Financials Sector Establishes Top Attractiveness Ranking

Improvement in the fundamental outlook, as indicated by earnings revisions and the corresponding trend line in revisions, has resulted in the financials sector breaking into the top 5 group of our attractiveness rankings. In contrast, the aerospace/defense sector has slipped back out of the top 5 group due to weakness across all our core metrics. We also note that lower valuation and catalytic scores have resulted in the basic materials sector falling into the bottom-ranked group. See Tables 5 and 6 for top-ranked names from the most attractive sectors and bottom-ranked names from the least attractive sectors.

Table 1 – Current Sector Rankings and Change from Last Report (as of January 10, 2023)

Sector	Previous Integrated Rank	Current Integrated Rank	Change In Rank	Behavioral Preference Rank
AUTO-TIRES-TRUCKS	1	1	0	11
HEALTHCARE	2	2	0	14
FINANCIALS	9	3	6	1
TRANSPORTATION	5	4	1	5
INDUSTRIAL PRODUCTS	7	5	2	8
RETAIL-WHOLESALE	6	6	0	3
CONSUMER STAPLES	4	7	-3	9
BUSINESS SERVICES	10	8	2	15
TECHNOLOGY	8	9	-1	12
AEROSPACE DEFENSE	3	10	-7	7
ENERGY	12	11	1	6
UTILITIES	15	12	3	4
CONSUMER DISCRETIONARY	13	13	0	13
CONSTRUCTION	14	14	0	2
BASIC MATERIALS	11	15	-4	10
CONGLOMERATES	16	16	0	16

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Table 2 – Current Sector Rankings with Rankings for Absolute-Scale & Relative-Scale Metrics

Sector	Current Integrated Rank	Behavioral Preference Rank	ABSOLUTE-SCALE METRICS		RELATIVE-SCALE METRICS			
			Technical Outlook Rank	Fundamental Outlook Rank	Current Relative Scale Rank	Valuation Rank	Technical Rank	Catalytic Rank
AUTO-TIRES-TRUCKS	1	11	4	8	8	2	4	4
HEALTHCARE	2	14	8	1	12	4	8	1
FINANCIALS	3	1	12	3	1	15	12	7
TRANSPORTATION	4	5	3	10	3	13	3	11
INDUSTRIAL PRODUCTS	5	8	6	6	7	8	6	6
RETAIL-WHOLESALE	6	3	13	5	5	11	13	5
CONSUMER STAPLES	7	9	7	4	13	5	7	3
BUSINESS SERVICES	8	15	10	9	15	1	10	8
TECHNOLOGY	9	12	14	2	11	3	14	2
AEROSPACE DEFENSE	10	7	5	12	6	10	5	12
ENERGY	11	6	1	13	14	14	1	14
UTILITIES	12	4	11	7	2	16	11	9
CONSUMER DISCRETIONARY	13	13	15	11	9	7	15	10
CONSTRUCTION	14	2	16	15	4	6	16	15
BASIC MATERIALS	15	10	2	14	16	9	2	13
CONGLOMERATES	16	16	9	16	10	12	9	16

