

Proof Is In Performance Thru 4Q12

Most Attractive (Long) & Most Dangerous (Short) Stocks

Trust

We deliver the whole truth by incorporating critical data from the Financial Footnotes and MD&A that other firms miss.

Performance

The value and success of our ratings are unrivaled. Click here for proof.

More Reports

Click here and enter a ticker to buy more of our reports.



- **The Most Attractive and Most Dangerous Stocks reports offer multiple strategies to outperform in good and bad markets.**
- **Our Large-Cap Long strategy (+7.4%) outperformed the S&P 500 in 4Q12 by 6.7%.**
- **Our combined Large- and Small-Cap Long strategy (+7.2%) beat the S&P 500 in 4Q12 by just 4.4%.**
- **These strategies (and others) have also beaten their benchmarks by much more since inception in January 2005.**
- **Barron's consistently ranks our stock-picking as amongst the best of the major research firms.**

Keys To Our Success:

- We rigorously review the financial footnotes to extract critical data that impacts valuation and true cash earnings of 3000+ stocks.
- Our DCF models leverage insights into true cash earnings to identify where market expectations are too high and too low.

Figure 1: Top 3 Strategies For 2012

Strategy	Portfolio	2012				YTD
		1Q	2Q	3Q	4Q	
Long <i>benchmark</i>	Large Cap Stocks	7.5%	-0.9%	-1.3%	7.4%	13.0%
	S&P 500	9.5%	-1.8%	5.6%	0.7%	14.3%
	Difference	-2.0%	0.9%	-6.9%	6.7%	-1.3%
Long <i>benchmark</i>	Large and Small Cap Stocks	8.6%	-3.8%	0.6%	7.2%	12.7%
	S&P 500 and Russell 2000	9.5%	-1.0%	4.1%	2.8%	16.0%
	Difference	-0.9%	-2.8%	-3.5%	4.4%	-3.3%
Short <i>benchmark</i>	Large Cap Stocks	-7.1%	-4.5%	-2.0%	-6.8%	-19.0%
	Short S&P 500	-9.0%	0.4%	-5.6%	-0.9%	-14.4%
	Difference	1.9%	-5.0%	3.5%	-5.9%	-4.6%

Source: New Constructs, LLC.

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Long/Short Strategies: Most Attractive/Most Dangerous Stocks (MA/MD)

Figure 2 shows the 2012 YTD performance of the long/short strategies offered by our Most Attractive and Most Dangerous Stocks versus benchmarks.

Figure 2: Returns for Long/Short Strategies For 2012

Strategy	Portfolio	2012				YTD
		1Q	2Q	3Q	4Q	
Long/Short benchmark	Large and Small Cap Stocks	0.2%	-4.4%	-4.3%	-0.1%	-8.5%
	Risk-Free Rate	0.0%	0.0%	0.0%	0.0%	0.1%
	Difference	0.2%	-4.4%	-4.3%	-0.2%	-8.6%
Long/Short benchmark	Large Cap Stocks	0.4%	-2.9%	-2.8%	0.7%	-4.5%
	Risk-Free Rate	0.0%	0.0%	0.0%	0.0%	0.1%
	Difference	0.4%	-2.9%	-2.8%	0.7%	-4.6%
Long/Short benchmark	Small Cap Stocks	0.0%	-5.9%	-5.8%	-1.1%	-12.4%
	Risk-Free Rate	0.0%	0.0%	0.0%	0.0%	0.1%
	Difference	-0.1%	-5.9%	-5.9%	-1.1%	-12.5%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 3 shows the annualized returns of the long/short strategies offered by our Most Attractive and Most Dangerous Stocks versus benchmarks.

