

Zacks Earnings Score

Strategy Objective

The objective of the earnings score is to outperform a core benchmark on a risk-adjusted basis with minimal turnover by uncovering quality growth companies.

Methodology Summary

The Earnings Score seeks to uncover the top stocks for inclusion and exclusion by using a multi-factor model of financial ratios. These ratios seek to uncover growth companies that not only have high consistent earnings growth track records, but also have a higher quality of earnings which can lead to a greater likelihood of continued growth and risk adjusted return.

Universe

- » **Top 3000 Market Cap Common Stocks**

Earnings Growth Factor

- » **Growing** – EPS Growing
- » **Growth Rate Increasing** – EPS Growth Rate increasing
- » **Positive** – EPS is positive
- » **Breakout** – Recent EPS is better than the expected earnings from the growth rate

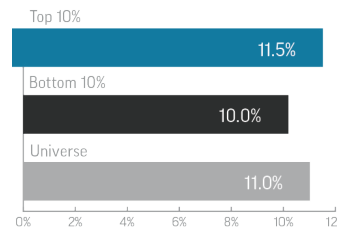
Earnings Quality Factor

- » **Cash Flow Earnings Growing** – Cash Flow Growing
- » **Cash Flow Earnings Greater Than Accrued Earnings** – Recent Cash Flow Earnings is greater than Accrued Earnings
- » **Return On Investment** – Return on Assets and Return on Equity increasing
- » **Asset Turnover Increasing** – Asset Turnover increasing

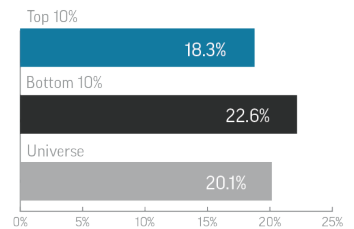
Financial Highlights

Simulated performance since 2005; the top 10% of companies outperformed with lower volatility while the bottom 10% of companies underperformed with higher volatility.

Excess Performance 6/30/05 - 1/31/23



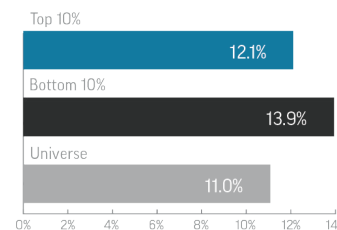
Less Risk



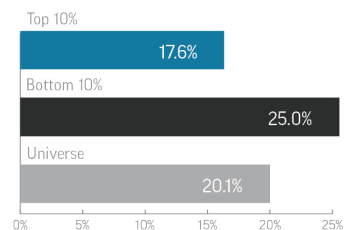
Multi-Factor Overview

Earnings Growth Factor seeks to uncover companies that have stable Long-term earnings growth track records and have shown recent increasing rates of earnings growth.

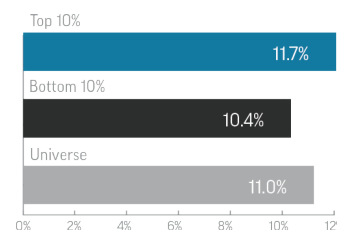
Excess Performance 6/30/05 - 1/31/23



Less Risk



Excess Performance 6/30/05 - 1/31/23



Similar Risk

