



New Constructs®

Diligence | Independence | Performance

DOL Fiduciary Rule: Solutions

Machine Learning To Fulfill Duties & Reduce Risk

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Technology To Support Fulfillment of Fiduciary Duties

1. Will the rule stand with the new president?
2. What, exactly, does it take to fulfill fiduciary duties?
 - *Principles-based guidance makes getting answers difficult.*

1. There is greater awareness about level of service and nature of advice.
2. Existence of new rule implies existing practices or current research behind recommendations is not adequate and will not suffice going forward.

EXPECTATIONS FOR FIDUCIARY SERVICE LIKELY TO PERSIST

1. Investors' expectations for the fiduciary standard are here to stay no matter what the official rules say
2. Do firms or advisers want to be seen as not putting the client's interests first?
3. Significant investment already made to fulfill new rule. ?
4. Fiduciary level of service is a best practice and competitive edge

Numerous independent media and thought leaders agree.

- Josh Brown, the Reformed Broker, in "[I Dare You](#)"
- [Best practices in Wealth Management](#), by Marie Swift
- Op/eds in [Forbes](#), [wealthmanagement.com](#) and [MarketWatch](#)

1. Duty of Loyalty

- Do what is right for the client

2. Duty of care

- By law, a fiduciary must act with “care, skill, prudence, and diligence.”
- Inarguably in best interests of clients

1. New rule not need if existing research has no flaws
 - Technical research lacks rigor
 - Traditional sell-side research
 - Conflicted? some highly publicized issues
 - Diminishing resources

2. What defines “Better” or fiduciary quality research?
 - 100% un-conflicted
 - Inarguably in best interests of clients
 1. Comprehensive
 2. Objective
 3. Transparent
 4. Relevant

1. Comprehensive:

All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including the footnotes and MD&A.

2. Objective:

There must be empirical analysis that supports the recommendation.

3. Transparent:

Advisers should be able to show how the analysis was performed and the data behind it.

4. Relevant:

There must be a [tangible, quantifiable correlation and connection](#) to stock, ETF or mutual fund performance.

What Our Research Looks Like

PORTFOLIO TRACKING & ALERTS

Portfolio: ThomsonONE demos

Enter tickers here.

Add

Institutional Membership



50 Portfolios
Unlimited Tickers

Edit/ Create



Alert Emails



Download CSV



Print All



Details	Ticker	Name	Type	Sector / Category	Price ¹	Mkt Val / AUM ²	Div Yield	Overall Rating	Report	ROIC	FCF Yield	Price to EBV	GAP	Analyst Notes Updated ³	Remove
	GBX	Greenbrier Companies, Inc.	Stock	Industrials	\$42.05	\$1,193	2.0%	Very Attractive	↓	20%	14%	0.5	< 1		✘
	UAL	United Continental Holdings Inc	Stock	Industrials	\$75.17	\$23,850	-	Very Attractive	↓	14%	12%	0.5	< 1	Nov 14, 2016	✘
	TGT	Target Corporation	Stock	Consumer Discretionary	\$77.39	\$43,470	3.1%	Very Attractive	↓	11%	9%	0.8	< 1	Nov 28, 2016	✘
	NVR	NVR Inc.	Stock	Consumer Discretionary	\$1,650.90	\$6,258	-	Very Attractive	↓	18%	3%	1.0	< 1	Dec 01, 2016	✘
	XLP	State Street Select Sector SPDR Trust: Consumer Staples Select Sector SPDR Fund	ETF	Consumer Staples	\$52.04	\$7,598	-	Very Attractive	↓	12%	2%	1.5	21		✘
	SPY	State Street SPDR S&P 500 ETF Trust	ETF	Large Cap Blend	\$226.51	\$208,161	-	Very Attractive	↓	18%	2%	2.7	30		✘
	DAL	Delta Air Lines, Inc.	Stock	Industrials	\$51.78	\$38,130	1.6%	Attractive	↓	9%	5%	1.0	11		✘
	JBLU	JetBlue Airways Corp	Stock	Industrials	\$21.90	\$7,090	-	Attractive	↓	12%	3%	0.9	16		✘
	IBM	International Business Machines Corp	Stock	Information Technology	\$166.52	\$158,336	3.4%	Neutral	↓	10%	2%	1.2	< 1		✘
	STZ	Constellation Brands, Inc.	Stock	Consumer Staples	\$152.82	\$30,394	1.0%	Neutral	↓	8%	-2%	2.3	31		✘
	TRI	Thomson Reuters Corp	Stock	Consumer Discretionary	\$44.79	\$33,833	3.0%	Dangerous Suspended	↓	4%	7%	3.6	> 100	Jul 11, 2016	✘
	DD	E.I. Dupont de Nemours & Company	Stock	Materials	\$74.85	\$65,070	2.0%	Dangerous Suspended	↓	5%	1%	5.1	44	Jun 22, 2016	✘
	ARNC	Arconic Inc	Stock	Materials	\$21.80	\$9,559	1.7%	Dangerous Suspended	↓	1%	0%	-1.3	20	Oct 05, 2016	✘
	VAPAX	Virtus Opportunities Trust: Virtus Equity Trend Fund	Mutual Fund	Large Cap Blend	\$12.40	\$825	-	Very Dangerous	↓	11%	0%	2.9	33		✘