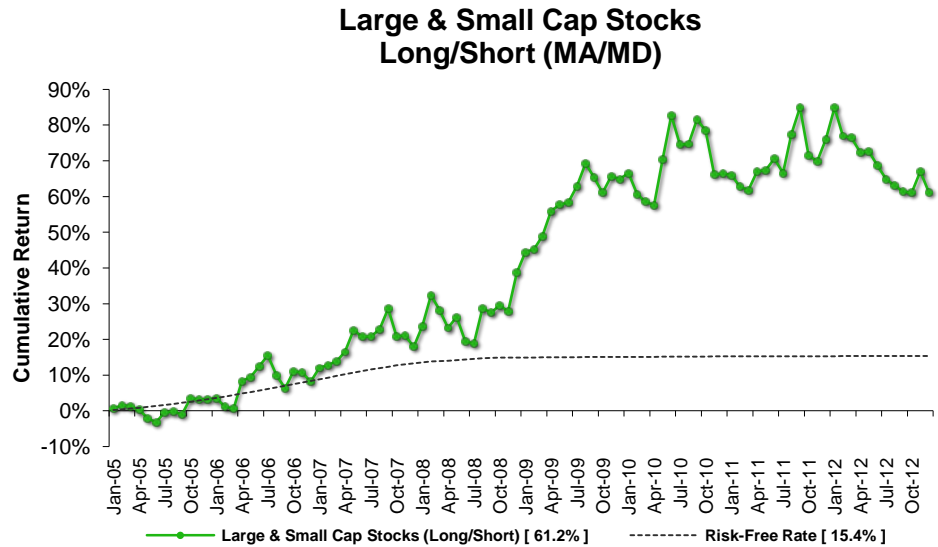
Figure 3: Annualized Returns for Long/Short Strategies

Strategy	Portfolio	Annualized return as of 12/31/2012			
		1 Year	3 Year	5 Year	Since Inception
Long/Short benchmark	Large and Small Cap Stocks	-8.5%	-0.8%	6.4%	6.1%
	Risk-Free Rate	0.1%	0.1%	0.4%	1.8%
	Difference	-8.5%	-0.9%	6.1%	4.3%
Long/Short benchmark	Large Cap Stocks	-4.5%	-2.7%	8.3%	6.4%
	Risk-Free Rate	0.1%	0.1%	0.4%	1.8%
	Difference	-4.6%	-2.8%	7.9%	4.6%
Long/Short benchmark	Small Cap Stocks	-12.3%	0.7%	3.8%	5.1%
	Risk-Free Rate	0.1%	0.1%	0.4%	1.8%
	Difference	-12.4%	0.6%	3.4%	3.3%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. Inception date is January 2005.

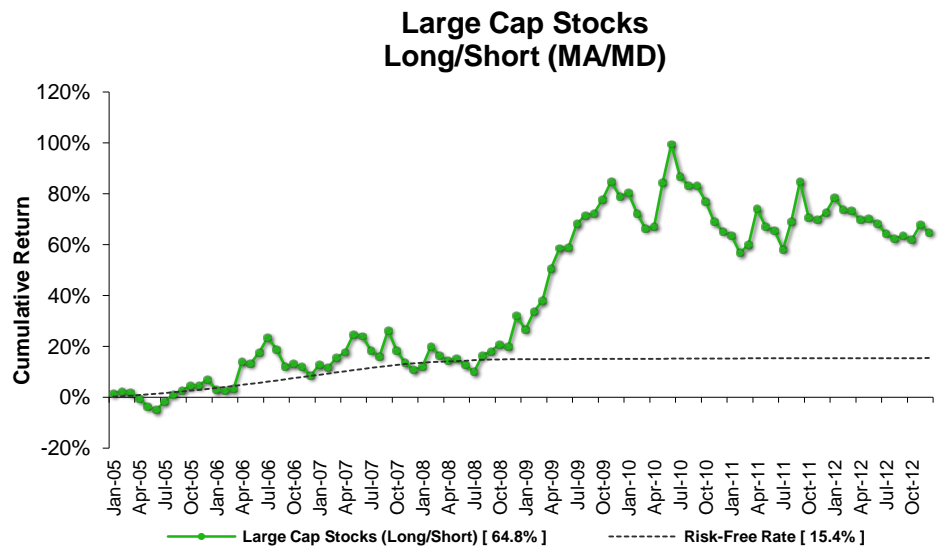
Figure 4: Large and Small Cap Strategy: Most Attractive/Most Dangerous (MA/MD) Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. The Risk-Free Rate is based on the 3-Month T-Bill.

