per year, though that mostly was into the Financial Crisis. For all the Dividend paying non-Financials, the strategy has never worked. The non-Financials / non-Dividend paying – like a lot of Technology – this worked until 2011 or so and has failed since.

**Change in Quality Q1 vs. Q5 Spread**
**By Substance Cohort**
**Through End-June, 2026**




Source: Trivariate Research

**Change in Quality Q1 vs. Q5 Spread**
**By Substance Cohort**
**Industry Group-Relative Returns**
**Through End-June, 2026**

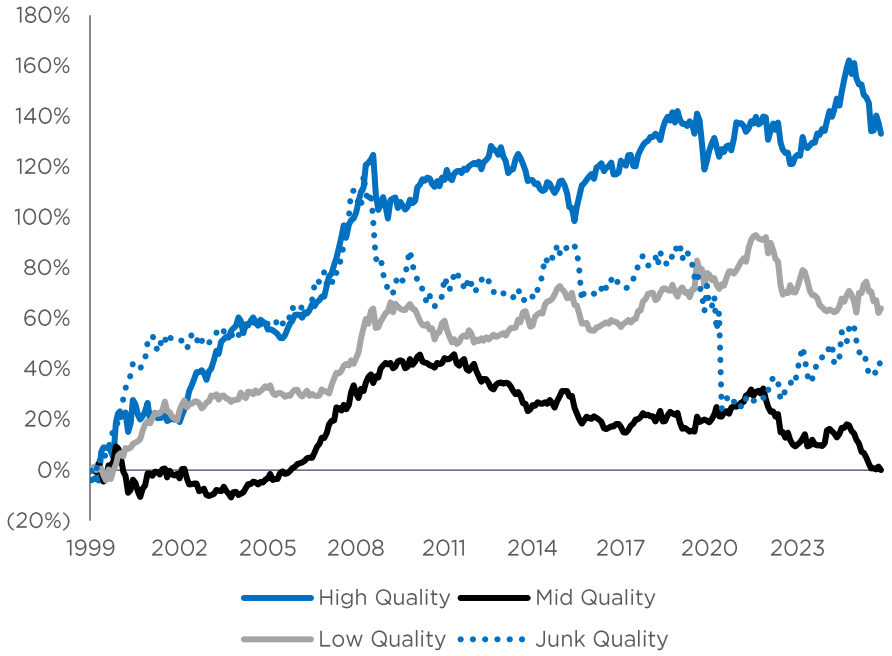



Source: Trivariate Research

# RECENTLY HIGH-QUALITY STOCKS WITH IMPROVING QUALITY FAILED

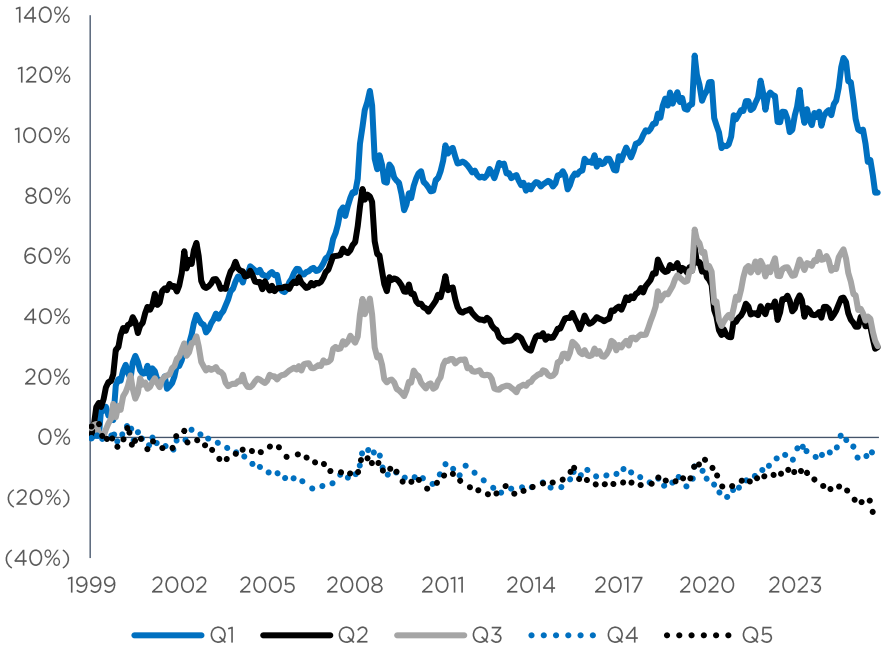
We analyzed the performance of stocks within starting quality bucket (high, mid, low, junk) to see if change in quality mattered. We found it was somewhat helpful to own the high-quality stocks with improving quality and avoid the high-quality stocks with deteriorating quality (Q1 minus Q5) on change in quality from 1999-2000, and from 2015 until a year ago, though this has sharply failed over the last twelve months (left). Isolating it to just high-quality stocks (right), we found that improving quality among the highest-quality bucket was a decent strategy until the last year. Avoiding high-quality stocks in the bottom two quintiles – i.e., quality is getting worse- has consistently been a good idea. Our conclusion is to look for high-quality stocks where quality is not getting worse. We don't have a great logical explanation for the recent sharp failure.

Change in Quality Q1 vs. Q5 Spread
By Starting Quality
Industry Group-Relative Returns
Through End-June, 2026




Source: Trivariate Research

Cumulative Return by Change in Quality Quintile
High Quality Stocks in Prior Month
Industry Group-Relative Returns
Through End-June, 2026