DETAILED RATINGS, MODELS & REPORTS

Ticker:

[View Ratings](#)

[Ratings Methodology](#)

Target Corporation (TGT) Closing Price: \$77.39 (Dec 09, 2016) Dividend Yield: 3.1%

Analyst Notes : New 10-Q & Forecast 11/28/16 | Exec Comp Linked to ROIC Nov 2016

Overall Rating [?]	Quality of Earnings		Valuation		
	Econ vs Reported EPS [?]	ROIC [?]	FCF Yield [?]	Price to EBV [?]	GAP [?]
Very Dangerous	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50
Dangerous	False Positive	4th Quintile	-5% < -1%	2.4 < 3.5 or < -1	20 < 50
Neutral	Neutral EE	3rd Quintile	-1% < 3%	1.6 < 2.4	10 < 20
Attractive	Positive EE	2nd Quintile	3% < 10%	1.1 < 1.6	3 < 10
Very Attractive	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3
Actual Values					
TGT	\$3.31 vs. \$5.62	11%	9%	0.8	< 1 yr
Benchmarks					
S&P 500 (SPY)	Positive EE	18%	2%	2.7	30 yrs
Russell 2000 (IWM)	Positive EE	6%	-0%	3.4	44 yrs

[Add to Portfolio](#)

[Company Model](#)

[Download XLS](#)

[Download Report](#)

STOCK, ETF & MUTUAL FUND SCREENING

Stocks **ETFs and Mutual Funds** Dynamic Data 1-Click Reports Dashboards (Beta)

Select criteria:

<p>Fund Type</p> <p><input type="checkbox"/> ETF</p> <p><input checked="" type="checkbox"/> Mutual Fund (MF)</p> <hr/> <p>Price ?</p> <p>> = [] \$ []</p>	<p>Sector</p> <p><input checked="" type="checkbox"/> Consumer Discretionary <input type="checkbox"/> Industrials</p> <p><input checked="" type="checkbox"/> Consumer Staples <input type="checkbox"/> Information Technology</p> <p><input type="checkbox"/> Energy <input type="checkbox"/> Materials</p> <p><input type="checkbox"/> Financials / Non-REIT <input type="checkbox"/> Telecom Services</p> <p><input type="checkbox"/> Financials / REIT <input type="checkbox"/> Utilities</p> <p><input type="checkbox"/> Health Care</p>	<p>Style</p> <p><input type="checkbox"/> All Cap Blend <input type="checkbox"/> Mid Cap Blend</p> <p><input type="checkbox"/> All Cap Growth <input type="checkbox"/> Mid Cap Growth</p> <p><input type="checkbox"/> All Cap Value <input type="checkbox"/> Mid Cap Value</p> <p><input type="checkbox"/> Large Cap Blend <input type="checkbox"/> Small Cap Blend</p> <p><input type="checkbox"/> Large Cap Growth <input type="checkbox"/> Small Cap Growth</p> <p><input type="checkbox"/> Large Cap Value <input type="checkbox"/> Small Cap Value</p>
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Less

