VMQ Stocks Midyear Market Update

July 6, 2026

AMERICAN ASSOCIATION OF INDIVIDUAL INVESTORS®

Sam Levine, CFA, CMT

Financial Analyst

Sam Levine

- Manages the VMQ Strategy and contributes articles to the AAII Journal
- Over 30 years in and adjacent to investing industry, joined AAII in January 2026
- Writer and contributing editor at BetterInvesting for ~10 years and writing about investing since 2003.
- Other experience: registered representative, portfolio manager, adjunct professor in finance at Wayne State University, past board member of the CMT Association.
- Sam holds the CFA and CMT charters and earned a master's degree in personal financial planning from the College for Financial Planning.

How does the VMQ Stocks strategy differentiate itself from traditional value investing approaches, and why is this strategy is particularly relevant in today's growth-focused market environment?

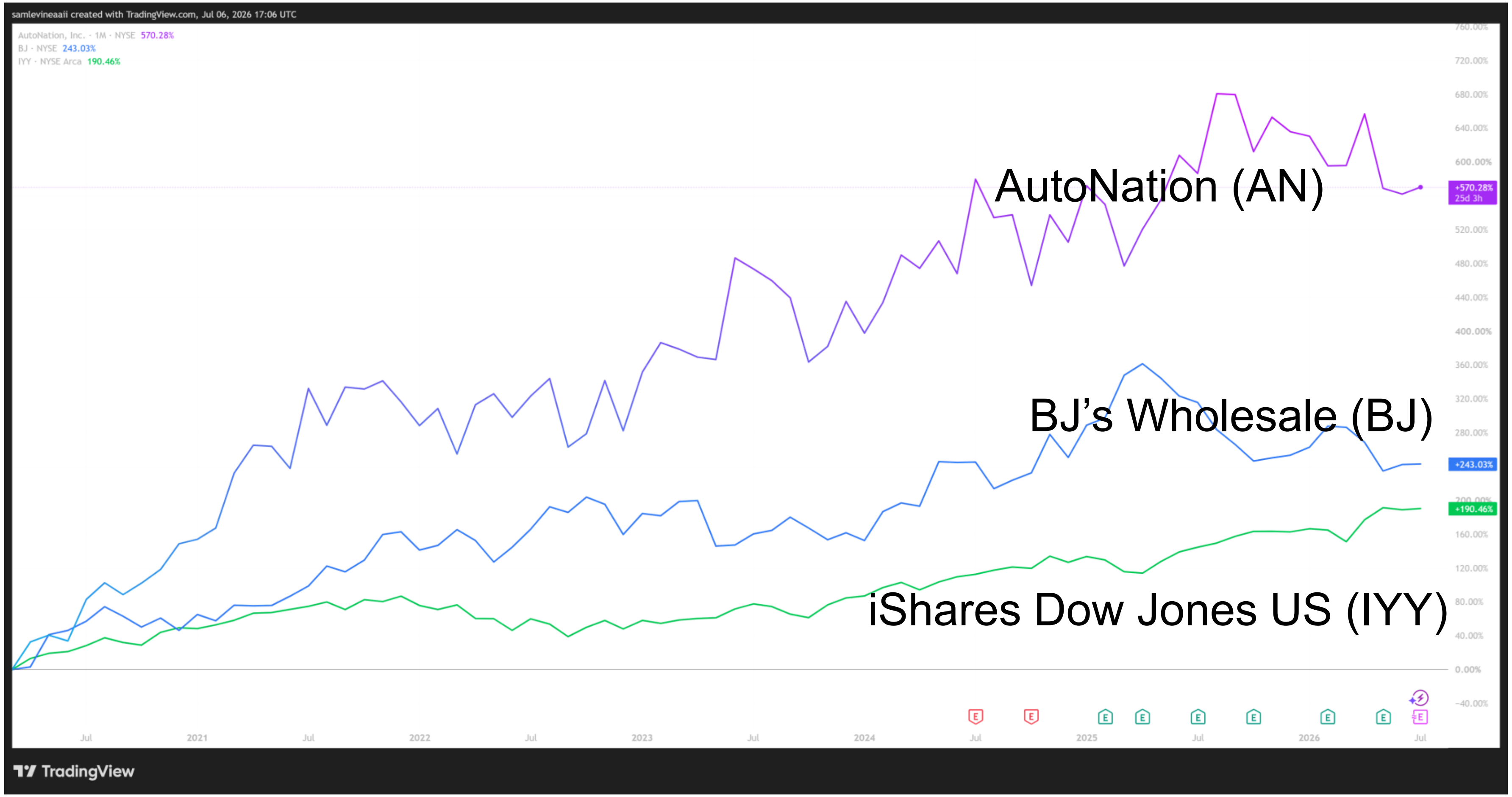
VMQ Takes a Multifactor-Based Approach

A factor is a quantifiable characteristic that impacts an investment's price.

VMQ relies heavily on factors rather than perception, but there's some room for discretion.

Can you walk us through a specific example of how the three pillars (value, momentum, and quality) worked together to identify an investment opportunity?

AutoNation(AN) and BJ's Wholesale (BJ)



What are the quantitative criteria or thresholds that the VMQ strategy uses to evaluate each of the three components (value, momentum, and quality) when screening for portfolio candidates?

