

ERS's Risk Ratings: A Proven System for Identifying Danger Before It Strikes

March 17, 2025

Reliability in investment analysis is rare. Many predictive models promise insight but fail when tested against real-world market conditions, leaving investors vulnerable to unexpected losses. Equity Risk Sciences (ERS) has developed a sophisticated ratings system designed to provide a clear, data-driven assessment of risk—one that has consistently demonstrated its ability to identify high-risk stocks before significant declines occur.

By leveraging deep statistical analysis and decades of historical data, ERS's risk ratings offer investors a critical advantage: the ability to recognize and avoid stocks with heightened downside potential. Unlike conventional methods that often rely on sentiment or surface-level financials, ERS's approach quantifies risk with precision, offering objective, reliable and actionable ratings for making informed investment decisions.

The Proof: ERS's Ratings Identified High Risk Before Major Declines

ERS's ratings are not theoretical constructs—they provide real, actionable insights that have consistently demonstrated their reliability. The case of UiPath (PATH) serves as a compelling example.

In 2021, PATH was trading at \$80 per share. By June 15, 2021—the first day ERS's full ratings system was able to analyze the stock—its price had dropped to \$70. Despite the stock still trading at a substantial valuation, ERS's system issued a clear warning: four of its risk ratings signaled extreme danger.

PRI™	ERI™	FRR™	eValuation™
100 <i>0 (best) to 100 (worst)</i>	69 <i>0 (best) to 100 (worst)</i>	100 <i>0 (best) to 100 (worst)</i>	-221 <i>150 (best) to -250 (worst)</i>

This was a critical moment. While many investors were still optimistic about PATH's long-term potential, ERS's system flagged profound risk. And the data proved correct—by March 2022, PATH had plummeted to \$30. Even at that lower price, ERS continued to identify extreme risk, warning investors that further declines were likely.

This is the true significance of ERS's ratings: they don't rely on speculation or sentiment. Instead, they apply rigorous data science to quantify risk with precision, providing investors with the objective information they need to avoid catastrophic losses.

Why ERS's Ratings Matter

Each of ERS's four ratings—PRI, ERI, FRR, and eValuation—uses distinct inputs and methodologies to assess risk. Typically, different risk models show variation in their assessments due to differences in weighting, data interpretation, and computational approaches. The near-identical shapes of the four

risk rating charts in our analysis, therefore, suggest that these independent methods are capturing a consistent and meaningful signal in the data.

This type of alignment is exceedingly rare. When multiple models converge, it suggests a heightened level of statistical reliability. Investors using these ratings can have greater confidence in their decision-making because the probability of the assessment being correct is higher than any single model alone would indicate. This phenomenon underscores the advantage of a multi-factor approach to investment risk analysis.

A Near-Monotonic Relationship in Ratings and Returns

Looking at the proof tables, a second remarkable confirmation appears: a near-monotonic relationship between the assigned risk rating and future stock performance.

- When PATH had an **A or B rating**, the probability of gain was near or at 100%, with strong average returns.
- As ratings deteriorated from **C to G**, the average return progressively declined, eventually turning deeply negative.

Such a relationship is rare in investment analytics. In most cases, predictive models do not produce such a clear and consistent progression in expected returns. This structured, nearly monotonic pattern confirms that the ratings are effectively distinguishing between different levels of investment risk and opportunity.