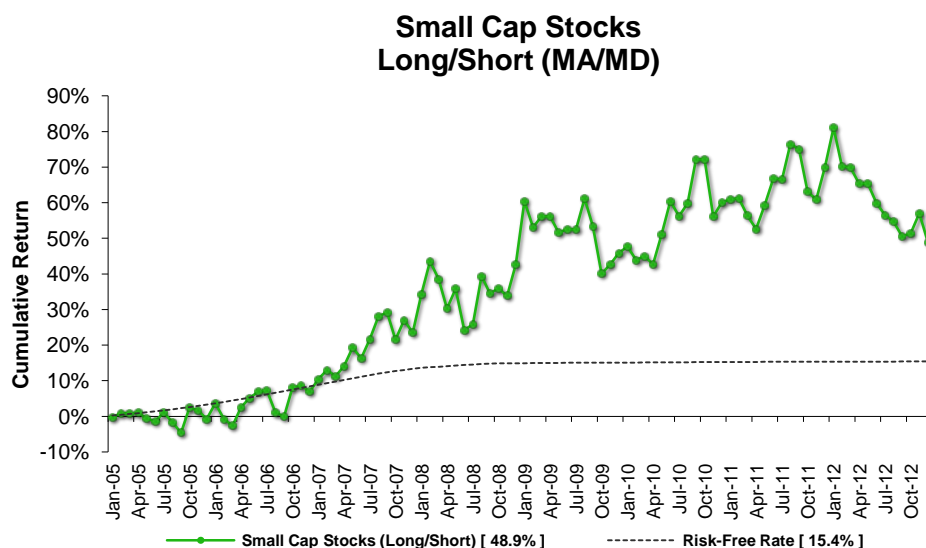
Figure 5: Large Cap Strategy: Most Attractive/Most Dangerous (MA/MD) Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. The Risk-Free Rate is based on the 3-Month T-Bill.

**Figure 6: Small Cap Strategy: Most Attractive/Most Dangerous (MA/MD)
Stocks: Cumulative Performance**



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. The Risk-Free Rate is based on the 3-Month T-Bill.

Long Strategies: Most Attractive Stocks (MA)

Figure 7 shows the 2012 performance of the long strategies offered by our Most Attractive Stocks versus benchmarks.

Figure 7: Returns for Long Strategies For 2012

Strategy	Portfolio	2012				YTD
		1Q	2Q	3Q	4Q	
Long benchmark	Large and Small Cap Stocks	8.6%	-3.8%	0.6%	7.2%	12.7%
	S&P 500 and Russell 2000	9.5%	-1.0%	4.1%	2.8%	16.0%
	Difference	-0.9%	-2.8%	-3.5%	4.4%	-3.3%
Long benchmark	Large Cap Stocks	7.5%	-0.9%	-1.3%	7.4%	13.0%
	S&P 500	9.5%	-1.8%	5.6%	0.7%	14.3%
	Difference	-2.0%	0.9%	-6.9%	6.7%	-1.3%
Long benchmark	Small Cap Stocks	9.4%	-6.6%	2.6%	6.9%	12.0%
	Russell 2000	9.4%	-0.2%	2.5%	4.9%	17.3%
	Difference	0.0%	-6.4%	0.1%	2.1%	-5.3%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 8 shows the annualized returns of the long strategies offered by our Most Attractive Stocks versus benchmarks.

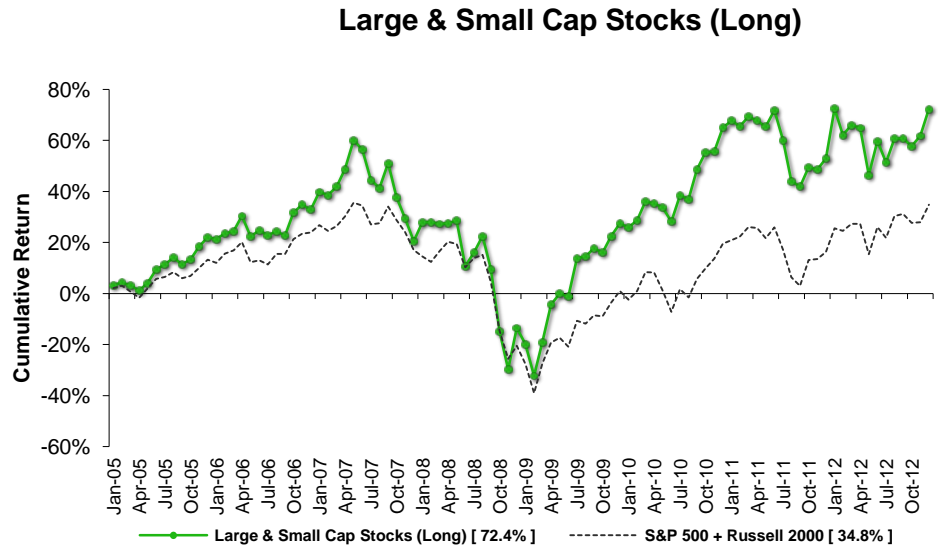
Figure 8: Annualized Returns for Long Strategies