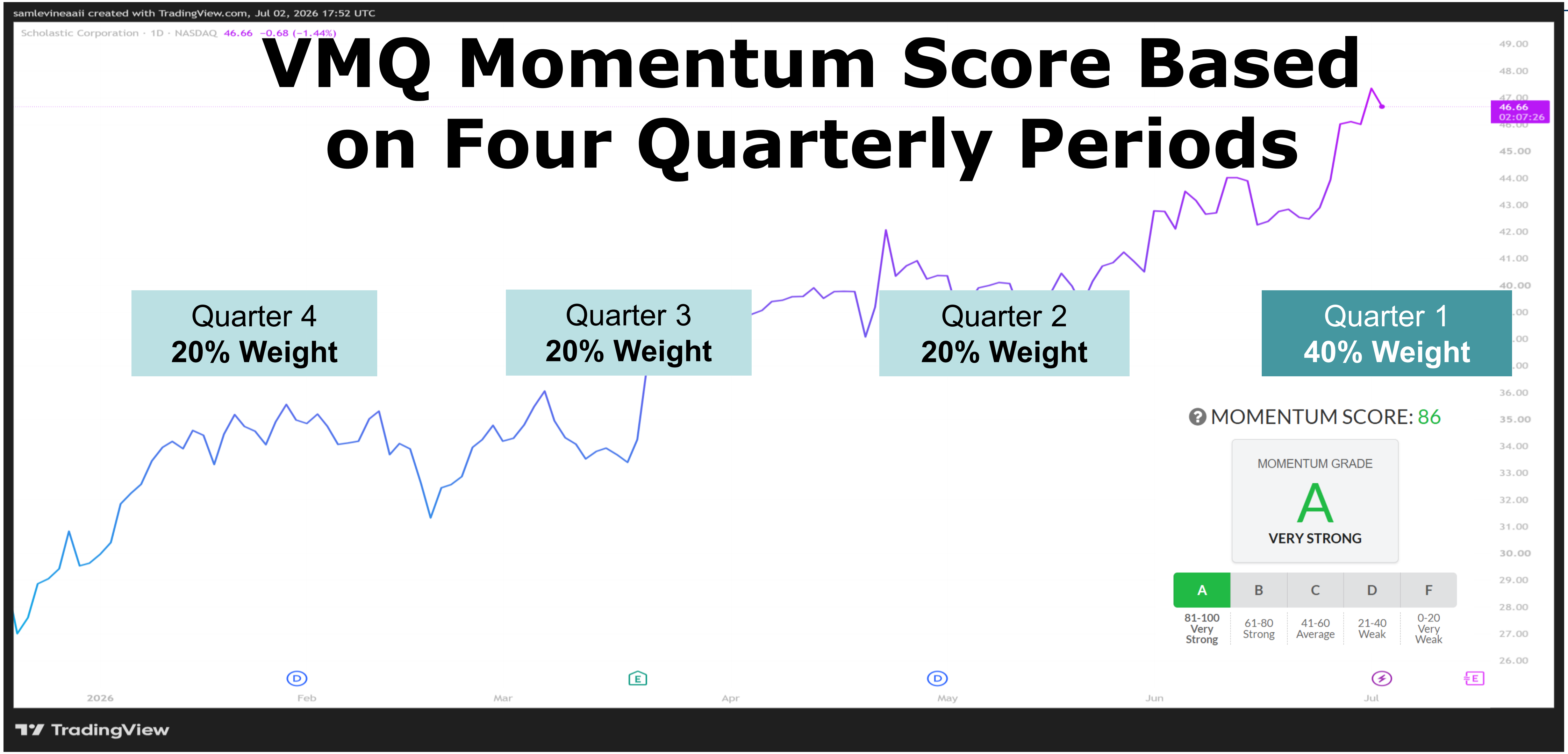
What Qualifies for addition to the Model Portfolio and the Ideas List

- Low Valuations: Value Grade of A or B
- Strong Relative Price Strength: Momentum Grade of A or B
- High or Good Quality: Quality Grade of A or B

VMQ Components

Value	Momentum	Quality
Price-to-Sales ratio	Relative Price Strength Q1 - most recent (double weighted)	Return on assets (ROA)
Price-to-Earnings ratio	Relative Price Strength Q2	Return on invested capital (ROIC)
Enterprise-Value-to-EBITDA ratio	Relative Price Strength Q3	Gross-profit-to-total-assets ratio
Shareholder Yield	Relative Price Strength Q4	Buyback yield
Price-to-Book-Value ratio		Change in total liabilities relative to total assets
		Accruals-to-total-assets ratio
		Z double prime bankruptcy risk score
		F-Score

VMQ Momentum Score Based on Four Quarterly Periods



Scholastic Corporation (SCHL) data as of 7/1/2026. Sources: TradingView.com, VMQ Analyzer

Breakdown of Scholastic's (SCHL) Momentum Score

Metric	Score	SCHL	Weight
Relative Price Strength - weighted 4 qtr	**86**	13.7%	
Relative Price Strength Q1 - most recent	70	4.2%	40%
Relative Price Strength Q2	89	37.5%	20%
Relative Price Strength Q3	65	2.6%	20%
Relative Price Strength Q4	83	19.9%	20%