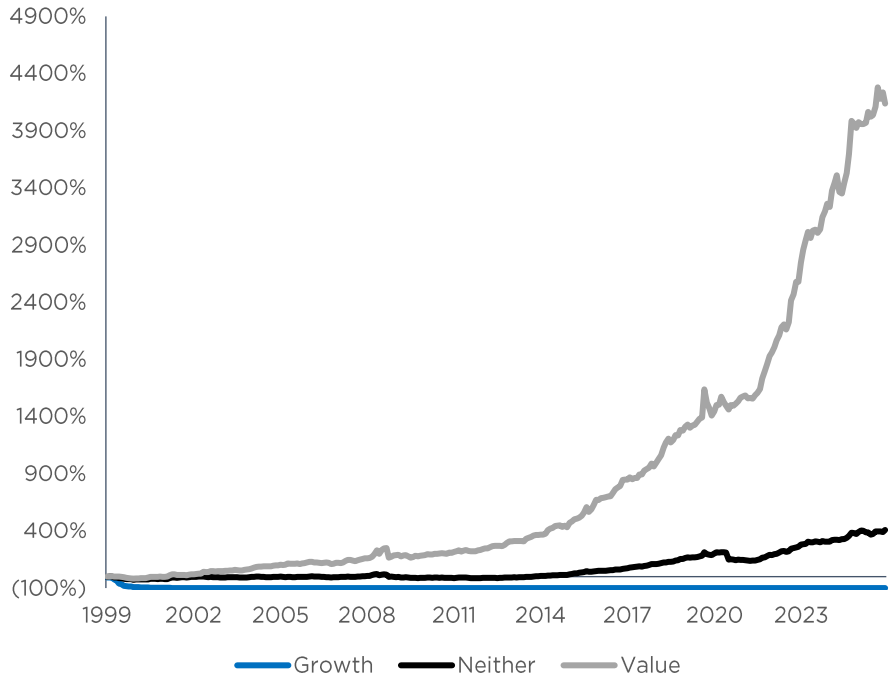



Source: Trivariate Research

# IMPROVING QUALITY WORKS CONTEMPORANEOUSLY

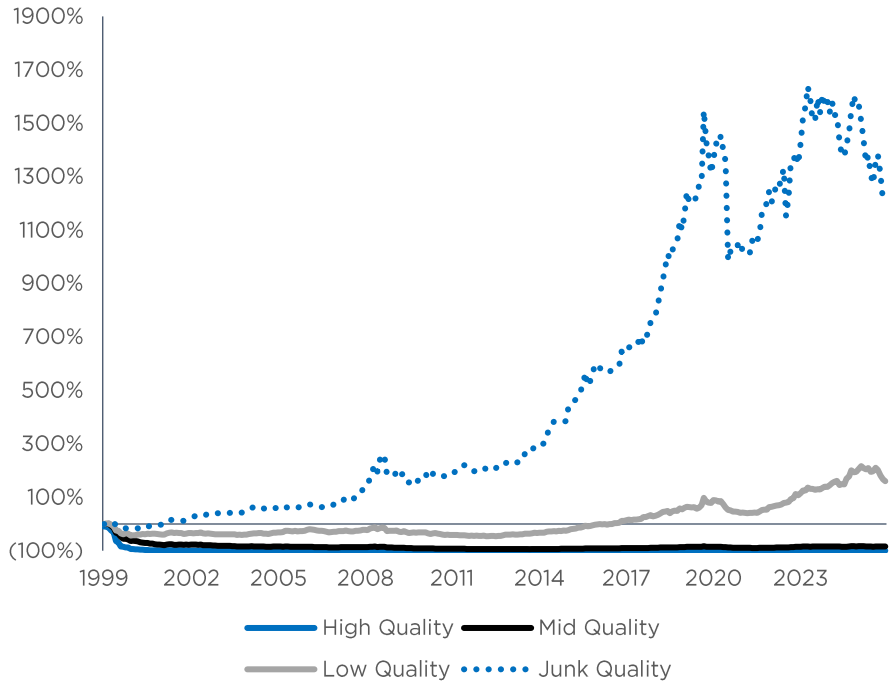
Given quality improvement has little predictive power over future equity returns, we wanted to see if the change in quality was being priced in after it occurs. Below we show the Q1 vs. Q5 spread using quintiles of the *future* 1-month change in quality. Quality improvement works particularly well among Value stocks (left) and Junk stocks (right).

**Future Change in Quality Q1 vs. Q5 Spread**
**By Style**
**Through End-June, 2026**




Source: Trivariate Research

**Future Change in Quality Q1 vs. Q5 Spread**
**By Substance**
**Through End-June, 2026**

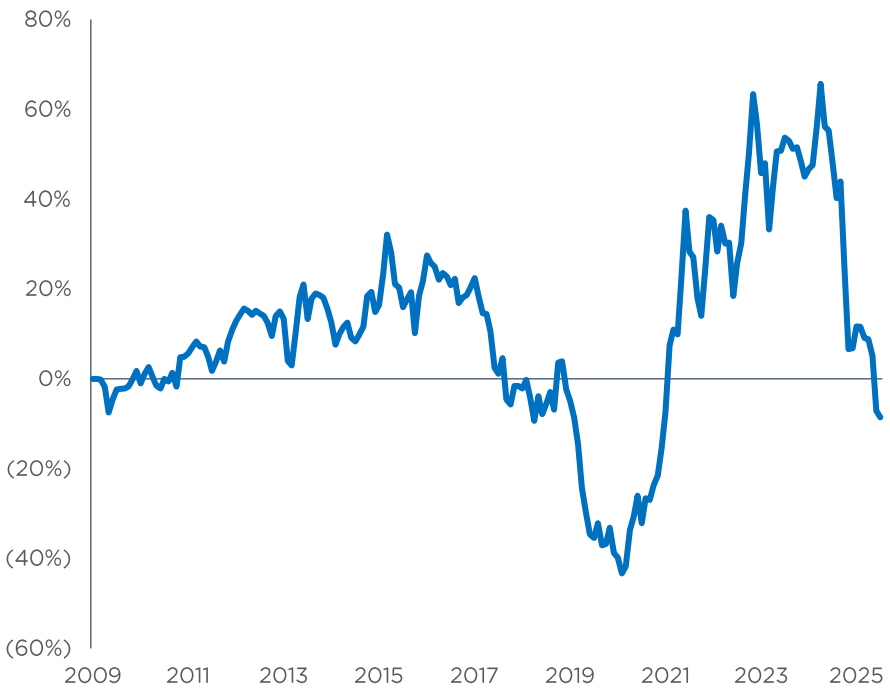



Source: Trivariate Research

# VALUATION LEVEL ISN'T HELPFUL FOR STOCK SELECTION

In the summer of 2025, we wrote about how valuation was not particularly effective for picking stocks. Over the last fifteen years, the cumulative return of buying stocks in the cheapest quintile on price-to-forward earnings and shorting those in the most expensive quintile has generated almost no total return, providing firm evidence that valuation in a vacuum has no efficacy (left). Why is this (right)? Today perhaps it is because AI revenue or productivity beneficiaries are getting more expensive, as are those stocks with business models deemed to be impregnable to AI. On the contrary, stocks that are getting cheaper have a higher-than-average probability of being disrupted by AI. Structural issues like retail and quant money could mean this lasts.

**Cumulative Return of Price-to-Forward Earnings Quintile Spread (Least Expensive - Most Expensive) Through End-June, 2026**




Source: Trivariate Research

REASONS VALUATION HAS FAILED:

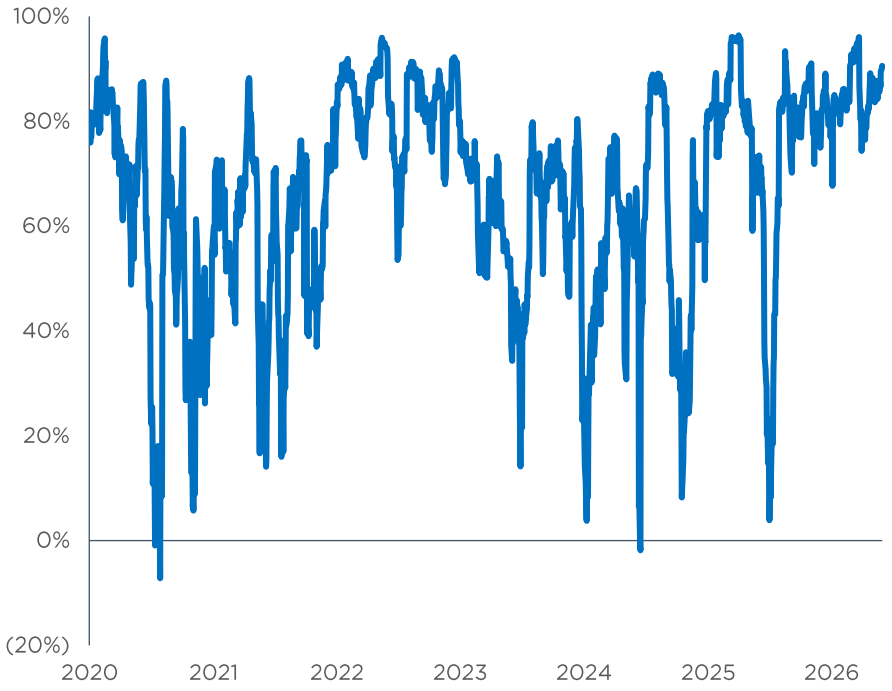
- AI Revenue Beneficiaries – Get Multiple Expansion
- AI Productivity Beneficiaries – Get Multiple Expansion
- Impregnable to AI – Get Multiple Expansion
- Potentially Disrupted by AI – See Multiple Contraction
- If you use mean-reverting valuation to pick stocks, you are selling stocks that benefit or are impregnable to AI and buying stocks that are potentially disrupted.
- Quant Money Is Run Valuation Neutral
- Retail Investors' Insensitivity and Stock Splits Indicate Low Price "Works"
- Valuation Has not Worked for Sustained Periods for the Past 15 Years

Source: Trivariate Research

# AI SEMIS / ELECTRIFICATION INDUSTRIALS ARE VERY CORRELATED

We created nearly 25 custom baskets of stocks that provide exposure to disparate growth areas. AI Semiconductors and Electrification Industrials are two such baskets. Importantly though, some of the growth themes today are not particularly diversifying (left). For instance, a stock like NVDA (in the AI Semis basket) might trade very similarly to ETN (in the Electrification basket). The 126-day correlation of returns between six major growth baskets is shown on the right and is at highs. Right now, AI Semiconductors and Electrification Industrials have the highest correlation (0.84), and AI Software and Utilities / Power have a negative correlation. We would highly recommend portfolio managers monitor the rolling correlation of returns between these growth-themed baskets to avoid "Texas hedges" in their portfolio.