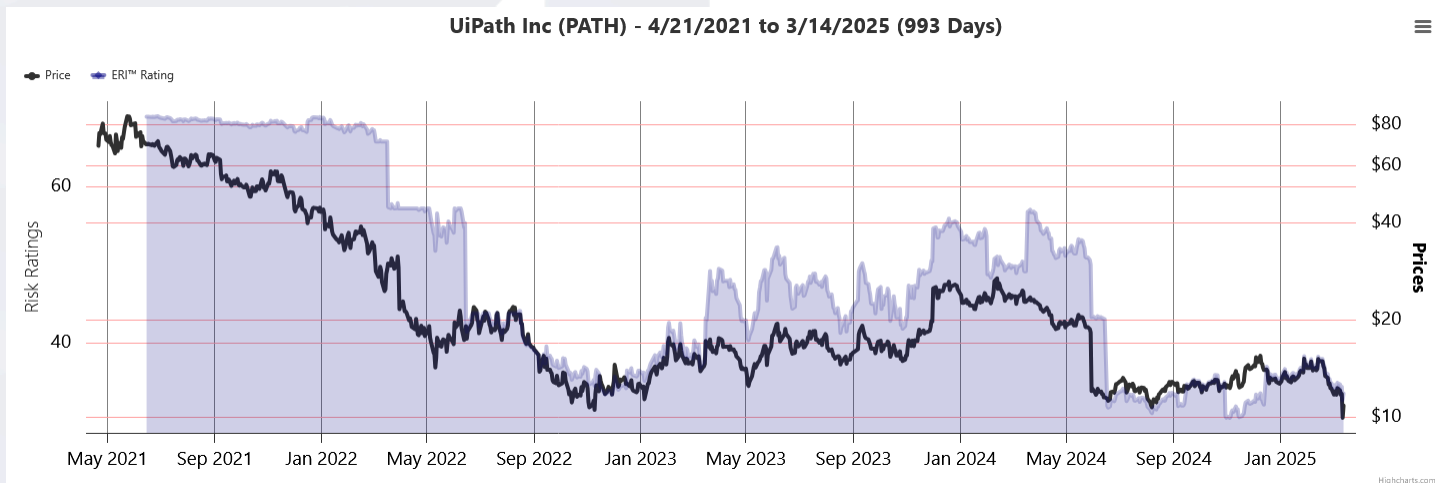
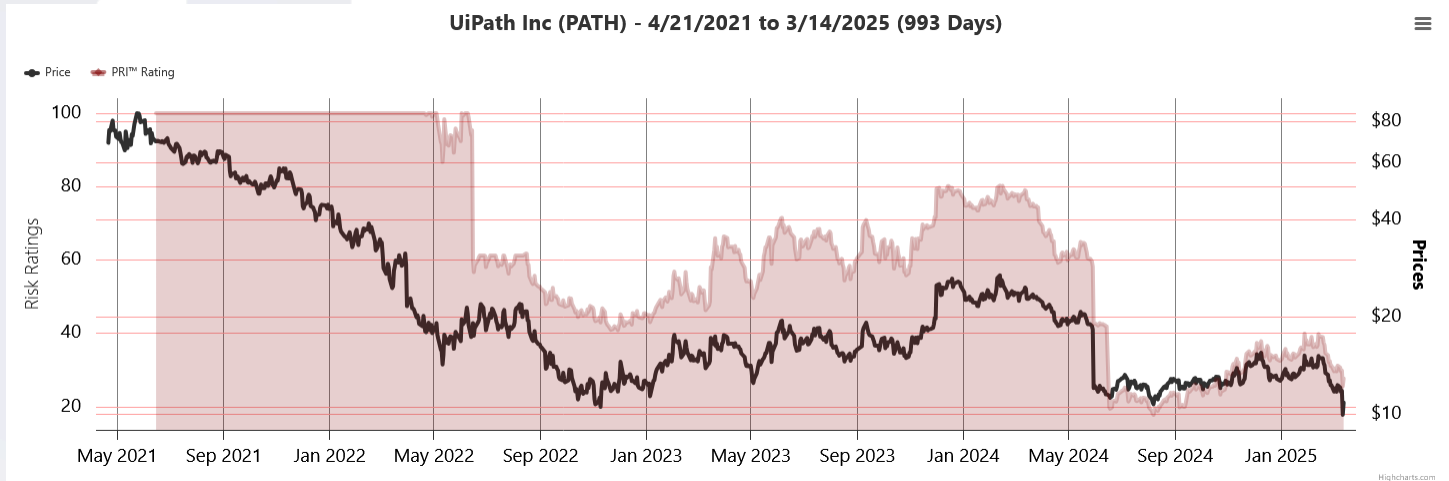
Why This Is a Breakthrough for Investors

1. **Stronger Predictive Power** – The alignment of multiple models enhances confidence in risk assessments, allowing for more informed investment decisions.
2. **Higher Reliability in Decision-Making** – Investors and fiduciaries can rely on these ratings with greater certainty, reducing the risk of making costly mistakes.
3. **Better Portfolio Protection** – By avoiding stocks when ratings deteriorate and investing when ratings improve, investors can achieve higher returns while minimizing losses.