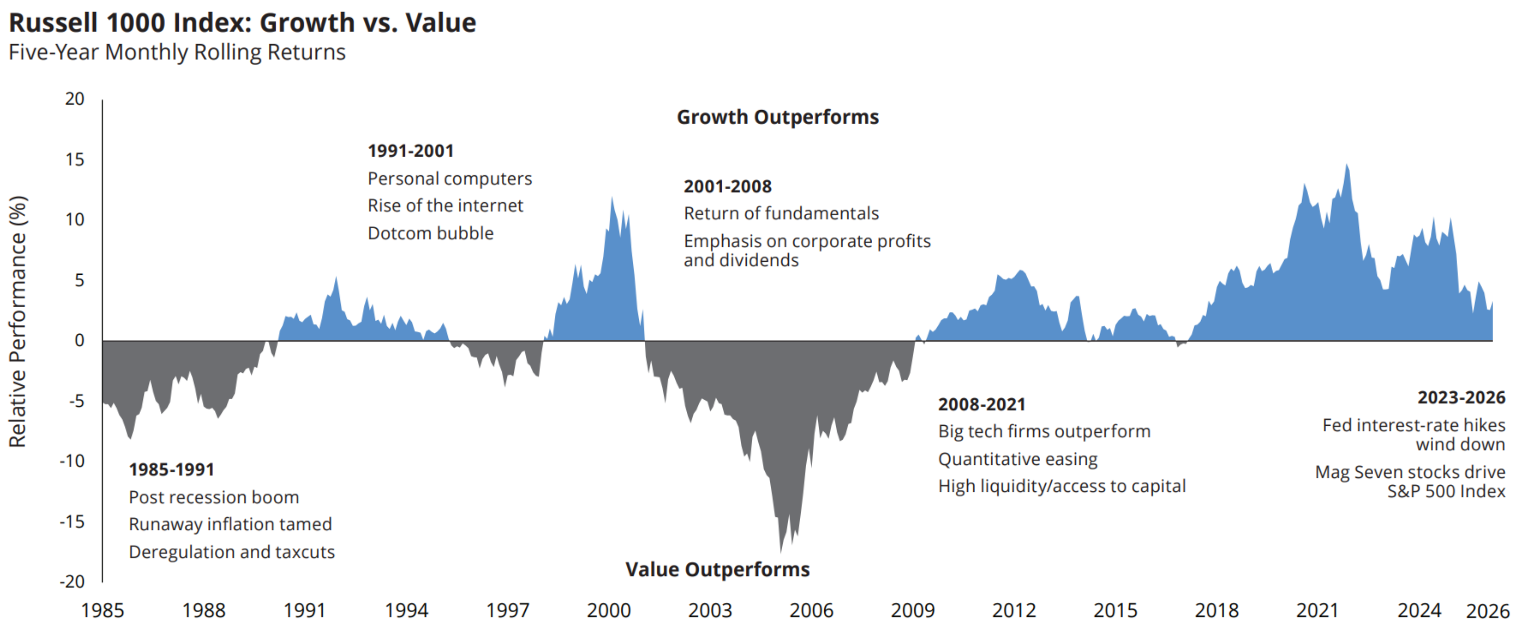
Source: VMQ Analyzer, data as of 7/5/2026

Relative price strength changes used as the basis for determining Scholastic Corporation's Momentum Score.

What is your favorite outperformer in the VMQ Stocks portfolio so far in 2026, and what characteristics made this stock an attractive candidate under the VMQ framework?

Given that valuations remain stretched in some areas of the market (with the AI boom, tech advances, etc.), how does the VMQ approach help investors navigate the risk of overpaying even for quality companies?