AI Semi vs. Electrification Industrials
21-Day Rolling Correlation of Returns
Through End-June, 2026




Source: Trivariate Research

Six Growth Theme Baskets: 126-Day Correlation of Returns
As of End-June, 2026

| | AI Semi | AI Software | Utilities / Power | Healthcare Services | Housing | Electrification Industrials |
|---|---|---|---|---|---|---|
| AI Semi | 100.0% | 3.7% | 28.6% | 16.1% | 52.0% | 84.5% |
| AI Software | 3.7% | 100.0% | (21.1%) | 23.4% | (0.2%) | 2.6% |
| Utilities / Power | 28.6% | (21.1%) | 100.0% | 9.5% | 33.3% | 37.3% |
| Healthcare Services | 16.1% | 23.4% | 9.5% | 100.0% | 30.0% | 22.1% |
| Housing | 52.0% | (0.2%) | 33.3% | 30.0% | 100.0% | 61.6% |
| Electrification Industrials | 84.5% | 2.6% | 37.3% | 22.1% | 61.6% | 100.0% |

Source: Trivariate Research

# WE THINK AT LEAST MARKET-WEIGHTING THE GREAT 8 IS PRUDENT

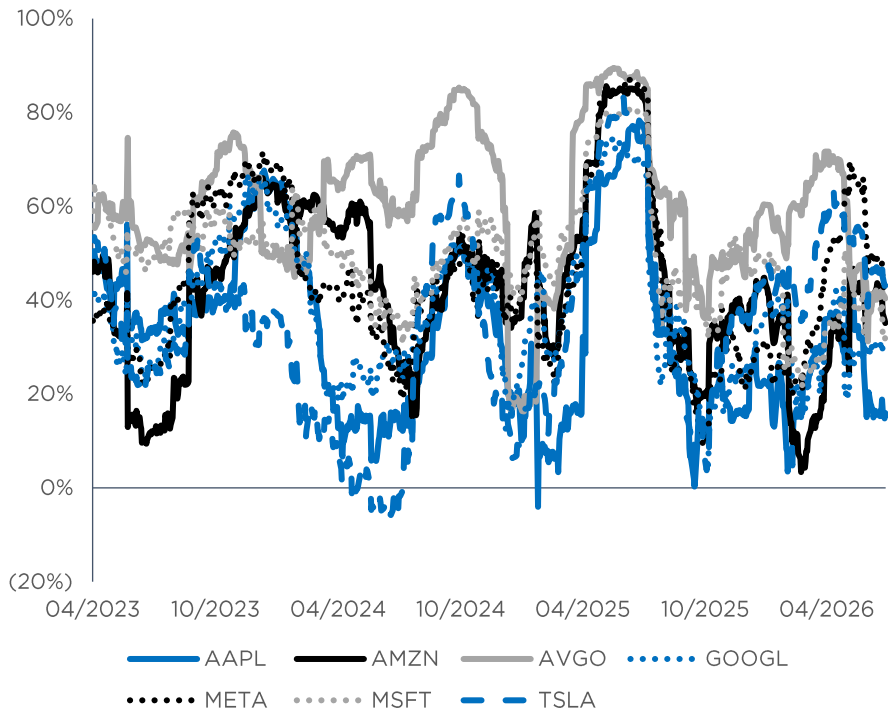
On the left below, we show the performance of the Great 8 stocks (NVDA, AAPL, AMZN, AVGO, GOOGL, META, MSFT, and TSLA) around EPS reports over the last two years. We show, in green, stocks that were up more than 5% on the first day of trading after their earnings release, and in red those down more than 5%. In Q1, GOOGL was best and AVGO and META were the worst. AVGO has alternated strong vs. weak for 8 quarters in a row! We highly doubt that fundamental analysts can call the quarters of these companies consistently well and then position capital to generate positive P&L impact with this much quarter-to-quarter performance deviation. The correlation of returns of these stocks appears to be cyclical, but hard to time (right). NVDA has been both highly correlated to – and nearly anti-correlated to AVGO in a one-year span, as an example.

**Great 8 Earnings Results, One Day Post-Results Performance**
**As of End-June, 2026**

| Quarter | AMZN | MSFT | AAPL | GOOGL | NVDA | META | TSLA | AVGO |
|---|---|---|---|---|---|---|---|---|
| Q1 2026 | 2.1% | (5.0%) | 3.2% | 10.0% | (0.5%) | (8.9%) | (3.3%) | (12.6%) |
| Q4 2025 | (9.7%) | (9.8%) | 1.2% | (2.5%) | (4.1%) | 9.7% | (3.3%) | 6.0% |
| Q3 2025 | 6.0% | (3.0%) | 0.2% | 5.2% | (0.4%) | (11.3%) | 1.4% | (12.8%) |
| Q2 2025 | (6.7%) | 4.1% | (3.2%) | 0.4% | (0.9%) | 10.5% | (8.1%) | 10.7% |
| Q1 2025 | 3.0% | 8.0% | (3.4%) | 4.3% | 2.7% | 3.2% | 10.2% | (5.4%) |
| Q4 2024 | (3.0%) | (7.2%) | (1.4%) | (4.9%) | (5.1%) | 1.9% | 0.6% | 1.8% |
| Q3 2024 | 2.7% | (5.9%) | (3.1%) | 4.6% | (0.2%) | (4.3%) | 19.5% | 22.7% |
| Q2 2024 | (10.2%) | (2.0%) | (1.0%) | (5.0%) | (8.3%) | 7.5% | (10.6%) | (11.1%) |

Source: Trivariate Research

**63-Day Rolling Correlation of NVDA to Rest of Great 8**
**Through End-June, 2026**




Source: Trivariate Research

# GREAT 8 GROSS MARGIN EXPANSION IS KEY

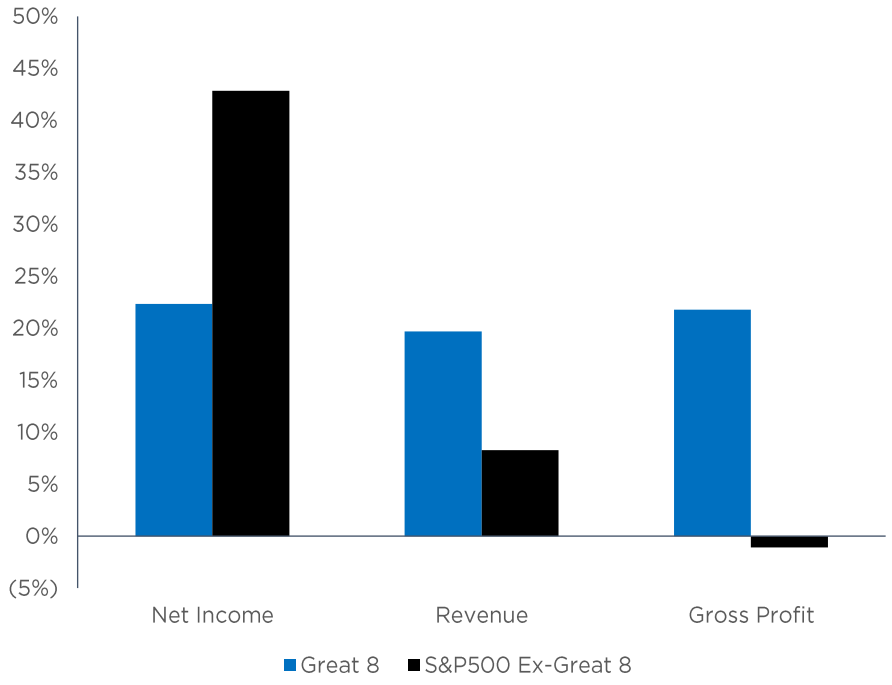
For investors trying to beat the S&P500, it is crucial to get these names right. In fact, the Biggest 8 names are 33.6% of the S&P500 market cap., but 47.6% on a beta-adjusted basis (left). We think institutional investors that are long-only benchmarked against the S&P500 should be close to market-weight the Great 8. In fact, we think the Great 8 outperforming hurts many institutional investors' relative performance MORE than the retail space. Looking at fundamentals – the Great 8 are forecasted by the consensus to have far faster gross profit dollar growth, but less net income dollar growth. This either means there is far more leverage in the other 492, or that their forecasts are too high. On the margin, we think we are more bullish than the consensus on the relative performance potential of the Great 8.