<p>Overall Rating ?</p> <p><input checked="" type="checkbox"/> ● Very Attractive</p> <p><input checked="" type="checkbox"/> ● Attractive</p> <p><input type="checkbox"/> ● Neutral</p> <p><input type="checkbox"/> ● Dangerous</p> <p><input type="checkbox"/> ● Very Dangerous</p>	<p>Assets ?</p> <p>> = [] \$ 2000.0 MM</p> <hr/> <p>Provider ?</p> <p>[]</p>	<p>Initial Minimum ?</p> <p>> = [] \$ []</p> <hr/> <p>Total Annual Costs ?</p> <p>> = [] %</p>
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Filter

Download CSV ↓

Ticker	Name	Type	Category	Price ¹	Assets (MM)	Initial Min	Overall Rating	Total Annual Costs	Add to Portfolio
VCDAX	Vanguard World Funds: Vanguard Consumer Discretionary Index Fund	MF	Consumer Discretionary	\$68.79	\$2,103	\$100,000	Attractive	0.11%	+ Add All
FDTGX	Fidelity Select Portfolios: Fidelity Advisor Consumer Staples Fund	MF	Consumer Staples	\$90.41	\$2,795	\$2,500	Attractive	2.94%	+
FDCGX	Fidelity Select Portfolios: Fidelity Advisor Consumer Staples Fund	MF	Consumer Staples	\$88.77	\$2,795	\$2,500	Attractive	2.15%	+
FDIGX	Fidelity Select Portfolios: Fidelity Advisor Consumer Staples Fund	MF	Consumer Staples	\$91.99	\$2,795	\$2,500	Attractive	1.00%	+
FDFAX	Fidelity Select Portfolios: Consumer Staples Portfolio	MF	Consumer Staples	\$92.14	\$2,795	\$2,500	Attractive	0.99%	+
VCSAX	Vanguard World Funds: Vanguard Consumer Staples Index Fund	MF	Consumer Staples	\$65.54	\$3,923	\$100,000	Very Attractive	0.12%	+

What Our Research Is Better

VERSUS OTHER RESEARCH OFFERINGS

	Coverage			Cash Flow Focus (Non-GAAP)		Consistent Due Dilligence		Transparency/Links To		Independence	
	Stocks	ETFs	Mutual Funds	ROIC & Economic Earnings	Reverse DCF	Footnotes	MD&A	Models	SEC Filings/ Source Data	Not Paid By Funds or Companies Covered	No Banking or Trading Revenues
New Constructs	√	√	√	√	√	√	√	√	√	√	√
CFRA	limited			√	?	1/2		1/2		√	√
Credit-Suisse HOLT	√			√	√			√			
MorningStar	√	√	√	√							√
EVA Dimensions	√			√						√	√
S&P Capital IQ	√										√
Zack's	√										√
Other Sell-Side	√										
Valuentum.com	√	√						√		√	√
Finbox.io	√							√		√	√
GuruFocus	√			√						√	√
Other Firms	√									?	?

BE THE SANE & REASONABLE VOICE

Opportunity To Provide Leadership



DISCLOSURE TRENDS ARE NOT YOUR FRIEND

More Data, More Noise, More Complexity

- Filings have grown to **200+ pages**
(That's longer than the average novel.)
- Increasingly complex and time-consuming work
- Accounting rules are constantly changing