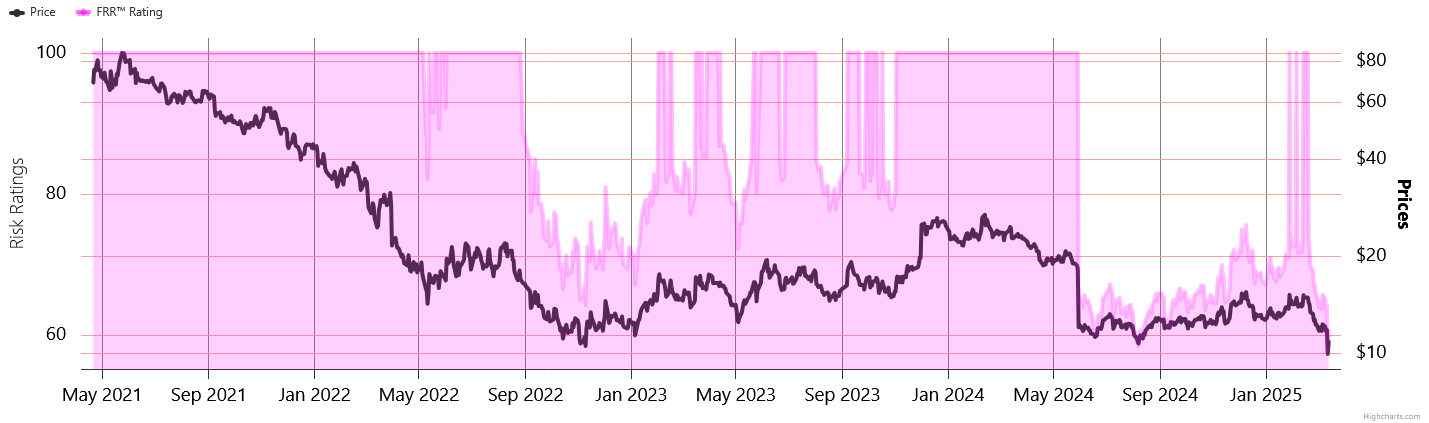
Final Thoughts

Investment decisions are fraught with uncertainty, but when independent models converge, they provide a powerful confirmation of reliability. The observed alignment in PATH's risk ratings and the near-monotonic correlation with subsequent stock performance suggest that these metrics can be a valuable tool for investors looking to enhance returns and reduce risk.

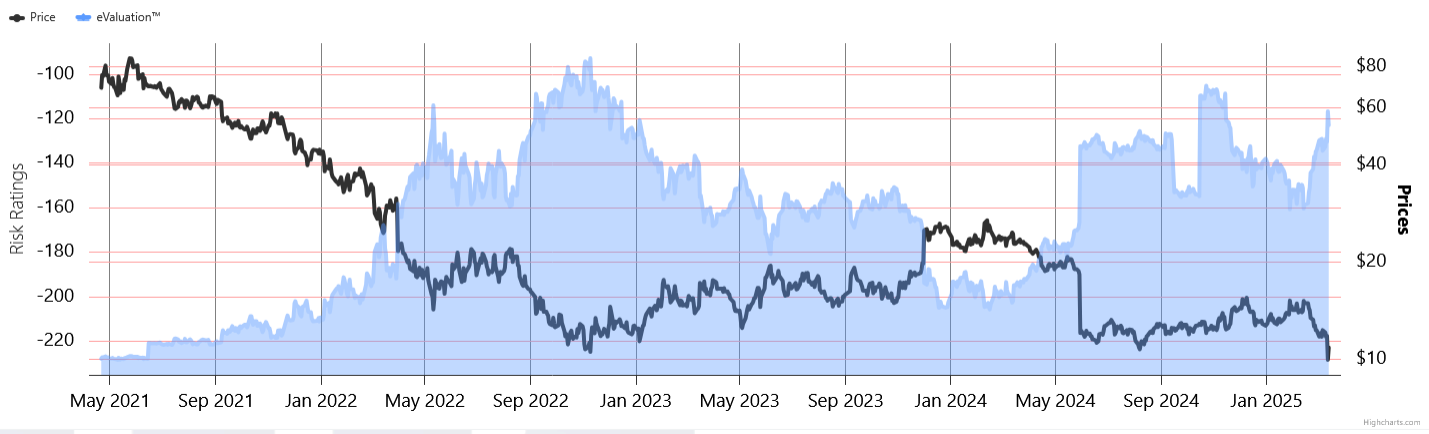
This breakthrough reinforces the power of data-driven investing: when rigorous, independent models all point in the same direction, investors should pay attention.



UiPath Inc (PATH) - 4/21/2021 to 3/14/2025 (993 Days)



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PRI™ Rating Proof Table™ - 1 Year Hold Current Rating: A				ERI™ Rating Proof Table™ - 1 Year Hold Current Rating: A				FRR™ Rating Proof Table™ - 1 Year Hold Current Rating: A				eValuation™ Proof Table™ - 1 Year Hold Current Rating: B			
PRI™ Rating	# Days	Average 1-Year Return	Prob. of Gain	ERI™ Rating	# Days	Average 1-Year Return	Prob. of Gain	FRR™ Rating	# Days	Average 1-Year Return	Prob. of Gain	eValuation™	# Days	Average 1-Year Return	Prob. of Gain
A	7	56.1%	100%	A	7	56.1%	100%	A	8	59.2%	100%	A	8	51.1%	100%
B	63	65%	100%	B	63	63.1%	100%	B	64	59.9%	100%	B	102	42.7%	84%
C	103	29.3%	77%	C	103	26.1%	67%	C	111	18.7%	60%	C	255	0.1%	32%
D	173	-12.2%	20%	D	173	-11.8%	23%	D	38	9%	53%	D	182	-39%	8%
E	119	-33.9%	5%	E	242	-42.3%	5%	E	0	0%		E	110	-71.6%	0%
F	0	0%		F	97	-71.7%	0%	F	0	0%		F	65	-73.6%	0%
G	227	-61.8%	0%	G	7	-72.5%	0%	G	509	-43.8%	6%	G	8	-74.3%	0%
Total	692	-18.3%	28%	Total	692	-18.3%	28%	Total	730	-21.3%	26%	Total	730	-21.3%	26%