Growth Has Dominated

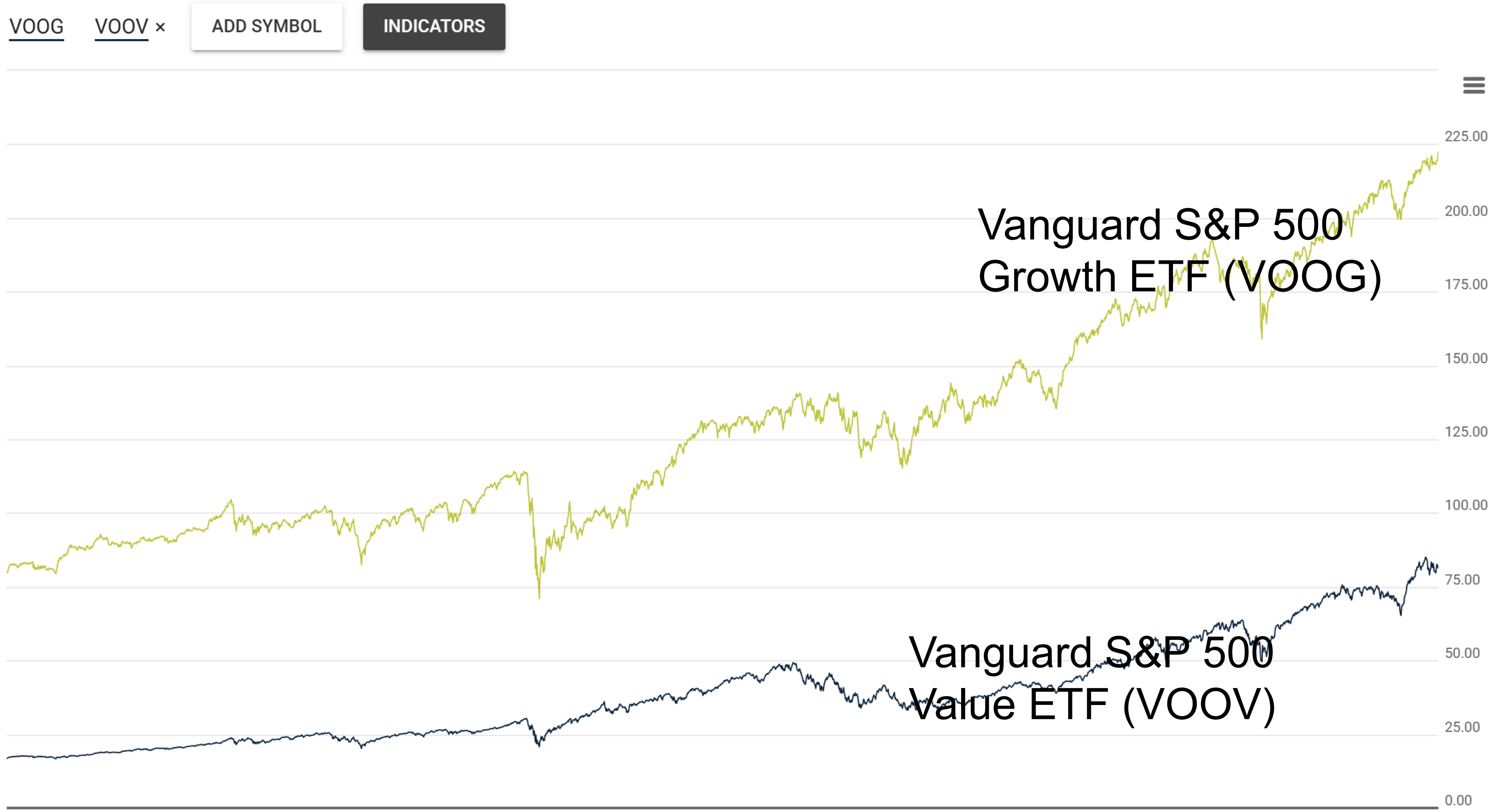


As of 3/31/26. **Past performance does not guarantee future results.** The chart shows the values of the Russell 1000 Growth Index returns minus the Russell 1000 Value Index returns. When the line is above 0, growth stocks outperformed value stocks. When the line is below 0, value stocks outperformed growth stocks. The performance shown above is index performance and is not representative of any Hartford Fund's performance. Indices are unmanaged and not available for direct investment. For illustrative purposes only. Data Sources: Morningstar and Hartford Funds, 5/26.

Source: Hartford Funds, chart data as of 3/31/2026

This compares the Russell 1000 Growth Index against the Russell 1000 Value Index (as of last quarter). Note the extended recent run of Growth.

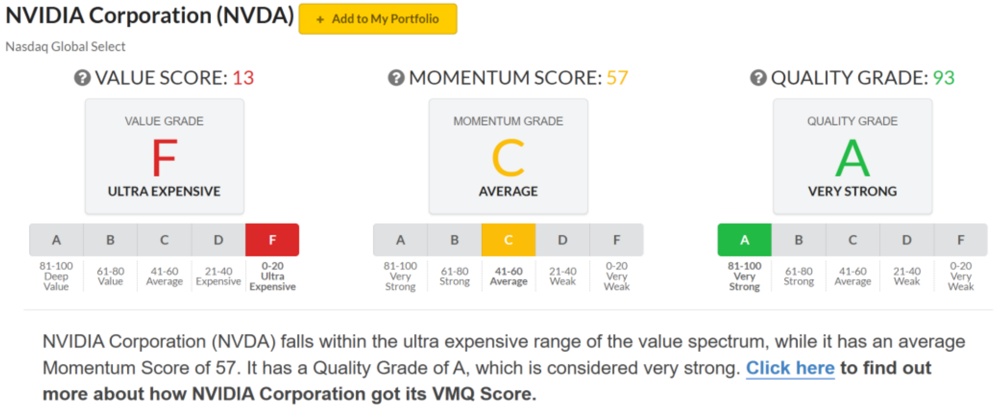
Value and Growth Performance

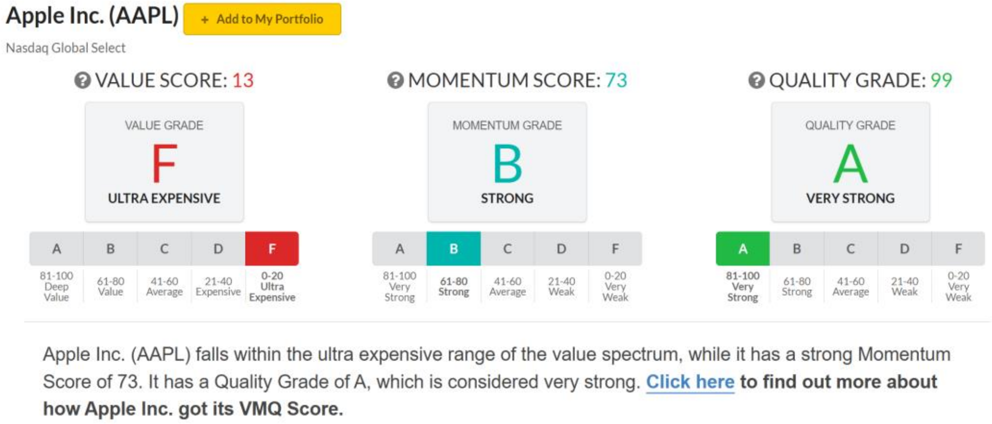


Performance from 7/6/2016 – 7/2/2026.
Source: AAII.com ETF Evaluator. Data as of 7/6/2026.