CLIENTS & PARTNERS

The Latest In Technology For The Best In the World

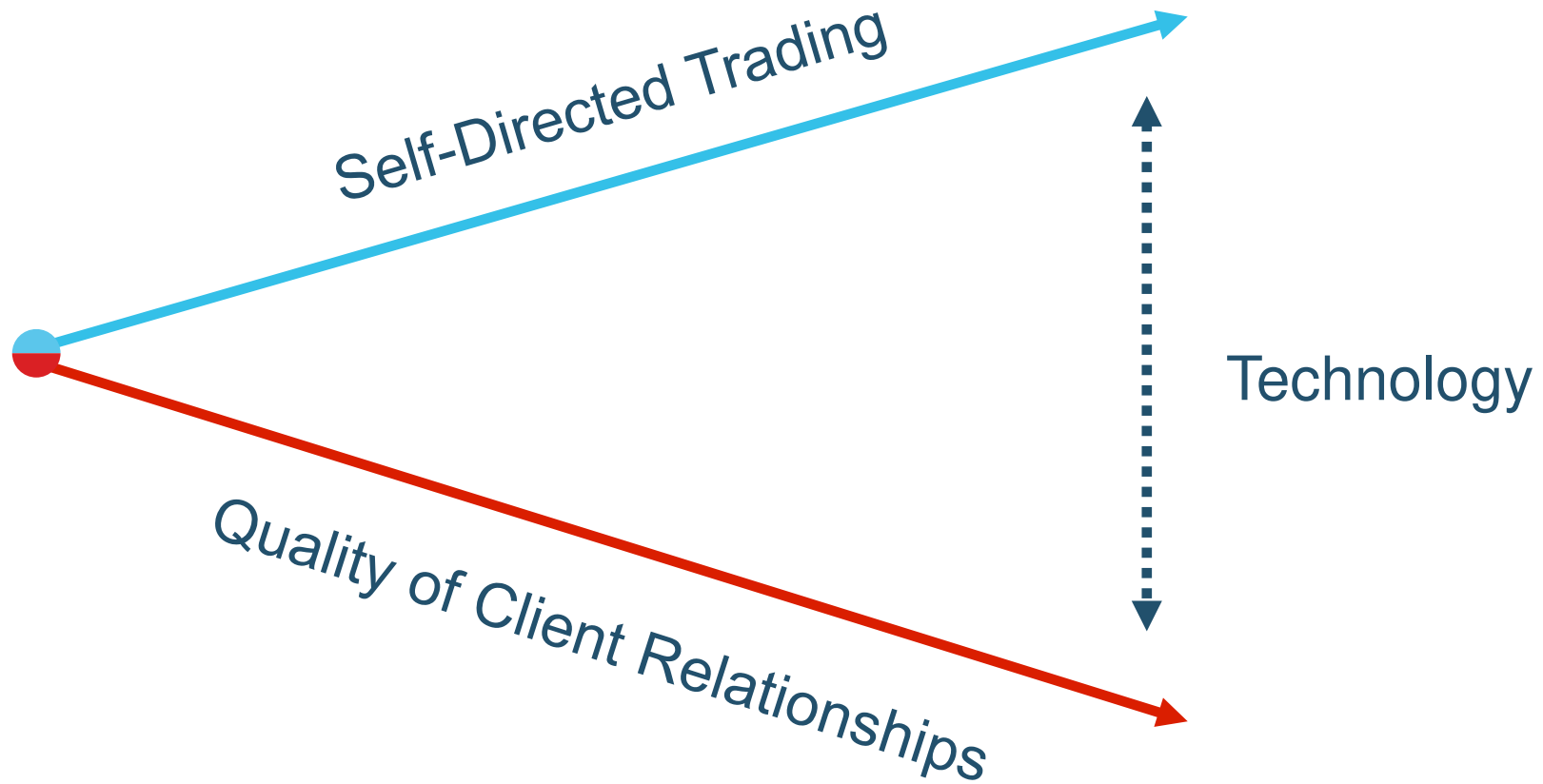
- Top hedge fund and institutional money managers
- Top wealth management firms
- Top advisors
- Top accounting & consulting firms