**Attributes of The Great 8, Market Cap. and Beta**
**As of End-June, 2026**

| Ticker | Market Cap. (US $Bn.) | Percent of S&P500 Market Cap. | Beta | Beta-Adjusted Size |
|---|---|---|---|---|
| NVDA | 4,846 | 6.9% | 1.90 | 13.1% |
| GOOGL | 4,339 | 6.2% | 1.30 | 8.1% |
| AAPL | 4,250 | 6.1% | 0.87 | 5.3% |
| MSFT | 2,771 | 3.9% | 0.83 | 3.3% |
| AMZN | 2,564 | 3.7% | 1.36 | 5.0% |
| AVGO | 1,797 | 2.6% | 2.06 | 5.3% |
| TSLA | 1,580 | 2.2% | 2.05 | 4.6% |
| META | 1,430 | 2.0% | 1.49 | 3.0% |
| Great 8 Total | 23,576 | 33.6% | 1.48 | 47.6% |

Source: Trivariate Research

**Dollar-Weighted Forecast Growth**
**Great 8 vs. S&P500 Ex-Great 8**
**Through End-June, 2026**




Source: Trivariate Research

# PART 6: SECTOR IDEAS

- Quant modeling industry groups doesn't work: We think it is challenging to use revisions, momentum, valuation, and profitability, among other factors, to consistently predict industry group returns. We have built several models, but none consistently add value, and the one that worked well until 2020 has failed miserably since. Although we are not confident that sector or industry recommendations can be established on a fundamentally sound basis, we nevertheless provide them, while remaining fully aware that this cannot be accomplished through purely quantitative analysis.
- Sector concentration is extreme: We looked at the percentage of S&P500 returns that comes from the largest three sectors over time. Today, the top three account for 59.3% of the market cap., near the highest levels since 2001. These are Technology, Financials, and Communication Services. At the same time, the smallest four sectors – REITs, Utilities, Materials, and Energy – are at just 8.4% of the S&P500, near the lowest level in 25 years though up in January. NVDA is 6.9% of the S&P500 market cap. – closing in on FOUR SECTORS combined.
- Small caps: We have been surprised by the strong performance this year, as typically incremental monetary and fiscal stimulus is required to drive meaningful relative upward revisions. History doesn't argue that chasing small caps here is prudent. We can see more alpha is capturable in small caps. and wouldn't be opposed to owning slightly more than the benchweight, but we would own much more S&P500 than the Russell 2000 in absolute terms.

# TRIVARIATE SECTOR RECOMMENDATIONS

We are recommending Technology, Healthcare, and Energy. We are underweight Financials and Consumer Staples.

**Trivariate Sector Recommendations as of End-June, 2026**

| Sector | Total S&P500 Market Cap. (US$ Trillion.) | Current S&P500 Weight | Trivariate Recommended Weight | Trivariate Relative Weight | Trivariate Recommendation | Comments |
|---|---|---|---|---|---|---|
| Information Technology | 25.03 | 36.6% | 41% | 4.4% | Overweight | Strong absolute earnings growth that can absorb multiple compression. A balance of AI and Great 8, our North Star remains Semis over Software. |
| Health Care | 5.92 | 8.7% | 12% | 3.3% | Overweight | We have had a bad call, but think the probability of material government cuts is lower than what's in the price |
| Energy | 1.98 | 2.9% | 6% | 3.1% | Overweight | FCF growth will remain elevated, and correlation to Technology is low |
| Materials | 1.20 | 1.8% | 2% | 0.2% | Equal-Weight | Materials should have above avg. estimate achievability, we like Gold and Copper |
| Utilities | 1.43 | 2.1% | 2% | (0.1%) | Equal-Weight | Some idiosyncratic investments are sensible for AI exposure |
| Real Estate | 1.20 | 1.8% | 1% | (0.8%) | Equal-Weight | Metrics for stock selection are becoming more effective, commercial remains challenged. |
| Consumer Discretionary | 6.75 | 9.8% | 9% | (0.8%) | Equal-Weight | Better Hormuz-related news should help low quality stocks |
| Communication Services | 7.17 | 10.5% | 9% | (1.5%) | Equal-Weight | Generally weak after Oil spikes. |
| Industrials | 5.81 | 8.6% | 7% | (1.6%) | Equal-Weight | Industrial activity is modestly improving, but input costs may be rising and correlation to AI Semis is high. |
| Financials | 8.19 | 12.1% | 9% | (3.1%) | Underweight | Crowded, not as much of an AI beneficiary as people think, and private credit issues are accelerating |
| Consumer Staples | 3.48 | 5.1% | 2% | (3.1%) | Underweight | Staples have outperformed, yet we see signs of deteriorating pricing power, and some major headwinds, we would be cautious |

Source: Trivariate Research

# SYSTEMATIC INDUSTRY GROUP SELECTION MODEL

**Overview**: We built a systematic model to predict the ranking of 1-month forward industry group returns. We test the model by going long the top 10 industries and short the bottom 10 industries each month. The model works from 2009 to 2020, returning an average of 3.3% per year with a sharpe ratio of 0.63. However, after 2020, the model fails to identify signals with consistent predictive power, as many factors stopped working in the new regime.

**Methodology**: The model is designed to take the kinds of signals a bottom-up investor already cares about: valuation, margins, revisions, growth, capital allocation, ownership, momentum, and balance-sheet quality, and systematically measure which ones are currently working across industries. Rather than relying on any single factor, it creates several versions of each signal, groups together highly similar variants, and then gives more weight to signals that have recently shown stronger cross-sectional efficacy while penalizing redundant or overly concentrated exposures. The model is re-trained every 3 months to capture changing factor efficacy and gives more weight to recent months. The output is a ranked list of industries where the underlying stock-level fundamentals and market signals are most consistently improving versus deteriorating.

**Conclusion**: Using a broad factor base to predict industry-level returns no longer works. We hypothesize that the "second derivative" of factor efficacy has been higher as of late. By the time that a statistical model has enough sample size to identify effective factors, their efficacy may have died out or even reversed. The COVID-19 pandemic, inflation, interest rate cycle, and A.I. theme have all greatly impacted the factors which predict winners from losers.

# MOST IMPACTFUL SIGNALS IN CURRENT INDUSTRY GROUP MODEL

Below we show the current signals with the largest weights in the industry group model. Each signal is only allowed to contribute a maximum weight of 4% for the final model. The weights are signed, such that a positive value represents a positive relationship between the signal and an industry's relative outperformance, and a negative value indicates a negative relationship. The model picks up on several factors that have worked exceptionally well recently, and which we have written about in the past, such as capex-to-sales growth and percent change in consensus forecast EPS. However, there are not enough effective factors in the current regime for the model to add value.