Table 3 – Corresponding Model Scores for Current Sector Rankings

Sector	Current Integrated Score	Behavioral Preference Score	ABSOLUTE-SCALE METRICS		RELATIVE-SCALE METRICS			
			Technical Outlook Score	Fundamental Outlook Score	Current Relative Scale Score	Valuation Score	Technical Score	Catalytic Score
AUTO-TIRES-TRUCKS	0.243	-0.051	0.264	-0.005	0.016	0.931	0.337	0.461
HEALTHCARE	0.167	-0.203	0.171	0.163	-0.167	0.260	0.243	0.598
FINANCIALS	0.106	0.290	0.116	0.064	0.348	-0.609	0.188	0.442
TRANSPORTATION	0.054	0.176	0.281	-0.115	0.183	-0.313	0.354	0.299
INDUSTRIAL PRODUCTS	0.029	-0.001	0.205	0.009	0.055	0.015	0.278	0.453
RETAIL-WHOLESALE	0.028	0.247	0.110	0.022	0.119	-0.142	0.183	0.460
CONSUMER STAPLES	0.021	-0.023	0.202	0.035	-0.185	0.191	0.275	0.485
BUSINESS SERVICES	-0.023	-0.281	0.157	-0.034	-0.222	1.475	0.230	0.414
TECHNOLOGY	-0.064	-0.098	0.016	0.094	-0.147	0.339	0.089	0.546
AEROSPACE DEFENSE	-0.081	0.058	0.262	-0.183	0.079	-0.111	0.334	0.297
ENERGY	-0.112	0.063	0.632	-0.235	-0.187	-0.449	0.705	0.147
UTILITIES	-0.199	0.208	0.155	0.000	0.294	-0.639	0.227	0.414
CONSUMER DISCRETIONARY	-0.205	-0.114	-0.051	-0.149	-0.083	0.149	0.021	0.318
CONSTRUCTION	-0.231	0.284	-0.146	-0.360	0.124	0.177	-0.073	0.096
BASIC MATERIALS	-0.360	-0.031	0.303	-0.306	-0.258	-0.102	0.376	0.178
CONGLOMERATES	-0.574	-0.400	0.163	-0.605	-0.119	-0.196	0.236	-0.204

Table 4 – Current versus Historical Sector Rankings (last 12 months)

Sector	Current Rank 01/12/2023	Dec 2022	Nov 2022	Oct 2022	Sept 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022	Avg Hist Rank	Curr vs. Hist
AUTOS-TIRES-TRUCKS	1	2	5	4	7	5	15	13	15	12	9	16	11	9.5	8.5
HEALTHCARE	2	3	2	3	10	8	11	16	9	8	12	10	10	8.5	6.5
CONSUMER STAPLES	7	4	11	13	16	11	10	15	12	16	15	13	12	12.3	5.3
RETAIL-WHOLESALE	6	1	7	14	13	9	8	12	10	10	10	14	1	9.1	3.1
INDUSTRIAL PRODUCTS	5	5	10	6	15	10	9	7	6	11	5	3	8	7.9	2.9
TRANSPORTATION	4	7	4	7	4	3	2	3	2	6	11	12	13	6.2	2.2
AEROSPACE DEFENSE	10	10	8	16	11	13	16	14	4	14	8	15	14	11.9	1.9
FINANCIALS	3	8	3	12	2	4	4	1	5	3	4	1	2	4.1	1.1
TECHNOLOGY	9	12	9	5	14	6	13	10	14	7	14	8	7	9.9	0.9
BUSINESS SERVICES	8	11	6	8	6	7	7	9	11	15	16	6	3	8.8	0.8
CONSUMER DISCRETIONARY	13	15	14	11	9	15	6	11	13	9	7	11	9	10.8	-2.2
UTILITIES	12	16	12	2	3	1	5	6	7	13	13	4	15	8.1	-3.9
CONSTRUCTION	14	13	13	15	8	12	14	5	8	2	1	7	5	8.6	-5.4
CONGLOMERATES	16	14	16	10	5	16	12	4	16	1	6	2	16	9.8	-6.2
ENERGY	11	9	1	1	1	2	1	8	1	4	2	5	4	3.3	-7.8
BASIC MATERIALS	15	6	15	9	12	14	3	2	3	5	3	9	6	7.3	-7.8

Table 5 – Highlighted Names from Most and Least Attractive Sectors (January 10, 2023)