Strategy	Portfolio	Annualized return as of 12/31/2012			
		1 Year	3 Year	5 Year	Since Inception
Long benchmark	Large and Small Cap Stocks	12.7%	10.6%	7.4%	7.0%
	S&P 500 and Russell 2000	16.0%	10.1%	2.9%	3.8%
	Difference	-3.3%	0.5%	4.5%	3.2%
Long benchmark	Large Cap Stocks	13.0%	11.6%	6.0%	7.3%
	S&P 500	14.3%	8.7%	1.0%	2.7%
	Difference	-1.3%	2.9%	5.0%	4.6%
Long benchmark	Small Cap Stocks	12.0%	9.2%	8.1%	6.1%
	Russell 2000	17.3%	11.3%	4.5%	4.7%
	Difference	-5.3%	-2.1%	3.5%	1.5%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. Inception date is January 2005.

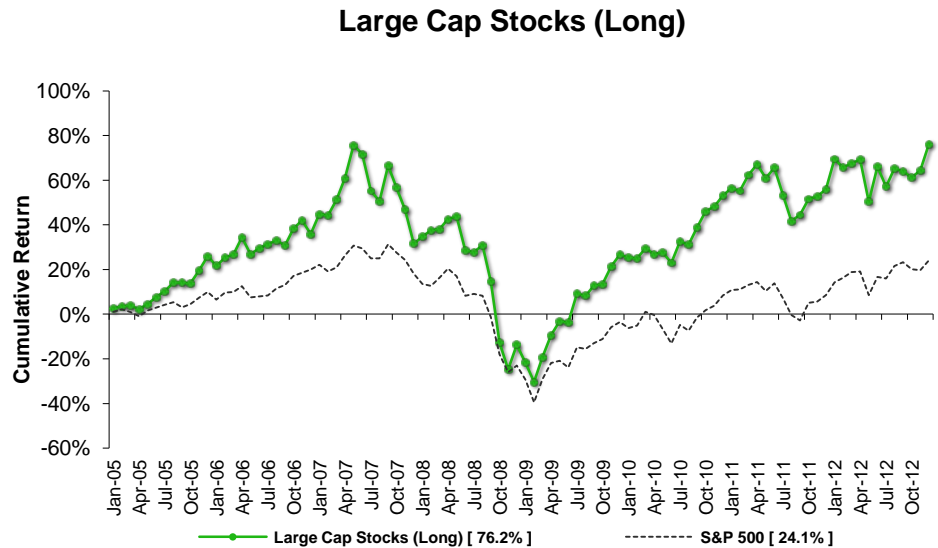
Figure 9: Large and Small Cap Strategy: Most Attractive Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

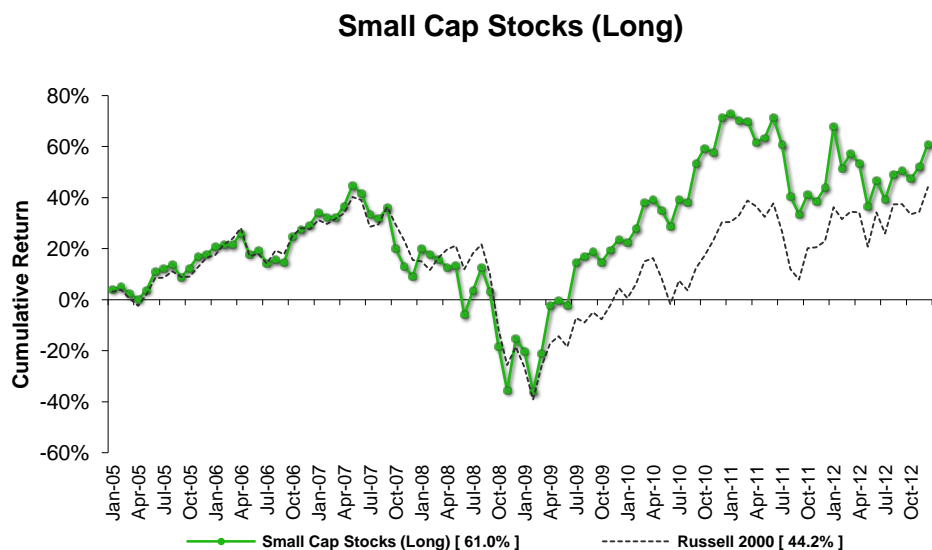
Figure 10: Large Cap Strategy: Most Attractive Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 11: Small Cap Strategy: Most Attractive Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Short Strategies: Most Dangerous Stocks (MD)

Figure 12 shows the 2012 performance of the short strategies offered by our Most Dangerous Stocks versus benchmarks.