**Current Industry Group Model Signed Weights, Top 20 Signals Through End-June, 2026**

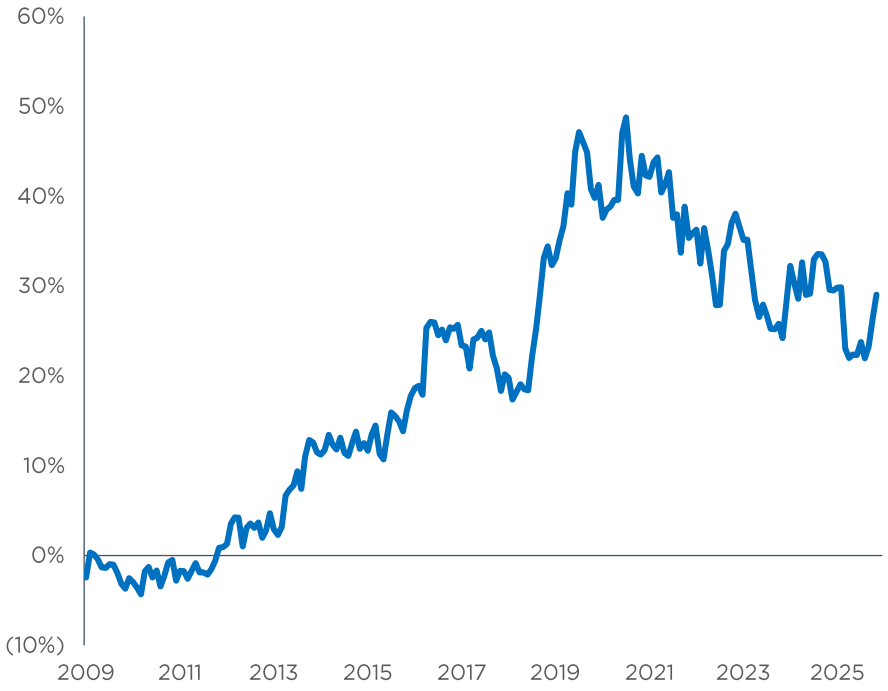
| Signal | Stock Level-to-Industry Level Signal Aggregation Family | Is Signal Level or Change? | Signed Model Weight |
|---|---|---|---|
| 3-Month Mean of Daily Share Turnover | Dispersion | Change | 4.0% |
| Capex-to-Sales Growth | Center | Change | 4.0% |
| Free Cash Flow Yield | Dispersion | Change | 3.7% |
| % Ownership from Corporate Investment Arms | Center | Change | 3.4% |
| 1-Month vs. 3-Month Volume | Center | Change | 2.9% |
| Net Number of New Institutional Buyers | Center | Change | 2.6% |
| Sell-Side Buy Percentage | Center | Change | 2.6% |
| 1-Month % Change in Fwd. EPS | Center | Change | 2.5% |
| 3-Month % Change in Fwd. EPS | Center | Change | 2.3% |
| Market Capitalization | Center | Level | 1.8% |
| Buyback Yield | Dispersion | Change | (3.0%) |
| Forecast Incremental Gross Margin | Dispersion | Change | (3.1%) |
| % Ownership from Public Companies | Dispersion | Change | (3.1%) |
| Sell-Side Sell Percentage | Dispersion | Level | (3.3%) |
| Accruals | Center | Change | (3.4%) |
| Forecast Net Margin | Center | Change | (3.5%) |
| Log of Market Capitalization | Dispersion | Change | (3.5%) |
| Company-Specific Risk | Center | Change | (4.0%) |
| Price-to-Book | Dispersion | Change | (4.0%) |
| % Ownership from Private Investment Firms | Center | Change | (4.0%) |

Source: Trivariate Research

# QUANTITATIVE INDUSTRY SELECTION DOES NOT WORK

In order to assess the efficacy of the model, we backtest the performance of going long the top 10 industries and short the bottom 10 industries each month back in time. Prior to 2020, the model works surprisingly well, with a sharpe ratio of 0.63 and a maximum drawdown of (6.9%). However, after 2020, the model fails to identify signals with consistent predictive power, as many factors stopped working in the new regime.

**Cumulative Return of 1-Month Fwd. Industry Group Model**
**Long 10 & Short 10 Industries Each Month**
**Through End-June, 2026**




Source: Trivariate Research

**Systematic Long/Short 1-Month Fwd. Industry Group Model**
**Back-test Descriptive Statistics**
**Through End-June, 2026**

| Statistic | 2009 to 2020 | 2020 to Present |
|---|---|---|
| Annualized Mean Return | 3.3% | (1.6%) |
| Annualized Standard Deviation | 5% | 7% |
| Sharpe Ratio | 0.63 | (0.22) |
| Hit Rate | 54% | 51% |
| Maximum Drawdown | (6.9%) | (18.0%) |

Source: Trivariate Research

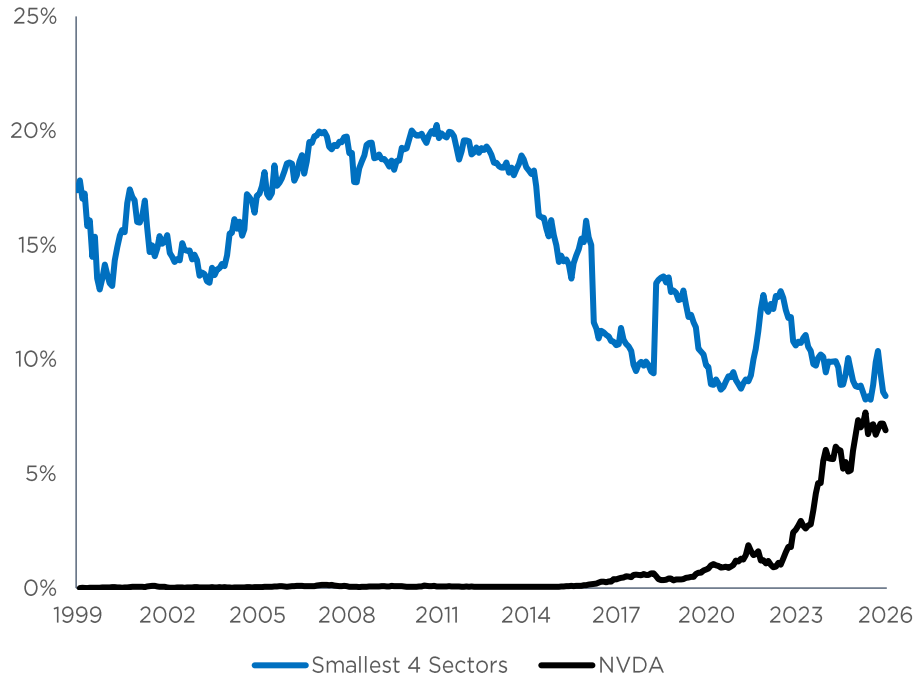
# THE CONCENTRATION OF SECTOR EXPOSURE IS VERY HIGH

We looked at the percentage of S&P500 returns that comes from the largest three sectors over time. Today, the top three account for 59.3% of the market cap., near the highest levels since 2001. These are Technology, Financials, and Communication Services (left). At the same time, the smallest four sectors – REITs, Utilities, Materials, and Energy – are at just 8.4% of the S&P500, near the lowest level in 25 years though up in January (right). NVDA at 6.9% is approaching the market cap. of the smallest four sectors.

Largest Three Sectors
Market Cap. Share of S&P500
Through End-June, 2026


Source: Trivariate Research

Smallest Four Sectors vs. NVDA
Market Cap. Share of S&P500
Through End-June, 2026




Source: Trivariate Research

# SMALL CAP VALUE UNLIKELY TO OFFER PROTECTION

To study behaviors more recently, we looked at major S&P500 corrections over the last 25 years, and compared small cap. to S&P500 performance, and small cap. growth vs. small cap. value performance during those corrections. On average and median, small cap. value went down less than small cap. growth, with the 2000 / Nasdaq period quite interesting, as small cap. value was up in absolute terms during those regimes. The last five corrections (highlighted in blue below) show more mixed results, with small cap. value and growth performing similarly in both 2018 corrections, small cap. value worse during the initial COVID correction, and small cap. value slightly better in the third 2018 downturn, and in 2025. On the margin, this doesn't make us feel like small cap. value will protect capital during an S&P500 correction.