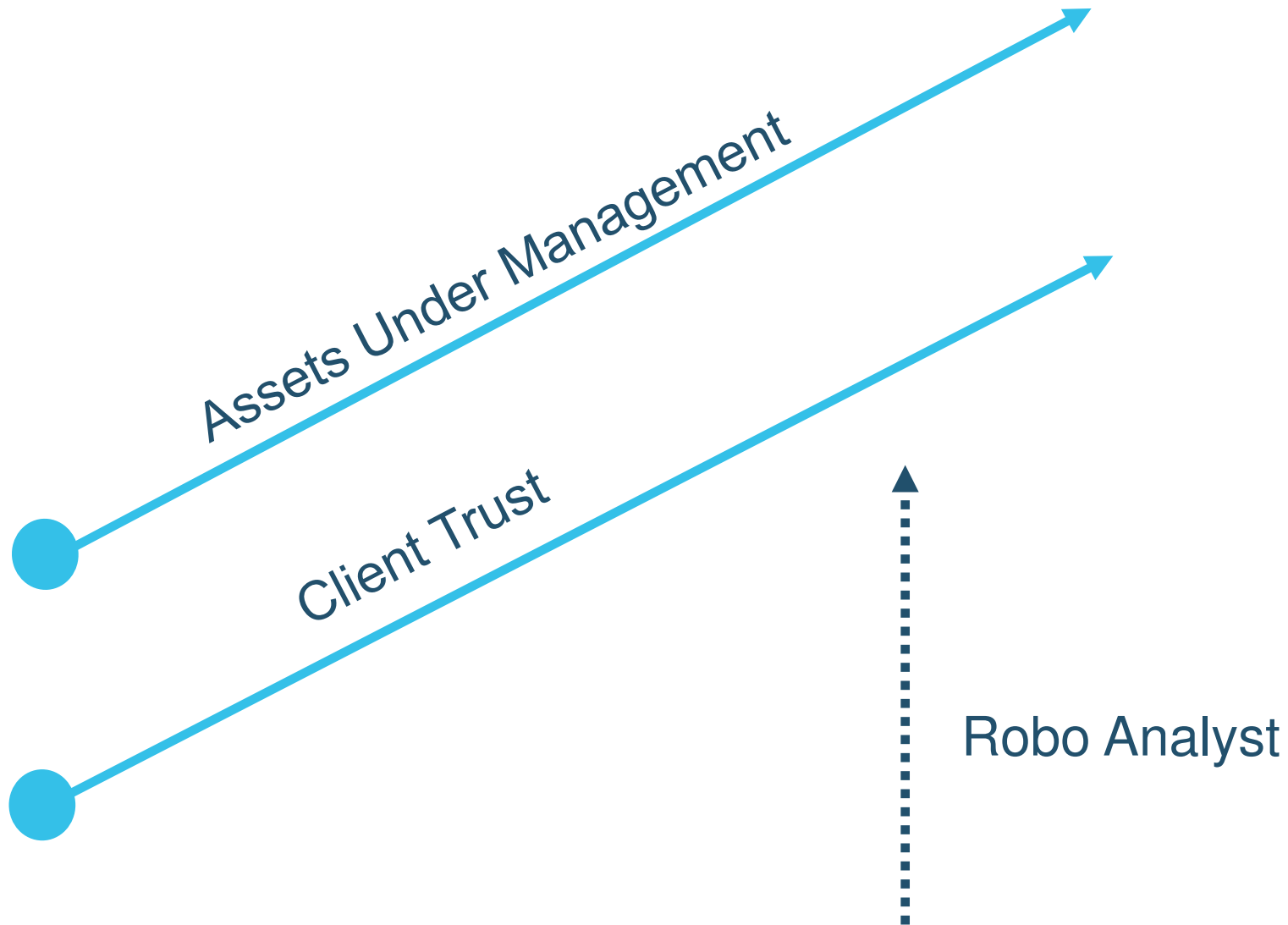


How Our Technology Provides Due Diligence With Scale

TECHNOLOGY & REGULATION ARE CHANGING INVESTING

More Competition: Robo Advisors & Index Funds; DOL





WHO HAS TIME TO READ 200+ PAGE FILINGS?



MACHINE LEARNING FROM EXPERTS

Human-Validated Parsing Instructions from 120,000+ Filings

OUR FORENSIC EXPERTS USE CUTTING-EDGE TECH TO SHINE A LIGHT IN THE DARK CORNERS OF FINANCIAL FOOTNOTES.