Figure 12: Returns for Short Strategies For 2012

Strategy	Portfolio	2012				YTD
		1Q	2Q	3Q	4Q	
Short benchmark	Large and Small Cap Stocks	-8.8%	-2.9%	-5.5%	-7.5%	-22.5%
	Short S&P 500 and Russell 2000	-9.3%	-0.7%	-4.5%	-3.1%	-16.7%
	Difference	0.6%	-2.2%	-1.0%	-4.4%	-5.8%
Short benchmark	Large Cap Stocks	-7.1%	-4.5%	-2.0%	-6.8%	-19.0%
	Short S&P 500	-9.0%	0.4%	-5.6%	-0.9%	-14.4%
	Difference	1.9%	-5.0%	3.5%	-5.9%	-4.6%
Short benchmark	Small Cap Stocks	-10.6%	-1.3%	-8.9%	-8.1%	-26.1%
	Short Russell 2000	-9.8%	-2.0%	-3.6%	-5.2%	-19.2%
	Difference	-0.7%	0.7%	-5.3%	-2.9%	-6.9%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 13 shows the annualized returns of the short strategies offered by our Most Dangerous Stocks versus benchmarks.

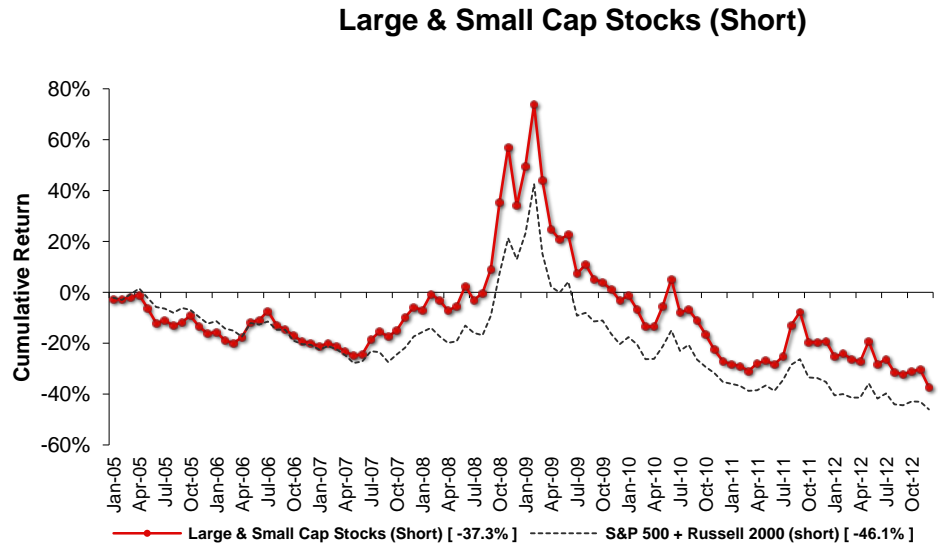
Figure 13: Annualized Returns for Short Strategies

Strategy	Portfolio	Annualized return as of 12/31/2012			
		1 Year	3 Year	5 Year	Since Inception
Short benchmark	Large and Small Cap Stocks	-22.5%	-13.4%	-7.8%	-5.7%
	Short S&P 500 and Russell 2000	-16.7%	-12.2%	-8.2%	-7.4%
	Difference	-5.8%	-1.2%	0.4%	1.8%
Short benchmark	Large Cap Stocks	-18.9%	-15.4%	-3.1%	-4.5%
	Short S&P 500	-14.4%	-10.2%	-5.3%	-5.6%
	Difference	-4.5%	-5.2%	2.1%	1.1%
Short benchmark	Small Cap Stocks	-26.1%	-11.7%	-13.2%	-7.6%
	Short Russell 2000	-19.2%	-14.3%	-11.2%	-9.4%
	Difference	-6.9%	2.6%	-1.9%	1.9%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. Inception date is January 2005.