**Small Cap. Behaviors During S&P500 Drawdowns**
**Through End-June, 2026**

| Drawdown Rank | Small Cap. Growth | Small Cap. Value | Value Minus Growth | S&P500 Drawdown | Length (Trading Days) | Start | End |
|---|---|---|---|---|---|---|---|
| 1 | (55.4%) | (59.6%) | (4.2%) | (55.3%) | 355 | 10/10/2007 | 3/10/2009 |
| 2 | (57.1%) | 26.7% | 83.8% | (47.4%) | 525 | 9/5/2000 | 10/10/2002 |
| 3 | (32.5%) | (43.2%) | (10.7%) | (33.8%) | 23 | 2/20/2020 | 3/24/2020 |
| 4 | (33.6%) | (17.8%) | 15.8% | (24.5%) | 195 | 1/4/2022 | 10/13/2022 |
| 5 | (22.9%) | (19.9%) | 3.1% | (19.4%) | 65 | 9/21/2018 | 12/26/2018 |
| 6 | (16.3%) | (13.2%) | 3.0% | (18.7%) | 34 | 2/20/2025 | 4/9/2025 |
| 7 | (25.2%) | (21.1%) | 4.1% | (18.6%) | 108 | 5/2/2011 | 10/4/2011 |
| 8 | (16.4%) | (19.8%) | (3.4%) | (15.6%) | 49 | 4/26/2010 | 7/6/2010 |
| 9 | (17.1%) | (10.5%) | 6.6% | (14.2%) | 69 | 11/29/2002 | 3/12/2003 |
| 10 | (22.7%) | (20.1%) | 2.6% | (13.0%) | 143 | 7/21/2015 | 2/12/2016 |
| 11 | (10.0%) | (9.3%) | 0.8% | (11.8%) | 64 | 7/19/1999 | 10/18/1999 |
| 12 | (32.0%) | 2.3% | 34.3% | (11.1%) | 15 | 3/27/2000 | 4/17/2000 |
| 13 | (7.7%) | (7.5%) | 0.2% | (10.1%) | 9 | 1/29/2018 | 2/9/2018 |
| Mean | (26.8%) | (16.4%) | 10.5% | (22.6%) | 127 | | |
| Median | (22.9%) | (17.8%) | 3.0% | (18.6%) | 65 | | |

Source: Trivariate Research

# PART 7: AVAILABLE ALPHA

- Opportunities for active stock selection remain uneven across the market. While correlations and valuation dispersion have declined in many industries, others have become more differentiated, creating better opportunities for investors with strong company-specific insights.
- Company-specific risk remains above historical averages, increasing the potential value of fundamental research. Industries such as Energy, Technology Hardware, and Telecommunications have become more driven by individual company performance than by broad market trends.
- Bottom-up stock pickers may find the greatest opportunities in Technology Hardware and Telecommunications, while more macro-sensitive sectors such as Banks and Consumer Durables require greater attention to economic and market trends.
- Fundamental analysts should focus on situations where proprietary research can create the largest information advantage. Leadership changes, major acquisitions, litigation, spin-offs, complex capital structures, and other special situations often produce outcomes that are difficult for quantitative models to forecast.
- Focus on separating from the index: The highest-conviction investment ideas are often companies with elevated company-specific risk that cannot be easily replicated by broad portfolios. Large active overweights or underweights in these differentiated businesses can generate meaningful outperformance when supported by superior fundamental analysis.

# CORRELATIONS ARE MIXED, DISPERSION WIDENED EVERYWHERE

Over the last 3 months, pairwise correlations (PWC) fell in 15 of 25 Industry Groups (left). PWC fell the most in Real Estate Management & Dev, rose the most in Transportation. We analyzed the dispersion of price-to-forward earnings (cross-sectional standard deviation) for each industry (right). Valuation dispersion rose in all 25 Industry Groups. Dispersion widened the most in Semis, Telecom. Services, and Tech. Hardware.

**Pairwise Correlation**
**3-Month Change and Level by Industry Group**
**As of End-June, 2026**

| Industry Group | Change in Median Pairwise Correlation | Level of Median Pairwise Correlation | PWC % Rank vs. History |
|---|---|---|---|
| Transportation | 8.3 | 32.1 | 52.9 |
| Software & Services | 7.1 | 31.7 | 80.8 |
| Utilities | 6.9 | 35.6 | 21.5 |
| Household & Personal Products | 5.2 | 24.2 | 69.6 |
| Pharma, Biotech & Life Sciences | 4.4 | 20.5 | 44.2 |
| Automobiles & Components | 3.8 | 34.1 | 55.7 |
| Materials | 2.3 | 26.5 | 27.9 |
| Capital Goods | 2.3 | 32.4 | 43.2 |
| Media & Entertainment | 1.8 | 17.6 | 17.9 |
| Telecommunication Services | 1.4 | 13.0 | 6.7 |
| Equity Real Estate Investment Trusts | (0.0) | 33.0 | 13.4 |
| Commercial & Professional Services | (0.0) | 21.5 | 28.9 |
| Banks | (0.5) | 66.0 | 84.9 |
| Consumer Services | (0.7) | 21.9 | 31.7 |
| Insurance | (0.7) | 30.6 | 39.3 |
| Food, Beverage & Tobacco | (1.0) | 14.8 | 21.4 |
| Consumer Discretionary Dist. & Retail | (1.2) | 24.2 | 34.9 |
| Financial Services | (1.2) | 26.2 | 23.7 |
| Health Care Equipment & Services | (2.1) | 15.2 | 25.0 |
| Energy | (2.5) | 25.9 | 7.8 |
| Consumer Staples Distribution & Retail | (2.7) | 22.0 | 39.9 |
| Technology Hardware & Equipment | (3.4) | 27.0 | 36.6 |
| Semis & Semi. Equipment | (3.5) | 37.0 | 37.2 |
| Consumer Durables & Apparel | (3.8) | 32.9 | 68.9 |
| Real Estate Management & Dev. | (5.5) | 24.6 | 0.0 |

Source: Trivariate Research

**Cross-Sectional Dispersion in Price-to-Forward Earnings**
**Level and 3m Change in 3-Month Average**
**As of End-June, 2026**