Most Attractive Names from the Top-Ranked Sectors

Polaris All-Cap Core Universe

	Company	Ticker
	AUTO-TIRES-TRUCKS	
1	Cnh Industrial	CNHI
2	Ferrari Nv	RACE
3	Harley-Davidson	HOG
	HEALTHCARE	
1	Horizon Therps	HZNP
2	Integra Lifesci	IART
3	Haleon Plc Ads	HLN
	FINANCIALS	
1	Ing Groep-Adr	ING
2	Banco Bilbao Vz	BBVA
3	Veritex Hldgs	VBTX
	TRANSPORTATION	
1	United Airlines	UAL
2	Copa Hldgs Sa-A	CPA
3	Grupo Aerop-Pac	PAC
	INDUSTRIAL PRODUCTS	
1	Adt Inc	ADT
2	Esab Corp	ESAB
3	Terex Corp	TEX

Least Attractive Names from the Bottom-Ranked Sectors

Polaris All-Cap Core Universe

	Company	Ticker
	CONGLOMERATES	
1	3M Co	MMM
2	Icahn Enterpris	IEP
3	Iac Inc	IAC
	BASIC MATERIALS	
1	Lyondellbasel-A	LYB
2	Westrock Co	WRK
3	Westlake Chem	WLK
	CONSTRUCTION	
1	Installed Build	IBP
2	Trex Company	TREX
3	Topbuild Corp	BLD
	CONSUMER DISCRETIONARY	
1	Playa Htls&Rsrt	PLYA
2	Fox Corp-A	FOXA
3	Imax Corp	IMAX
	UTILITIES	
1	Southern Co	SO
2	Duke Energy Cp	DUK
3	Avangrid Inc	AGR

Table 6 – Model Scores for Highlighted Names (January 10, 2023)

SECTOR CODES:
1-Staples, 2-Discretionary, 3-Retail, 4-Medical, 5-Auto, 6-Materials, 7-Industrials, 8-Construction, 9-Conglomerates, 10-Technology, 11-Aerospace, 12-Energy, 13-Financials, 14-Utilities, 15-Transportation, 16-Business Services

MOST ATTRACTIVE STOCKS FROM MOST ATTRACTIVE SECTORS

	COMPANY	SECTOR	TICKER	PRICE	YIELD	iPSCORE	Behavioral Preference Factor	ABS DCOORD	TECH OUTLK	FUNDA OUTLK	REL DCOORD	rPSCORE	VTCAVG	VSCORE	TSCORE	CSCORE	MKT CAP	DAYS2TR
1	Cnh Industrial	5	CNHI	16.69	0.00	1.58	0.28	1	1.50	1.65	3	1.69	0.79	-0.11	1.72	1.66	22439.37	0.46
1	Ferrari Nv	5	RACE	228.77	0.00	1.58	0.28	1	1.07	1.57	3	1.69	0.68	-0.05	1.29	1.66	42264.78	0.50
1	Harley-Davidson	5	HOG	43.25	1.46	1.30	-0.24	2	-0.50	1.57	2	0.71	0.62	0.78	-0.29	1.96	6322.46	0.45
2	Horizon Therps	4	HZNP	113.11	0.00	1.53	1.13	1	-0.22	1.65	4	1.78	0.39	-0.11	-0.14	1.92	25633.15	0.06
2	Integra Lifesci	4	IART	57.72	0.00	1.53	1.13	1	-0.22	1.57	4	1.78	0.30	-0.35	-0.14	1.92	4820.67	0.95
2	Haleon Plc Ads	4	HLN	7.84	0.00	1.53	1.13	1	-0.65	1.57	4	1.78	0.24	-0.07	-0.58	1.92	36199.53	0.68
3	Ing Groep-Adr	13	ING	13.19	2.23	1.62	0.91	1	-0.22	1.73	2	1.42	0.70	0.06	-0.14	1.97	51449.82	0.55
3	Banco Bilbao Vz	13	BBVA	6.68	2.82	1.62	1.21	1	-0.22	1.69	4	1.42	0.65	-0.08	-0.29	1.67	1510.52	2.51
3	Veritex Hldgs	13	VBTX	27.97	2.86	1.62	0.91	1	-0.36	1.65	2	1.42	0.68	0.42	-0.14	1.97	42662.94	2.60
4	United Airlines	15	UAL	43.35	0.00	1.73	0.87	1	-0.22	1.73	4	1.40	0.67	-0.41	1.03	1.99	8480.25	2.85
4	Copa Hldgs Sa-A	15	CPA	85.46	0.00	1.73	0.87	1	-0.66	1.69	4	1.40	0.75	-0.11	-0.73	1.99	3583.61	1.16
4	Grupo Aerop-Pac	15	PAC	166.11	3.92	1.73	0.42	1	1.10	1.57	3	1.40	0.84	-0.36	-0.29	1.99	14164.38	0.08
5	Adt Inc	7	ADT	9.41	1.49	1.61	0.91	1	-0.22	1.73	4	1.40	0.19	-0.05	-0.15	2.48	3123.98	1.95
5	Esab Corp	7	ESAB	52.00	0.38	1.61	0.65	1	-0.22	2.17	2	1.40	0.47	0.44	-0.15	1.82	2978.77	1.17
5	Terex Corp	7	TEX	44.13	1.18	1.61	0.65	1	-0.22	1.57	2	1.40	0.39	0.44	-0.15	2.15	8595.73	0.86