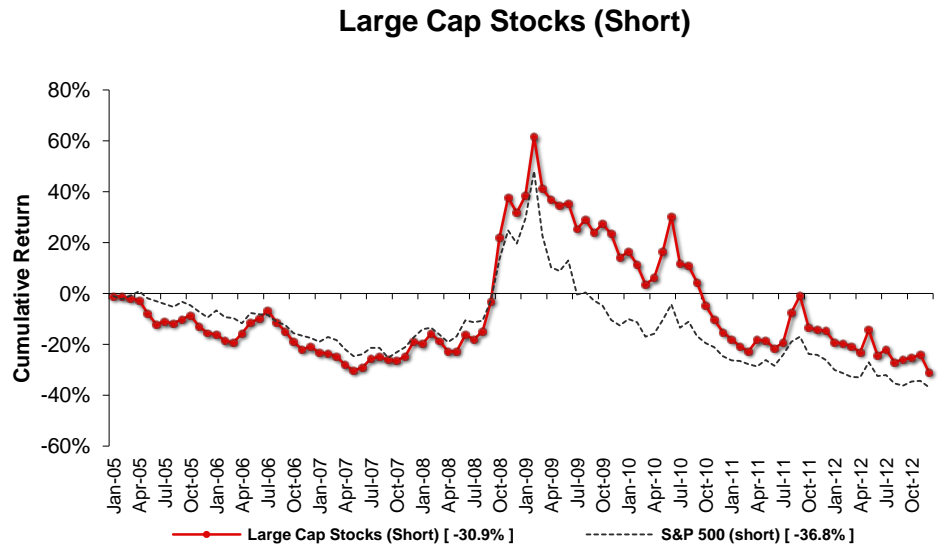
Figure 14: Large and Small Cap Strategy: Most Dangerous Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

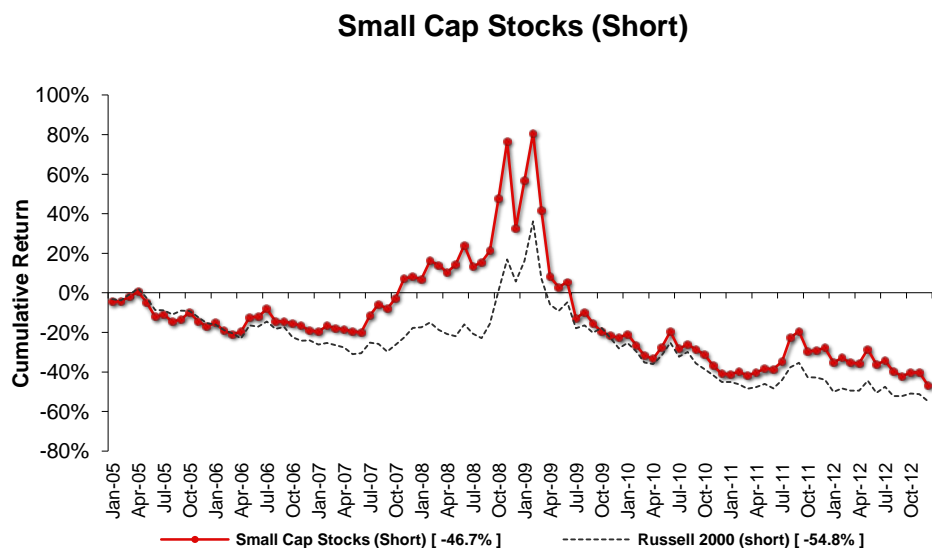
Figure 15: Large Cap Strategy: Most Dangerous Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 16: Small Cap Strategy: Most Dangerous Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Appendix 1 – Assumptions Behind Simulated Performance Analysis

The basic assumptions behind our simulated performance analysis are:

1. Positions are equally dollar-weighted in all portfolios and strategies: going long with the Most Attractive and shorting the Most Dangerous.
2. Holdings are updated on the publish date of the monthly reports.
3. Closing prices are used to open positions on the day each report was published. If a report is published on a non-trading day, then the closing price of the next trading day is used.
4. Positions are closed at the same time new positions are opened.
5. If a stock stops trading before the subsequent monthly report is published, we assume that the position was exited at the last available price.
6. Performance analysis excludes transaction costs, dividends, and the rebates associated with the short portfolios.