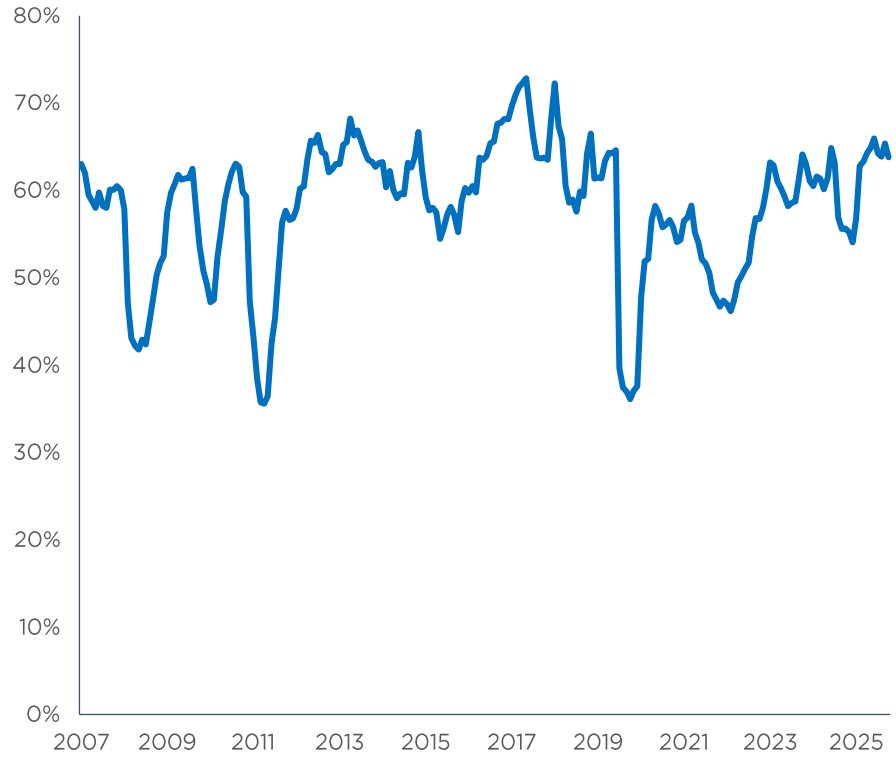
| Industry Group | Change of PEF Dispersion | Level of PEF Dispersion |
|---|---|---|
| Semiconductors & Semiconductor Equipment | 5.3x | 26.6x |
| Telecommunication Services | 4.7x | 17.2x |
| Technology Hardware & Equipment | 3.4x | 19.3x |
| Utilities | 3.4x | 11.8x |
| Software & Services | 2.8x | 20.1x |
| Automobiles & Components | 2.8x | 15.2x |
| Consumer Services | 2.7x | 17.4x |
| Transportation | 2.6x | 18.8x |
| Capital Goods | 2.3x | 18.2x |
| Household & Personal Products | 2.1x | 11.1x |
| Financial Services | 2.0x | 10.2x |
| Insurance | 1.8x | 7.6x |
| Pharmaceuticals, Biotechnology & Life Sciences | 1.6x | 19.4x |
| Energy | 1.4x | 17.1x |
| Consumer Durables & Apparel | 1.4x | 10.2x |
| Equity Real Estate Investment Trusts (REITs) | 1.4x | 20.7x |
| Real Estate Management & Development | 1.2x | 13.9x |
| Health Care Equipment & Services | 0.9x | 19.4x |
| Food, Beverage & Tobacco | 0.9x | 11.1x |
| Commercial & Professional Services | 0.8x | 12.3x |
| Materials | 0.7x | 15.5x |
| Consumer Discretionary Distribution & Retail | 0.7x | 13.4x |
| Media & Entertainment | 0.7x | 17.4x |
| Banks | 0.2x | 3.3x |
| Consumer Staples Distribution & Retail | 0.1x | 11.4x |

Source: Trivariate Research

# COMPANY-SPECIFIC RISK ROSE IN 8 OF 25 INDUSTRY GROUPS

Where should a CIO allocate resources for alpha opportunity? We have our own 7-factor model for company-specific risk (CSR). The median stock's CSR is above long-term averages (left), at 63.8% for the top 3000 US equities. CSR rose in 8 of 25 industry groups over the last 3 months (right). CSR rose the most in Technology Hardware, Energy, and Consumer Services, and fell the most in Insurance.

Top 3000 US Equities
Median Company-Specific Risk
Through End-June, 2026




Source: Trivariate Research

Company-Specific Risk
3-Month Change and Level by Industry Group
As of End-June, 2026

| Industry Group | Change in CSR | Level of CSR | CSR % Rank vs. History |
|---|---|---|---|
| Technology Hardware & Equipment | 3.9 | 62.0 | 76.4 |
| Energy | 3.1 | 69.0 | 95.1 |
| Consumer Services | 2.5 | 69.5 | 78.7 |
| Financial Services | 1.7 | 61.4 | 83.1 |
| Health Care Equipment & Services | 1.3 | 76.6 | 96.9 |
| Consumer Discretionary Distribution & Retail | 0.5 | 66.3 | 60.4 |
| Telecommunication Services | 0.2 | 75.6 | 82.2 |
| Capital Goods | 0.2 | 53.2 | 64.4 |
| Commercial & Professional Services | (0.2) | 64.8 | 87.1 |
| Media & Entertainment | (0.3) | 73.0 | 93.5 |
| Consumer Durables & Apparel | (0.4) | 58.3 | 50.2 |
| Banks | (0.4) | 36.9 | 22.7 |
| Transportation | (0.4) | 60.9 | 61.3 |
| Real Estate Management & Development | (0.7) | 63.9 | 92.3 |
| Pharmaceuticals, Biotechnology & Life Sciences | (0.9) | 75.2 | 73.8 |
| Consumer Staples Distribution & Retail | (1.4) | 77.9 | 91.6 |
| Automobiles & Components | (1.7) | 56.3 | 58.7 |
| Utilities | (1.7) | 69.6 | 92.4 |
| Materials | (2.1) | 58.4 | 74.7 |
| Semiconductors & Semiconductor Equipment | (2.3) | 53.4 | 40.0 |
| Food, Beverage & Tobacco | (2.7) | 74.6 | 75.6 |
| Equity Real Estate Investment Trusts (REITs) | (2.8) | 63.3 | 82.1 |
| Software & Services | (4.5) | 51.6 | 20.0 |
| Household & Personal Products | (4.9) | 68.8 | 52.4 |
| Insurance | (6.8) | 67.5 | 91.1 |

Source: Trivariate Research

# IN WHICH INDUSTRIES SHOULD CIOS DEPLOY RESOURCES?

The areas of focus shifted meaningfully this year. Telco. Services and Technology Hardware are worth incremental attention by bottom-up stock pickers. Chief Risk Officers and Portfolio Managers should spend time on **Banks and Insurance**, as they are the most "macro."

**Industry Group Ranking of Available Alpha Metrics as of End-June, 2026**

| Industry Group | CSR Level | CSR 3m Change | PWC Level | PWC 3m Change | Valuation Dispersion Level | Valuation Dispersion 3m Change | % Beating or Lagging >=20% | Mean Rank | The Largest 3 Companies |
|---|---|---|---|---|---|---|---|---|---|
| Technology Hardware & Equipment | 16 | 1 | 15 | 4 | 6 | 3 | 2 | 6.7 | AAPL, CSCO, SNDK |
| Telecommunication Services | 3 | 7 | 1 | 16 | 11 | 2 | 7 | 6.7 | TMUS, VZ, T |
| Health Care Equipment & Services | 2 | 5 | 3 | 7 | 4 | 18 | 9 | 6.9 | UNH, ABT, ISRG |
| Consumer Services | 8 | 3 | 7 | 12 | 9 | 7 | 11 | 8.1 | MCD, BKNG, SBUX |
| Pharmaceuticals, Biotech & Life Sciences | 4 | 15 | 5 | 21 | 5 | 13 | 5 | 9.7 | LLY, JNJ, ABBV |
| Energy | 9 | 2 | 12 | 6 | 12 | 14 | 18 | 10.4 | XOM, CVX, COP |
| Semiconductors & Semiconductor Equipment | 22 | 20 | 24 | 3 | 1 | 1 | 3 | 10.6 | NVDA, AVGO, MU |
| Media & Entertainment | 6 | 10 | 4 | 17 | 10 | 23 | 8 | 11.1 | GOOGL, META, NFLX |
| Consumer Discretionary Distribution & Retail | 12 | 6 | 10 | 9 | 16 | 22 | 10 | 12.1 | AMZN, HD, TJX |
| Commercial & Professional Services | 13 | 9 | 6 | 14 | 17 | 20 | 6 | 12.1 | ADP, WM, CTAS |
| Real Estate Management & Development | 14 | 14 | 11 | 1 | 15 | 17 | 16 | 12.6 | CBRE, JLL, CSGP |
| Financial Services | 17 | 4 | 13 | 8 | 23 | 11 | 13 | 12.7 | BRK.B, V, MA |
| Transportation | 18 | 13 | 18 | 25 | 7 | 8 | 4 | 13.3 | UNP, UBER, UPS |
| Consumer Staples Distribution & Retail | 1 | 16 | 8 | 5 | 19 | 25 | 20 | 13.4 | WMT, COST, TGT |
| Food, Beverage & Tobacco | 5 | 21 | 2 | 10 | 21 | 19 | 17 | 13.6 | KO, PM, PEP |
| Capital Goods | 23 | 8 | 19 | 18 | 8 | 9 | 12 | 13.9 | CAT, GE, GEV |
| Software & Services | 24 | 23 | 17 | 24 | 3 | 5 | 1 | 13.9 | MSFT, ORCL, PLTR |
| Consumer Durables & Apparel | 20 | 11 | 20 | 2 | 22 | 15 | 19 | 15.6 | NKE, DHI, GRMN |
| Household & Personal Products | 10 | 24 | 9 | 22 | 20 | 10 | 14 | 15.6 | PG, CL, KVUE |
| Equity Real Estate Investment Trusts (REITs) | 15 | 22 | 21 | 15 | 2 | 16 | 23 | 16.3 | WELL, PLD, EQIX |
| Utilities | 7 | 18 | 23 | 23 | 18 | 4 | 25 | 16.9 | NEE, SO, DUK |
| Materials | 19 | 19 | 14 | 19 | 13 | 21 | 15 | 17.1 | LIN, SCCO, NEM |
| Automobiles & Components | 21 | 17 | 22 | 20 | 14 | 6 | 21 | 17.3 | TSLA, GM, F |
| Insurance | 11 | 25 | 16 | 11 | 24 | 12 | 22 | 17.3 | CB, PGR, MRSH |
| Banks | 25 | 12 | 25 | 13 | 25 | 24 | 24 | 21.1 | JPM, BAC, WFC |