Concentration in the S&P 500 Remains High

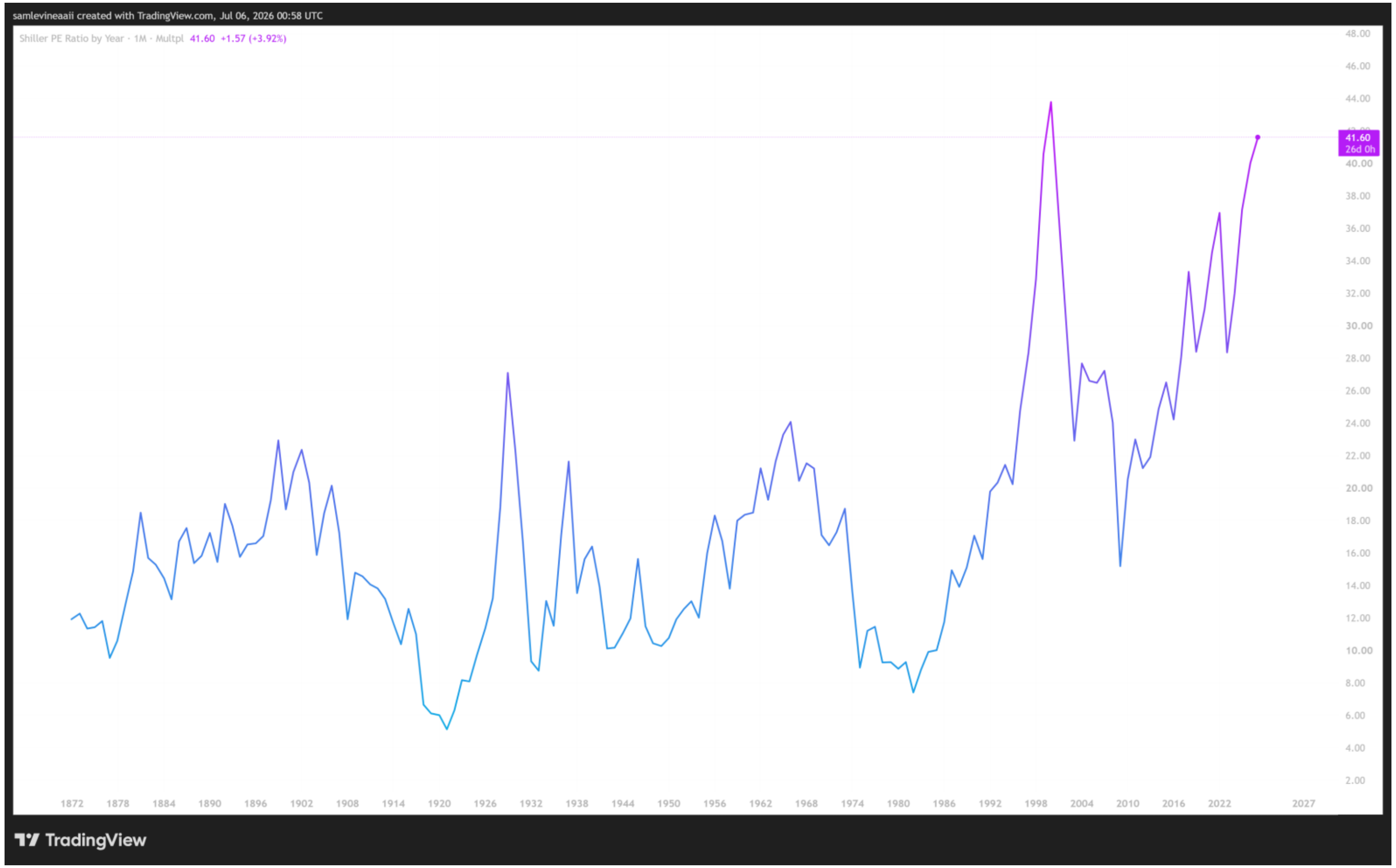
Source: J.P. Morgan Guide to the Markets. Data as of 6/30/2026.





Source: VMQ Stocks. Data as of 7/6/2026.

Is the Market Ahead of Itself?



Created by Nobel Laureate Robert Shiller, the cyclically-adjusted price-to-earnings ratio (CAPE) uses stock/index price/10-year inflation-adjusted earnings.

Current value: 41.6 x trailing 10-year average earnings. According to GuruFocus.com, the 20-year average value was 27.7x.

For investors new to the VMQ approach, what are the first three steps they should take to begin applying VMQ principles to their own portfolio research and stock selection?

Using the VMQ Analyzer

VMQ Stocks Home

VMQ Analyzer

Enter company or ticker | Analyze

VMQ Score | Snapshot

Ironwood Pharmaceuticals, Inc. (IRWD)

+ Add to My Portfolio

Nasdaq Global Select

✔ Ironwood Pharmaceuticals, Inc. (IRWD) currently qualifies according to the VMQ strategy.

VALUE SCORE: 88

VALUE GRADE
A
DEEP VALUE

A	B	C	D	F
81-100 Deep Value	61-80 Value	41-60 Average	21-40 Expensive	0-20 Ultra Expensive

MOMENTUM SCORE: 97

MOMENTUM GRADE
A
VERY STRONG

A	B	C	D	F
81-100 Very Strong	61-80 Strong	41-60 Average	21-40 Weak	0-20 Very Weak

QUALITY GRADE: 87

QUALITY GRADE
A
VERY STRONG

A	B	C	D	F
81-100 Very Strong	61-80 Strong	41-60 Average	21-40 Weak	0-20 Very Weak

Ironwood Pharmaceuticals, Inc. (IRWD) currently qualifies according to the VMQ strategy. This stock falls within the deep value range of the value spectrum, while it has a very strong Momentum Score of 97. It has a Quality Grade of A, which is considered very strong. Click here **to find out more about how Ironwood Pharmaceuticals, Inc. got its VMQ Score.**

Using the VMQ Analyzer

VALUE SCORE → 88 (Deep Value)

A	B	C	D	F
81-100 **Deep Value**	61-80 Value	41-60 Average	21-40 Expensive	0-20 Ultra Expensive

IRWD has a Value Score of 88, which is above the minimum score to initially qualify a
the VMQ model portfolio, a stock's Value Score must be higher than 60. In addition, a
Momentum and Quality as well as the additional criteria specified in the portfolio addit

IRWD's Value Score of **88**, translates into a Value Grade of A and is considered to be

Value Score definition: The Value Score is based on the percentile ranks of the price-t
EBITDA ratio, shareholder yield, price-to-book-value ratio, and/or price-to-free-cash-fl
stocks with the most attractive valuations and lower scores to stocks with the least att
must have a valid (non-null) ratio and corresponding ranking for at least two of the six

- The price-to-sales ratio
- The price-earnings ratio
- The enterprise-value-to-EBITDA ratio
- The shareholder yield
- The price-to-free-cash-flow ratio

The percentile rank ranges from 0 to 100, with 0 signaling the lowest valuation and 10
D or F (with "A" being the most favorable and "F" being the least favorable) are assigr

MOMENTUM SCORE → 97 (Very Strong)

A	B	C	D	F
81-100 **Very Strong**	61-80 Strong	41-60 Average	21-40	0-20

A company must have a Momentum Score of 61 or higher in order to meet the
approach.