The Most Attractive and Most Dangerous portfolios are matched to the following benchmarks:

1. Long/Short (Most Attractive as Long and Most Dangerous as Short): Benchmark is the 3-Month T-Bill, the Risk-Free Rate.
2. Large Cap Stocks: Long benchmark is the S&P 500. Short benchmark is based on shorting the S&P 500.
3. Small Cap Stocks: Long benchmark is the Russell 2000. Short benchmark is based on shorting the Russell 2000.
4. Combo Large and Small Cap Stocks: Long benchmark is the average of the S&P 500 and Russell 2000. Short benchmark is based on the average of shorting the S&P 500 and shorting the Russell 2000.

Appendix 2 – Keys to Our Success

Key to Our Success: Better Data and Better Models

Our proprietary earnings and valuation models leverage large amounts of data from the Notes to the Financial Statements to produce better measures of profitability and valuation. Our report “[Why the Notes Matter](#)”¹ provides insights into why our analysis of the Notes to the Financial Statements is critical to understanding the financial performance of companies.

Investment Philosophy: Cash is King

Our investment philosophy relies on leveraging a better understanding of (1) cash earnings, in place of reported GAAP² accounting earnings, and (2) the market’s expectations for future cash flows for every company we cover.

Having a better model for assessing these core value drivers enables us to exercise greater discipline and enjoy greater success when implementing our “[Cash Is King](#)”³ investment philosophy.

We believe the performance of our Most Attractive and Most Dangerous Stocks portfolios underscores the merits of our [investment philosophy](#).

Most Attractive and Most Dangerous Stocks Methodologies

For details on how we identify the Most Attractive and the Most Dangerous Stocks, download free copies of our [Most Attractive Stocks](#) and [Most Dangerous Stocks](#) reports. All “MAMD” reports are available for free download 90 days after their publishing date.

¹ You may download this report for free at:
<http://www.newconstructs.com/nc/research/report/investment-perspectives-reports.htm>.

² GAAP stands for Generally Accepted Accounting Principles, the rules that govern how companies report financial performance and present financial statements.

³ You may download this report for free at:
<http://www.newconstructs.com/nc/research/report/investment-perspectives-reports.htm>.

New Constructs® – Profile

How New Constructs Creates Value for Clients

1. **Superior Recommendations** – Our [stock picks](#) consistently outperform. See our track record in our [stock-picking accolades](#) and [Proof Is In Performance](#) reports.
2. **More Accurate Research** – Our [patented Research Platform](#) for [reversing accounting distortions](#) and [discounted cash flow analysis](#) leverages better data to deliver smarter research.
3. **Time Savings** – We check the fine print in thousands of corporate filings so you don't have to. As reported by [Barron's](#), our expertise in analyzing SEC filings delivers [Hidden Gems and Red Flags](#) that drive long-term stock-picking success.
4. **Transparency** – We are proud to share the results of our analysis of over 50,000 10Ks. See the [Corporate Disclosure Transgressions](#) report we provided the SEC. Our reports detail all data and assumptions. Company Models enable users to change them.
5. **Objectivity** – New Constructs is an independent research firm, not tied to Wall Street or investment banking services. Our models are driven by comprehensive high-quality data not stories. See our [presentation to the Senate Banking Committee](#), the SEC and many others in DC.

Our Philosophy About Research

Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

Additional Information

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting, advisory and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies. We translate accounting data from 10Ks into economic financial statements, i.e. [NOPAT](#), [Invested Capital](#), and [WACC](#), to create [economic earnings models](#), which are necessary to understand the true profitability and valuation of companies. Visit the [Free Archive](#) to download samples of our research. New Constructs is a [BBB accredited](#) business and a member of the [Investorside Research Association](#).

DISCLOSURES

New Constructs®, LLC (together with any subsidiaries and/or affiliates, "New Constructs") is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first 15 days after New Constructs issues a report on that security.

New Constructs is affiliated with Novo Capital Management, LLC, the general partner of a hedge fund. At any particular time, New Constructs' research recommendations may not coincide with the hedge fund's holdings. However, in no event will the hedge fund receive any research information or recommendations in advance of the information that New Constructs provides to its other clients.

DISCLAIMERS

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.

All material in this report is the property of, and under copyright, of New Constructs. None of the contents, nor any copy of it, may be altered in any way, copied, or distributed or transmitted to any other party without the prior express written consent of New Constructs. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of New Constructs.

Copyright New Constructs, LLC 2003 through the present date. All rights reserved.