Source: Trivariate Research

# WHERE FUNDAMENTAL ANALYSTS SHOULD SPEND TIME

1. **People**: When There Is a New CEO Or CFO It Is Challenging To Link Prior Experience At Public Companies Of the New C-suite Executives To a Stock.
2. **M&A:** Deals That Are More Than 20% Of Market Cap.
3. **Litigation:** Where Legal Outcomes Have a Big Impact On Valuation
4. **High Idiosyncratic Risk:** Small Cap. Biotech, Or Other Hard-to-predict Outcomes
5. **Unique Businesses:** In Multiple Industries, Require Sum-of-the-parts Valuation
6. **Complex Capital Structure:** Tracking Stocks, Imminent Secondaries, Complicated Ownership
7. **New Entities:** IPOs, Spin-offs, Remain-cos

# STOCKS WHERE FUNDAMENTAL EXPERTS SHOULD FOCUS

Below we show mega / large cap. (left) and small / mid cap. (right) stocks outside of Healthcare that are hard to replicate with a 30-stock basket and have high company-specific risk. This means that if you are a good stock picker, have done fundamental work, and have a differentiated view on one of these stocks, and you are ultimately right, you will separate your performance from the index MORE if you have large over / underweight positions on these names relative to their index weights. AAPL, WMT, COST, NFLX, PM and TMUS are the largest market cap. examples.

**Least Replicable Mega / Large Cap. Stocks with High CSR, Ex-Healthcare**
**End-June, 2026**

| Ticker | Company | Market Cap. (US$ Bil.) |
|---|---|---|
| AAPL | Apple Inc. | 4,249.93 |
| WMT | Walmart Inc. | 901.33 |
| COST | Costco Wholesale Corporation | 414.86 |
| NFLX | Netflix, Inc. | 300.65 |
| PM | Philip Morris International Inc. | 281.96 |
| TMUS | T-Mobile US, Inc. | 181.52 |
| UBER | Uber Technologies, Inc. | 146.89 |
| T | AT&T Inc. | 143.83 |
| LMT | Lockheed Martin Corporation | 117.46 |
| SBUX | Starbucks Corporation | 116.47 |
| MNST | Monster Beverage Corporation | 94.01 |
| CMCSA | Comcast Corporation | 87.70 |
| CME | CME Group Inc. | 80.02 |
| MSI | Motorola Solutions, Inc. | 68.94 |
| WBD | Warner Bros. Discovery, Inc. | 66.83 |
| AZO | AutoZone, Inc. | 52.17 |
| EA | Electronic Arts Inc. | 51.41 |
| EBAY | eBay Inc. | 49.62 |
| CMG | Chipotle Mexican Grill, Inc. | 43.61 |
| RBLX | Roblox Corporation | 38.93 |

Source: Trivariate Research

**Least Replicable Mid / Small Cap. Stocks with High CSR, Ex-Healthcare**
**End-June, 2026**

| Ticker | Company | Market Cap. (US$ Bil.) |
|---|---|---|
| ECHO | EchoStar Corporation | 29.42 |
| TIGO | Millicom International Cellular S.A. | 15.17 |
| NYT | The New York Times Company | 11.33 |
| CART | Maplebear Inc. | 11.13 |
| GME | GameStop Corp. | 9.91 |
| OSCR | Oscar Health, Inc. | 8.59 |
| ACI | Albertsons Companies, Inc. | 6.69 |
| PPC | Pilgrim's Pride Corporation | 6.69 |
| TDS | Telephone and Data Systems, Inc. | 4.21 |
| PLNT | Planet Fitness, Inc. | 4.13 |
| CHEF | The Chefs' Warehouse, Inc. | 3.92 |
| CALM | Cal-Maine Foods, Inc. | 3.82 |
| COCO | The Vita Coco Company, Inc. | 3.78 |
| LRN | Stride, Inc. | 3.61 |
| ZIM | ZIM Integrated Shipping Services Ltd. | 3.13 |
| FRPT | Freshpet, Inc. | 2.91 |
| UNFI | United Natural Foods, Inc. | 2.76 |
| AMC | AMC Entertainment Holdings, Inc. | 1.70 |
| TPB | Turning Point Brands, Inc. | 1.64 |
| BRBR | BellRing Brands, Inc. | 1.50 |

Source: Trivariate Research

# HEALTHCARE NAMES WHERE FUNDAMENTAL EXPERTS SHOULD FOCUS

Below we show mega / large cap. (left) and small / mid cap. (right) Healthcare stocks that are hard to replicate with a 30-stock basket and have high company-specific risk. LLY, UNH, GILD, CVS, and MCK are the largest five stocks.

**Mega / Large Cap. Healthcare**
**Least Replicable Stocks with High CSR**
**End-June, 2026**

| Ticker | Company | Market Cap. (US$ Bil.) |
|---|---|---|
| LLY | Eli Lilly and Company | 1,069.58 |
| UNH | UnitedHealth Group Incorporated | 377.45 |
| GILD | Gilead Sciences, Inc. | 156.86 |
| CVS | CVS Health Corporation | 131.99 |
| MCK | McKesson Corporation | 88.46 |
| BSX | Boston Scientific Corporation | 63.44 |
| COR | Cencora, Inc. | 55.06 |
| HUM | Humana Inc. | 47.69 |
| ALNY | Alnylam Pharmaceuticals, Inc. | 40.19 |
| RVMD | Revolution Medicines, Inc. | 39.82 |

Source: Trivariate Research

**Mid / Small Cap. Healthcare**
**Least Replicable Stocks with High CSR**
**End-June, 2026**

| Ticker | Company | Market Cap. (US$ Bil.) |
|---|---|---|
| INSM | Insmed Incorporated | 23.11 |
| UTHR | United Therapeutics Corporation | 23.00 |
| JAZZ | Jazz Pharmaceuticals plc | 15.12 |
| DVA | DaVita Inc. | 14.28 |
| EXEL | Exelixis, Inc. | 13.68 |
| PEN | Penumbra, Inc. | 12.42 |
| PODD | Insulet Corporation | 10.55 |
| HALO | Halozyme Therapeutics, Inc. | 9.28 |
| LNTH | Lantheus Holdings, Inc. | 7.22 |
| PTCT | PTC Therapeutics, Inc. | 6.77 |
| CHE | Chemed Corporation | 6.16 |
| IRTC | iRhythm Holdings, Inc. | 3.91 |
| OGN | Organon & Co. | 3.56 |
| HAE | Haemonetics Corporation | 3.41 |
| OPCH | Option Care Health, Inc. | 3.29 |
| ACHC | Acadia Healthcare Company, Inc. | 2.72 |
| PGNY | Progyny, Inc. | 2.26 |
| OCUL | Ocular Therapeutix, Inc. | 2.15 |
| ADMA | ADMA Biologics, Inc. | 1.94 |
| ARDX | Ardelyx, Inc. | 1.26 |

Source: Trivariate Research

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