LEAST ATTRACTIVE STOCKS FROM LEAST ATTRACTIVE SECTORS

	COMPANY	SECTOR	TICKER	PRICE	YIELD	iPSCORE	Behavioral Preference Factor	ABS DCOORD	TECH OUTLK	FUNDA OUTLK	REL DCOORD	rPSCORE	VTCAVG	VSCORE	TSCORE	CSCORE	MKT CAP	DAYS2TR
1	3M Co	9	MMM	126.79	4.70	-1.26	-0.96	16	-1.41	-0.84	2	-2.01	-0.36	0.44	0.15	0.13	4088.55	0.47
1	Icahn Enterpris	9	IEP	52.61	15.21	-1.20	0.84	16	-1.11	-1.04	4	-0.69	-0.86	-1.12	-1.04	0.00	17754.50	0.95
1	Iac Inc	9	IAC	49.22	0.00	-0.66	-1.02	14	0.07	-0.64	1	0.78	0.86	1.95	-1.34	0.00	70082.27	0.08
2	Lyondellbasel-A	6	LYB	91.34	5.21	-1.40	-0.27	16	0.66	-1.08	7	-1.68	-0.14	-0.67	0.36	-0.08	13919.45	0.40
2	Westrock Co	6	WRK	36.65	3.00	-1.40	-0.27	16	0.36	-1.08	7	-1.68	-0.32	-0.61	0.36	-0.08	29742.54	0.19
2	Westlake Chem	6	WLK	109.14	1.31	-1.40	-0.27	16	0.66	-1.08	7	-1.68	0.02	-0.28	0.07	-0.55	9328.09	0.43
3	Installed Build	8	IBP	93.46	1.35	-1.47	0.61	16	-1.22	-1.56	6	-0.75	-1.06	0.19	-1.62	-0.62	5125.88	0.62
3	Trex Company	8	TREX	46.71	0.00	-1.47	0.67	16	-1.87	-1.04	8	-0.75	-0.96	-0.01	-0.97	-1.56	2673.27	1.44
3	Topbuild Corp	8	BLD	167.51	0.00	-1.47	0.67	16	-1.87	-1.00	8	-0.75	-1.17	-0.07	-1.62	-1.09	5355.69	0.72
4	Playa Htls&Rsrt	2	PLYA	6.27	0.00	-1.47	-0.98	16	0.07	-1.08	5	-1.70	-0.19	0.59	0.41	-0.65	885.50	1.79
4	Fox Corp-A	2	FOXA	31.27	1.60	-1.47	-0.98	16	0.07	-0.84	5	-1.70	-0.15	0.08	0.27	-0.65	16970.03	0.37
4	Imax Corp	2	IMAX	15.82	0.00	-1.45	-0.27	16	0.21	-1.12	7	-1.20	-0.33	-0.67	0.27	-1.13	1018.17	2.68
5	Southern Co	14	SO	71.50	3.80	-1.38	-0.23	16	0.37	-1.32	7	-1.29	-0.68	-0.77	0.15	-0.61	81002.91	0.09
5	Duke Energy Cp	14	DUK	105.19	3.82	-1.38	-0.23	16	0.22	-0.84	7	-1.29	-0.43	-0.73	0.00	-0.61	17139.05	1.30
5	Avangrid Inc	14	AGR	44.33	3.97	-1.38	-0.23	16	0.07	-0.84	7	-1.29	-0.54	-0.88	0.29	-1.52	77840.10	0.08