FINANCIAL FOOTNOTES
→ MATTER ←
DILIGENCE MATTERS

DATA
QUALITY

—VALUE INVESTING 2.0—
MACHINE LEARNING FROM EXPERTS

GIVE CLIENTS THE LEVEL OF SERVICE THEY EXPECT

LEVERAGE THE LATEST TECHNOLOGY AND GET AN EDGE
WITH OUR RESEARCH ON STOCKS, ETFS AND MUTUAL FUNDS

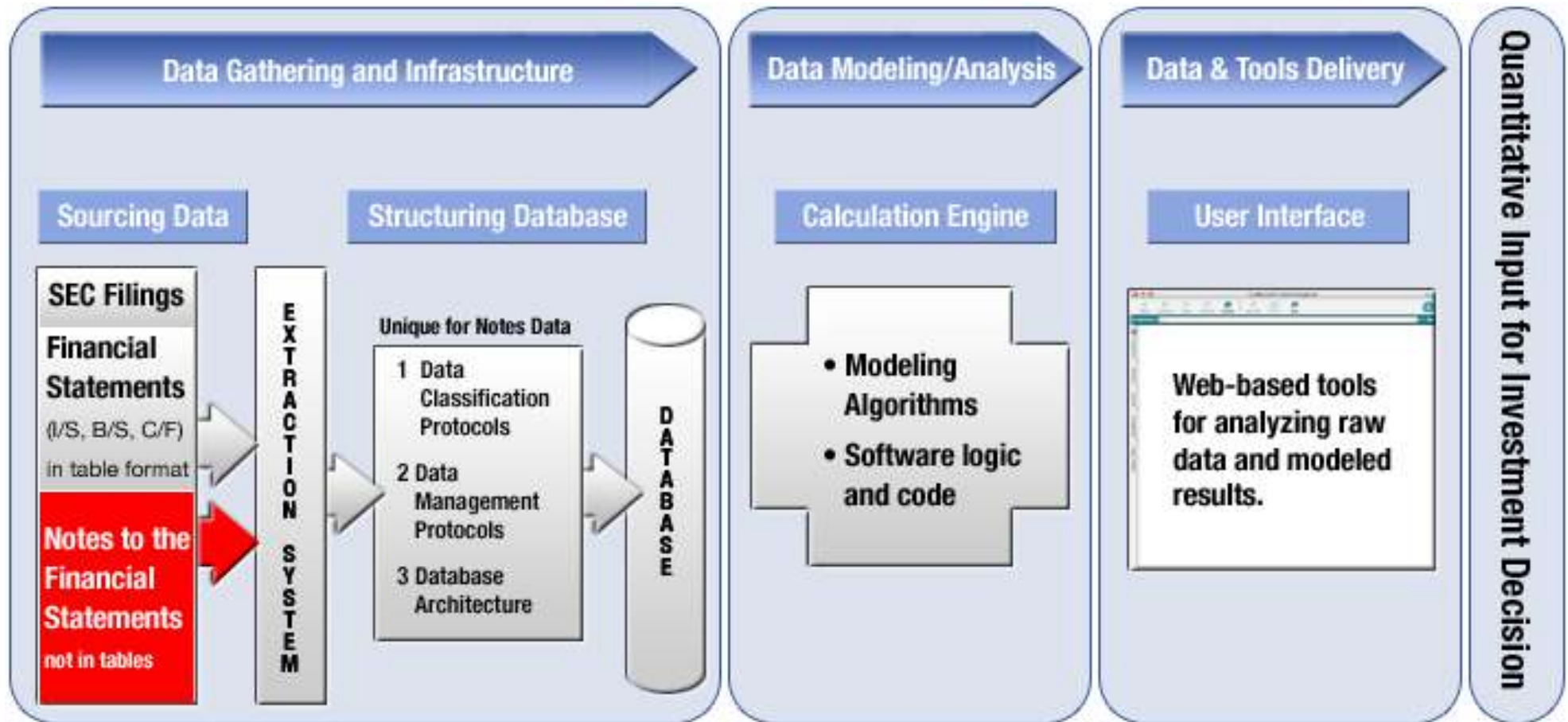


Key Benefits

1. More insight less cost
2. More risk management
3. More trust from clients
4. More diligence
 - a. Independent
 - b. Forensic
 - c. Comprehensive
 - d. Objective
5. Better fulfillment of fiduciary duties