IRWD has a weighted four-quarter relative strength rank (Momentum Score) of
consider a company for the VMQ Stocks model portfolio and the VMQ Idea list
uses the value and quality criteria to determine if this stock merely has good re
quality traits.

Momentum Score definition: The weighted four-quarter relative strength rank
the past four quarters. Rolling periods based on a span of 63 trading days are

The process for determining a stock's weighted four-quarter relative strength s
last four quarters. These numbers are then weighted 40% for the most recently
previous quarters. The four weighted relative strength figures are added togeth
strength for **IRWD**.

Finally, the weighted four-quarter relative strength for **IRWD** is compared again
stocks to determine its weighted four-quarter relative strength rank. This rank c
at the Momentum Grade.

Here are the relative strength price changes used as the basis for determining

QUALITY SCORE → 87 (Very Strong)

A	B	C	D	F
81-100 **Very Strong**	61-80 Strong	41-60 Average	21-40 Weak	0-20 Very Weak

A company must have a Quality Grade of A or B (score of 61 or higher) to be considered for the VMQ Stocks model portfolio.

IRWD has a Quality Score of 87, which translates into a Quality Grade of **A** (Very Strong). Therefore, **IRWD** meets the initial quality requirements of the VMQ Stocks approach.

IRWD has valid, non-null, measures for all eight variables used to calculate the Quality Score and Quality Grade.

Quality Grade definition: The Quality Grade is the percentile rank of the average of the percentile ranks of the return on assets (ROA), return on invested capital (ROIC), gross profit relative to assets, buyback yield, change in total liabilities to assets, accruals, Z double prime bankruptcy risk (Z) score and F-Score. The score is variable, meaning it can consider all eight measures or, should any of the eight measures not be valid, the remaining measures that are valid. To be assigned a Quality Score, stocks must have a valid (non-null) measure and corresponding ranking for at least four of the eight quality measures. Comprising the Quality Score for **IRWD** are:

- Return on assets (ROA)
- Return on invested capital (ROIC)
- Gross-profit-to-total-assets ratio
- Buyback yield
- Change in total liabilities relative to total assets
- Accruals-to-total-assets ratio
- Z double prime bankruptcy risk score
- F-Score

What other VMQ resources and tools are available to help investors implement this strategy, and how might subscribers use these resources to assess investment opportunities on their own?

Using the VMQ Ideas List

VMQ Ideas

These companies qualify for initial consideration under the VMQ Stocks approach.

Overview | Valuation Analysis | Momentum Analysis | Quality Analysis | Characteristics

Qualifying as of 1/2/2026

Green up arrows and red down arrows show the daily change in the Value Grade, Momentum Grade or Quality Grade.

Excel

Click on the column headers to change the sort order.

Company Name	Ticker	Current Price	Value		Momentum		Quality		Notes
			Score	Grade	Score	Grade	Score	Grade	
Abercrombie & Fitch Co.	ANF	$123.74	77	B	77	B	91	A	

AAII.com Home Portfolio Insights Ideas Tools How-To

ANF Analyze

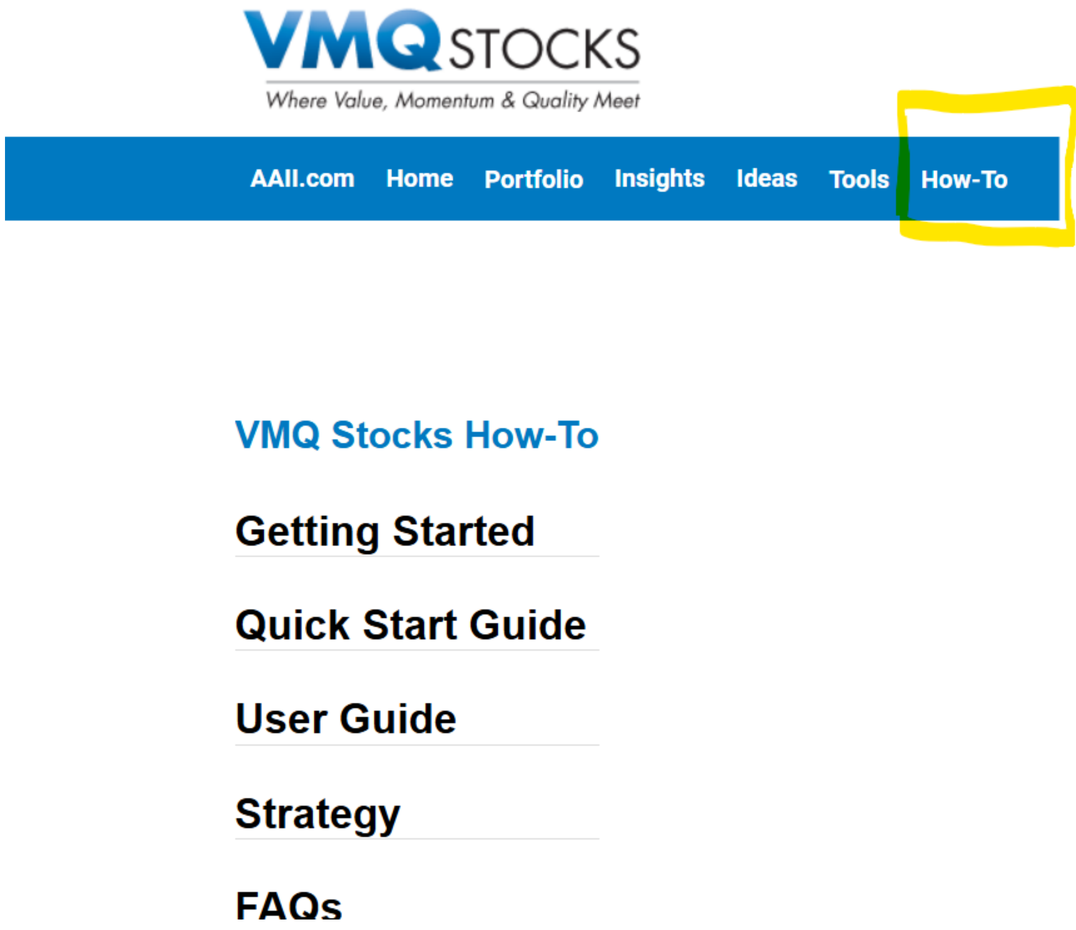
What's on the VMQ Ideas List?