## Description of Table 6 Report Headings

iPSCORE	Composite multi-factor score based on integrated relative-scale and absolute-scale metrics. Positive (+) or negative (-) number indicates standard deviation units above or below peer group average.
Behavioral Preference	Behavioral preference factor for stock based on investor behavior pattern recognition. Positive (+) or negative (-) number indicates expected favor or disfavor towards stock expressed in standard deviation units.oup average.
ABS DCOORD	Absolute-scale dimensional coordinate (1-16) based on combined measures of fundamental outlook and technical outlook. for each stock. (1 = most attractive, 16 = least attractive)
TECH OUTLK	Technical outlook for stock based on proprietary price oscillator and money flow factors. Positive (+) or negative (-) number indicates standard deviation units above or below peer group average.
FUNDA OUTLK	Fundamental outlook for stock based on proprietary measure of earnings expectations. Positive (+) or negative (-) number indicates standard deviation units above or below peer group average.
REL DCOORD	Relative-scale dimensional coordinate (1-8) based on 3-dimensional positioning of stock indicated by valuation, technical and catalytic scores. Also used to determine qualitative characterizations of stocks
rPSCORE	Composite multi-factor score based on relative-scale valuation, technical and catalytic scores. Positive (+) or negative (-) number indicates standard deviation units above or below peer group median.
VTCAVG	Sector-specific, optimally-weighted average of relative-scale valuation, technical and catalytic scores. Positive (+) or negative (-) number indicates standard deviation units above or below peer group median.
VSCORE	Sector-specific composite score based on optimal combination of various VALUATION factors. Positive (+) or negative (-) number indicates standard deviation units above or below peer group median.
TSCORE	Composite multi-factor score based on optimal combination of various TECHNICAL factors. Positive (+) or negative (-) number indicates standard deviation units above or below peer group median.
CSCORE	Composite multi-factor score based on optimal combination of various CATALYTIC factors. Positive (+) or negative (-) number indicates standard deviation units above or below peer group median.
DAYS2TR	Days-to-Trade - A standardized liquidity measure indicating the number of trading days required to trade a $25 million position at the average daily trading volume for the stock.

Quoin Investment Banking

POLARIS Integrated Model Structure

Valuation-Technical-Catalytic (VTC) Model
(RELATIVE Dimensional Coordinates 1-8)

Price & Earnings Momentum (P&EM) Model
(ABSOLUTE Dimensional Coordinates 1-16)