RESEARCH TECHNOLOGY PLATFORM

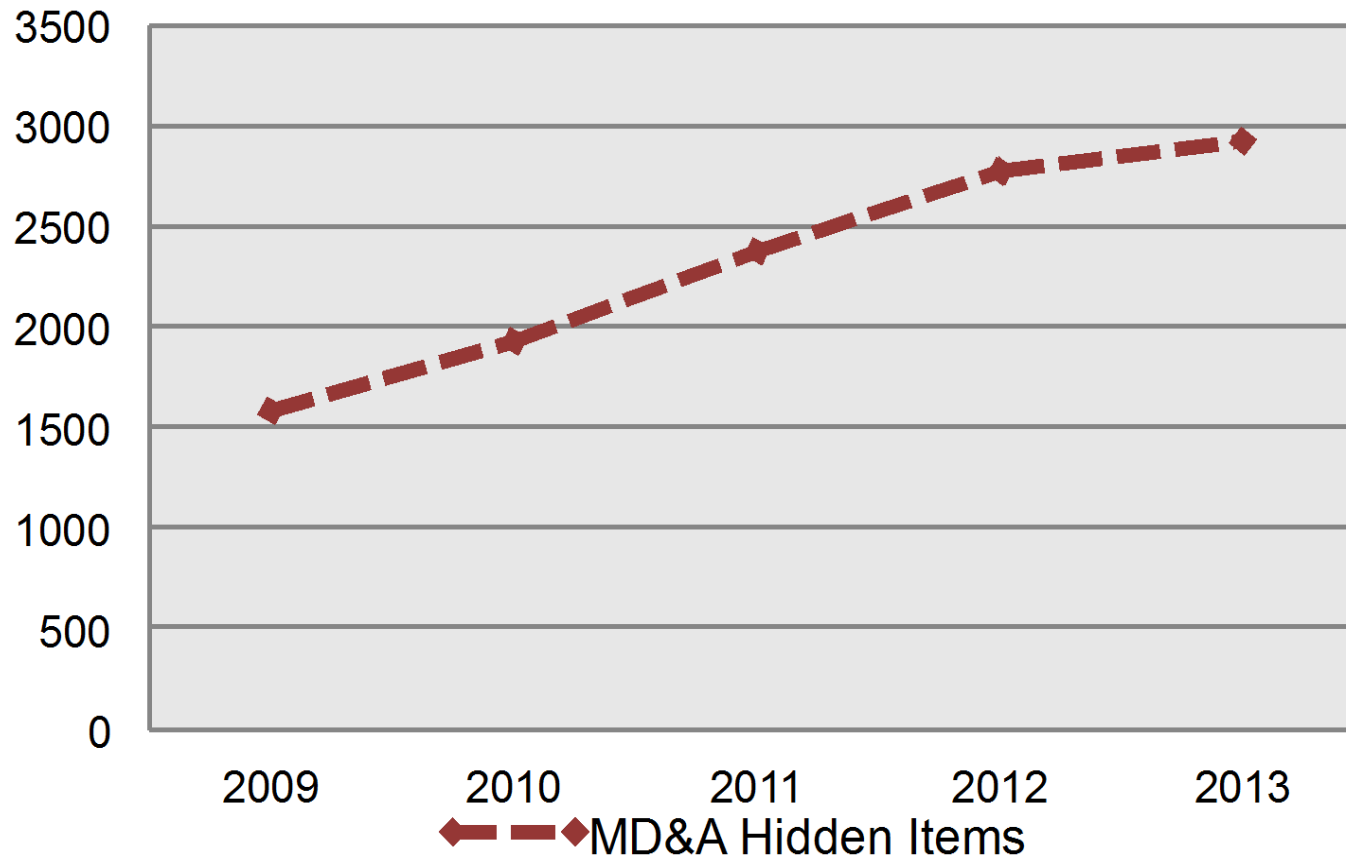
Data Collection & Modeling Under One Roof



We created our own data collection technology to provide high integrity models to clients. Traditional data feeds are not trustworthy for sophisticated financial modeling.