Company Name	Ticker	Current Price	Value Score	Value Grade	Momentum Score	Momentum Grade	Quality Score	Quality Grade	Composite Score
Macy's, Inc.	M	$23.25	98	A	86	A	94	A	278
Taboola.com Ltd.	TBLA	$5.14	92	A	87	A	97	A	276
Ironwood Pharmaceuticals, Inc.	IRWD	$4.33	88	A	97	A	87	A	272
Betterware de México, S.A.P.I. de C.V.	BWMX	$17.98	92	A	83	A	93	A	268
APA Corporation	APA	$32.36	94	A	74	B	98	A	266
Garrett Motion Inc.	GTX	$31.75	78	B	95	A	90	A	263
Koppers Holdings Inc.	KOP	$46.21	94	A	75	B	93	A	262
American Eagle Outfitters, Inc.	AEO	$16.46	87	A	79	B	93	A	259
DaVita Inc.	DVA	$234.91	83	A	89	A	87	A	259
Flexsteel Industries, Inc.	FLXS	$72.49	77	B	89	A	93	A	259

Source: VMQ Stocks. Data as of 7/6/2026.

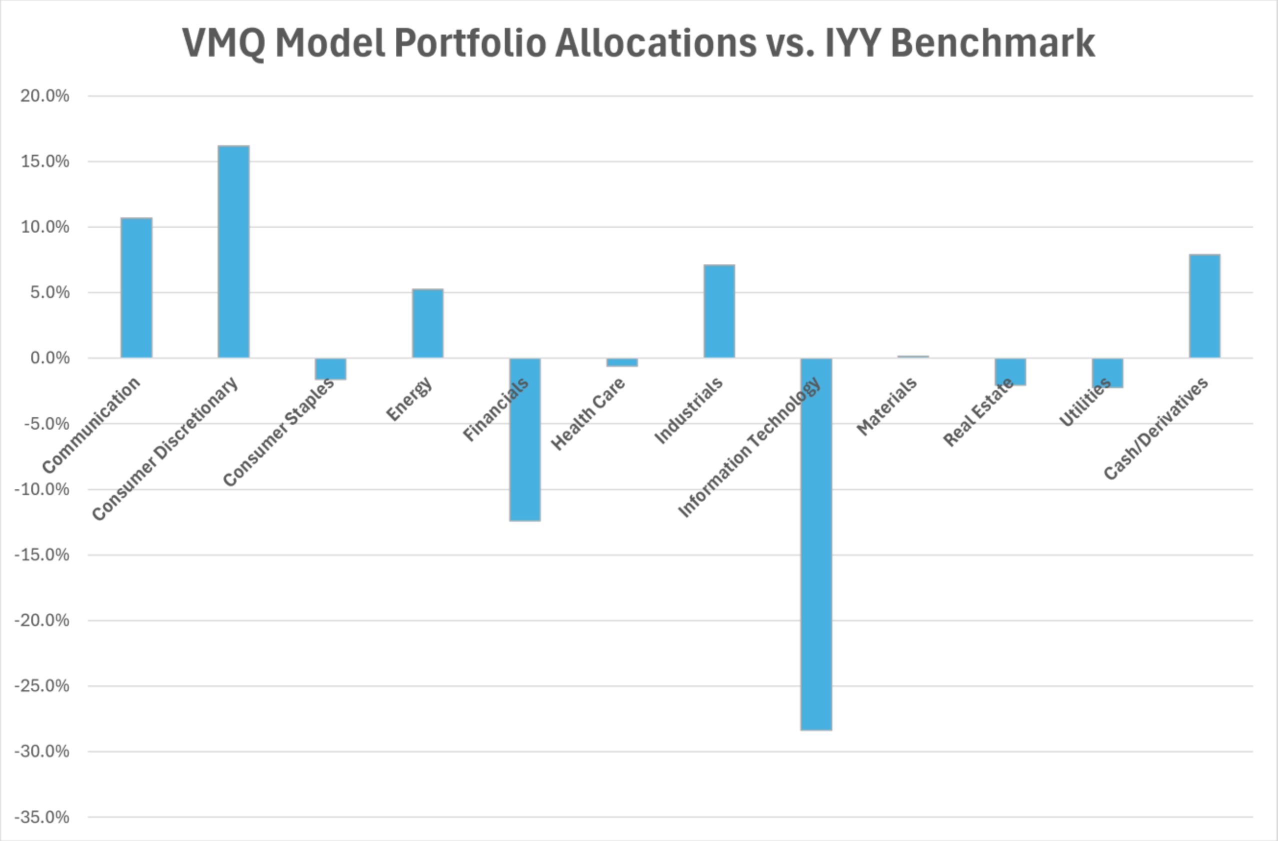
Help and Resources

- The VMQ Stocks How-To is an excellent resource for everything VMQ!