Qubit Multi-factor Model

	Most Attractive Stocks		Least Attractive Stocks
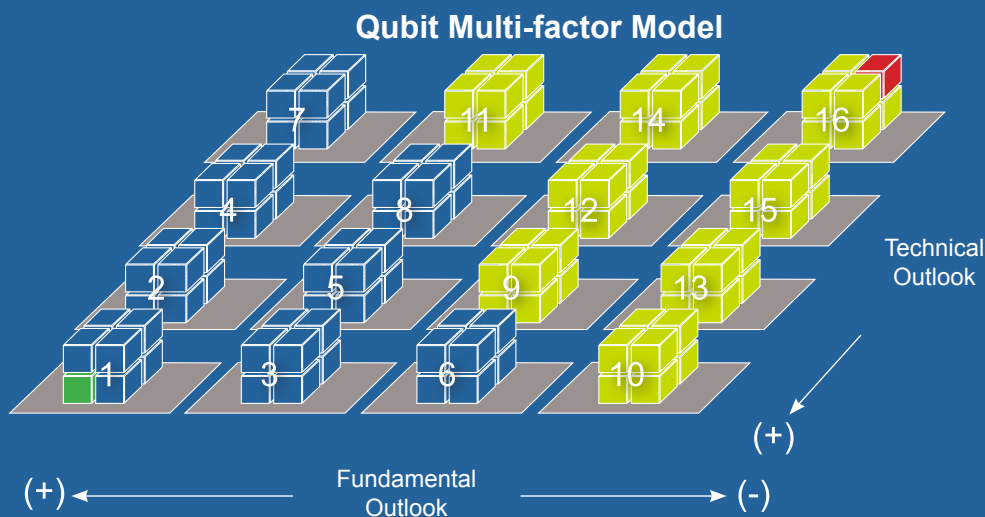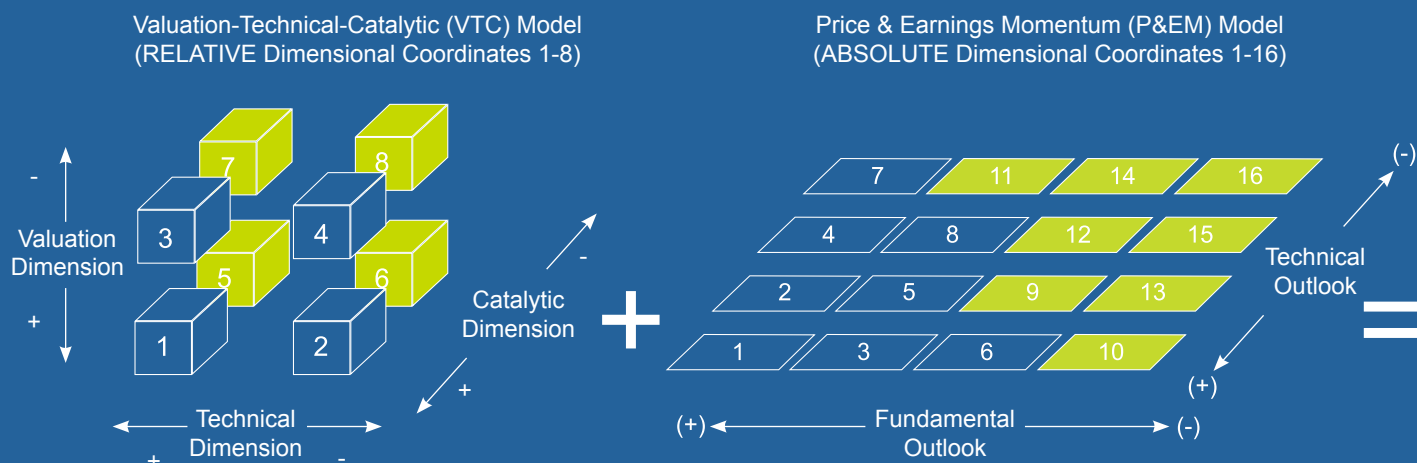
Most Attractive Stocks

On an Absolute Scale:
- Positive **Technical Outlook**
- Positive **Fundamental Outlook**

Relative to Peer Group Stocks:
- Favorable **Valuation** Properties
- Favorable **Technical** Properties
- Favorable **Catalytic** Properties
(Favorable = More Positive or Less Negative)

Least Attractive Stocks

On an Absolute Scale:
- Negative **Technical Outlook**
- Negative **Fundamental Outlook**

Relative to Peer Group Stocks:
- Unfavorable **Valuation** Properties
- Unfavorable **Technical** Properties
- Unfavorable **Catalytic** Properties
(Unfavorable = Less Positive or More Negative)

Characterizations based on Relative-Scale Dimensional Coordinates
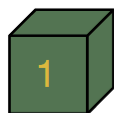
1	Cheap with Positive Catalytic and Positive Technical properties = "Ideal Overweight"	
8	Expensive with Negative Catalytic and Negative Technical properties = "Ideal Underweight"	
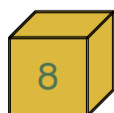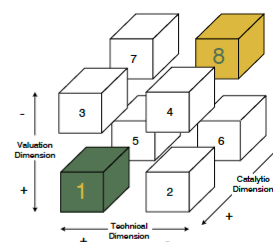
2	Cheap with Positive Catalytic properties, but has Negative Technical properties = "Early/Late Value Stock" (has Timing Risk)	
7	Expensive with Negative Catalytic properties, but has Positive Technical properties = "Momentum Stock"	
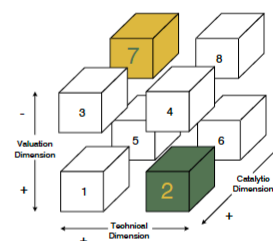
3	Expensive but has Positive Catalytic and Positive Technical properties = "Timely Growth Stock"	
6	Cheap but has Negative Catalytic and Negative Technical properties = "Value Trap Stock"	
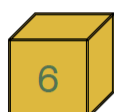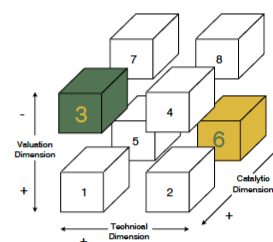
4	Expensive with Positive Catalytic properties but has Negative Technical properties = "Early/Late Growth Stock" (has Timing Risk)	
5	Cheap with Negative Catalytic properties but has Positive Technical properties = "Mean Reversion Stock"	
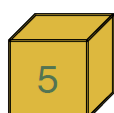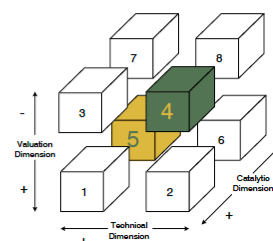
Brian T. Hannon, CFA
Founder, Director of Quantitative Equity Research
Qubit Research, LLC

With an academic background in engineering and economics, Brian Hannon began his career in the chemicals industry at the Dupont Company where he held various positions in research & development, project management, and corporate finance. An early indication of his innovative nature occurred while in R&D; as Brian was awarded a patent for his role in the development of a reverse osmosis process for purifying chemicals used in the production of semiconductor devices (Patent# 4,879,043: Manufacture of High Purity Hydrogen Peroxide by Using Reverse Osmosis").

Pursuing his interest in the stock market, Brian made the transition to the investment management profession as a research analyst covering chemicals industry companies at the DuPont Pension Fund. He subsequently joined ASB Capital Management where he originated the unique approach to structuring multi-factor models that Polaris is based on. Brian moved on to Macquarie Investments (formerly Delaware Investment Management) where he produced an exceptional track record while serving as a senior portfolio manager on the institutional large-cap value team. After Brian left Macquarie, he founded Qubit Investments, LLC to launch an equity market neutral fund. The fund utilized an updated version of the Polaris multi-factor model, integrated with a systematic portfolio construction algorithm that Brian developed. He later became the director of equity research at Sturdivant & Co. and then Quoin Capital, LLC, which was prior to his current role as founder of Qubit Research, LLC, an independent equity research boutique. Brian holds a BS degree in chemical engineering and a BS in economics from Carnegie-Mellon University. He is also a CFA charter holder.

DISCLOSURES AND DEFINITIONS