Model Portfolio Characteristics

VMQ Portfolio Allocation Versus IYY



Key observations:

- VMQ is underweighted in Information Technology and doesn't invest in Financials and Real Estate.
- VMQ is heavier on Communications, Consumer Discretionary and Industrials.
- The large cash position will be smaller when we add a stock to replace Taylor Morrison Home Corp. (TMHC), expected July 8.

Source: AAII.com and BlackRock. AAII.com data as of 7/5/2026. BlackRock data as of 7/2/2026.

VMQ Portfolio Market-Capitalization Breakdown

Company	Ticker	Industry	S&P Membership	Market Cap ($M)
Astec Industries, Inc.	ASTE	Machinery	SmallCap 600	$1,189
AutoNation, Inc.	AN	Specialty Retail	MidCap 400	$6,525
BJ's Wholesale Club Holdings, Inc.	BJ	Consumer Staples Distribution & Retail	MidCap 400	$11,438
CF Industries Holdings, Inc.	CF	Chemicals	500	$16,681
Consensus Cloud Solutions, Inc.	CCSI	Software	None	$630
G-III Apparel Group, Ltd.	GIII	Textiles, Apparel & Luxury Goods	SmallCap 600	$1,435
General Motors Company	GM	Automobiles	500	$75,524
Millicom International Cellular S.A.	TIGO	Wireless Telecommunication Services	None	$14,602
Nexxen International Ltd.	NEXN	Media	None	$476
Par Pacific Holdings, Inc.	PARR	Oil, Gas & Consumable Fuels	SmallCap 600	$2,740
Patrick Industries, Inc.	PATK	Automobile Components	SmallCap 600	$2,891
Pediatrix Medical Group, Inc.	MD	Health Care Providers & Services	SmallCap 600	$1,897
Ranger Energy Services, Inc.	RNGR	Energy Equipment & Services	None	$372
Sally Beauty Holdings, Inc.	SBH	Specialty Retail	SmallCap 600	$1,244
Scholastic Corporation	SCHL	Media	SmallCap 600	$909
SkyWest, Inc.	SKYW	Passenger Airlines	SmallCap 600	$3,481
Tenet Healthcare Corporation	THC	Health Care Providers & Services	MidCap 400	$14,330
United Rentals, Inc.	URI	Trading Companies & Distributors	500	$68,546
Vistance Networks, Inc.	VISN	Communications Equipment	None	$2,738
			average VMQ market cap	$11,981

**Characterized by index inclusion, where applicable and by market cap.*
Source: VMQ Stocks and AAII Stock Investor Pro. *Data as of 7/5/2026.*

VMQ Portfolio Performance for 2026 Year-to-Date

Total Return	VMQ Stocks Model Portfolio*	iShares Dow Jones U.S. ETF (IYY)
Week (Ending 7/1)	3.7%	1.8%
Month (July)	3.6%	0.0%
YTD 2026	12.8%	5.7%
2025	10.2%	17.1%
2024	7.8%	24.1%
2023	20.0%	26.5%
2022	(12.6%)	(19.6%)
2021	43.3%	26.4%
2020	10.2%	20.1%
2019	21.8%	30.8%
2018	(21.9%)	(5.2%)
Since Inception	111.2%	194.2%

Performance as of 7/1/2026

Source: AAII.com. Data as of 7/1/2026.

Potential Portfolio Changes

- Next up: use proceeds from Primoris Services (PRIM) for a new addition to be announced on Wednesday.

- BJ’s Wholesale Club Holdings Inc. (BJ) and United Rentals Inc. (URI) both have Value Grades of D, indicating that they have become “expensive.” BJ also has a Momentum Grade of D.

- Patrick Industries (PATK) has agreed to merge with LCI Industries (LCII), with Patrick shareholders holding 52% of the combined company. It also has a Momentum Grade of F, which might put it on probation as of Wednesday.

- Potentially rebalancing to trim United Rentals, which is now 11.72% of the portfolio, but only if it exceeds 12.5% of the portfolio's value.

AAII Platinum Trial for Members

- **Try AAII Platinum for 30 Days for Just $1**
- **Exclusive for current AAII members who are not already AAII Platinum subscribers**
- Enjoy **30 days of full access** to:
  - **VMQ Stocks** + 6 Model Portfolios
  - Premium stock, fund and ETF tools
  - 7 Newsletters
  - Portfolio tracking and monitoring through My Portfolio
  - 50 Stock Screens
  - And more!
- **Member Trial:** https://invest.aaii.com/platinum-member-trial/

Questions?

AAII Disclaimer

AAII is not a registered investment adviser or a broker/dealer. Readers are advised that articles are provided solely for informational purposes and should not be construed as an offer to sell or the solicitation of an offer to buy securities. The opinions and analyses included herein are based on sources believed to be reliable and written in good faith, but no representation or warranty, expressed or implied, is made as to their accuracy, completeness, timeliness, or correctness. Neither we nor our information providers shall be liable for any errors or inaccuracies, regardless of cause, or the lack of timeliness of, or any delay or interruptions in the transmission thereof to the users. All investment information contained herein should be independently verified. Past performance is no guarantee of future results. Investment information provided may not be appropriate for all investors. Investment information is provided without consideration of your financial sophistication, financial situation, investing time horizon, or risk tolerance. Readers are urged to consult with their own independent financial advisers with respect to any investment.