Appendix

Material Hidden Items 16% CAGR

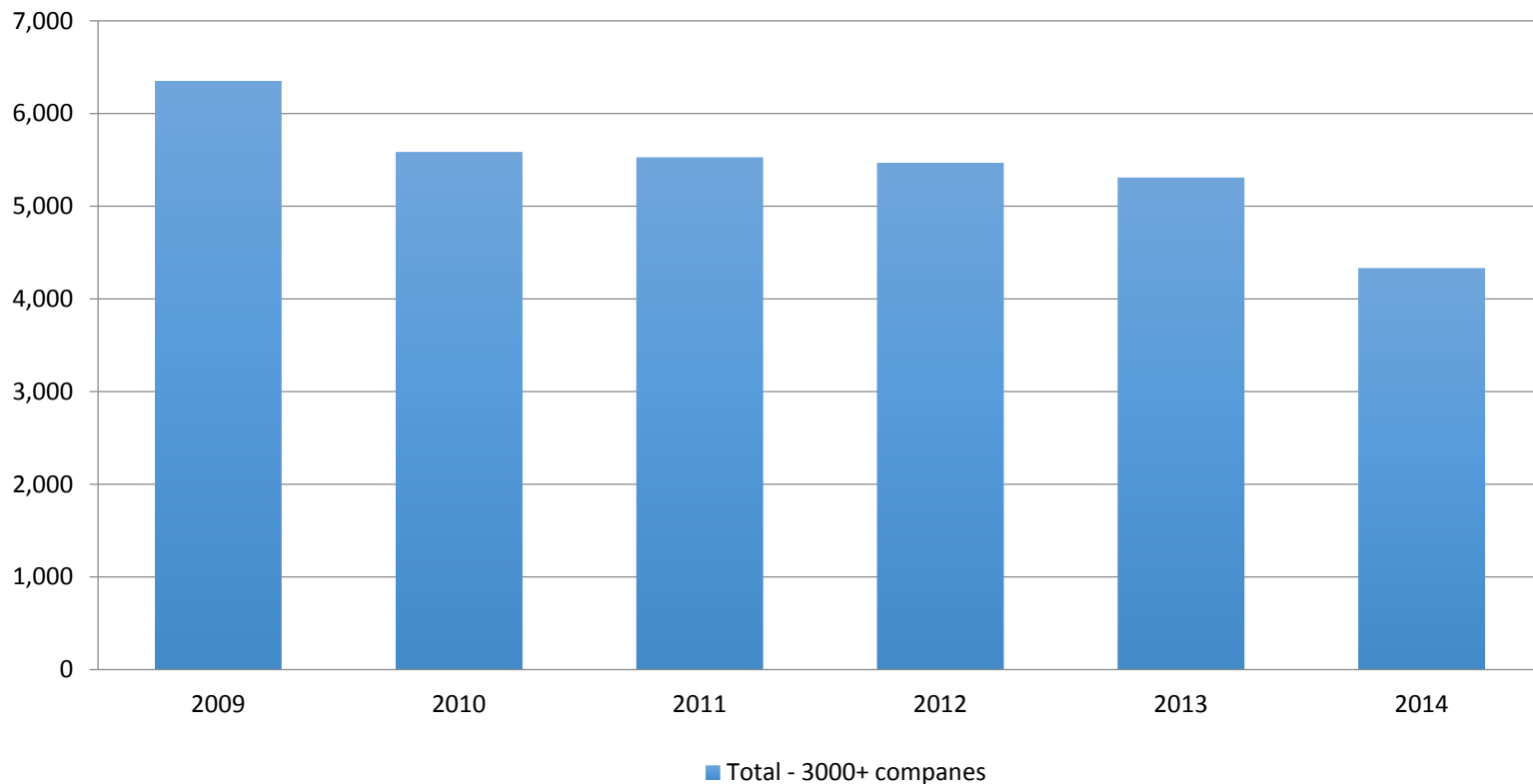


Items found only in the MD&A (e.g. gains, charges, deferred items, etc) that distort income statement results are rising rapidly.

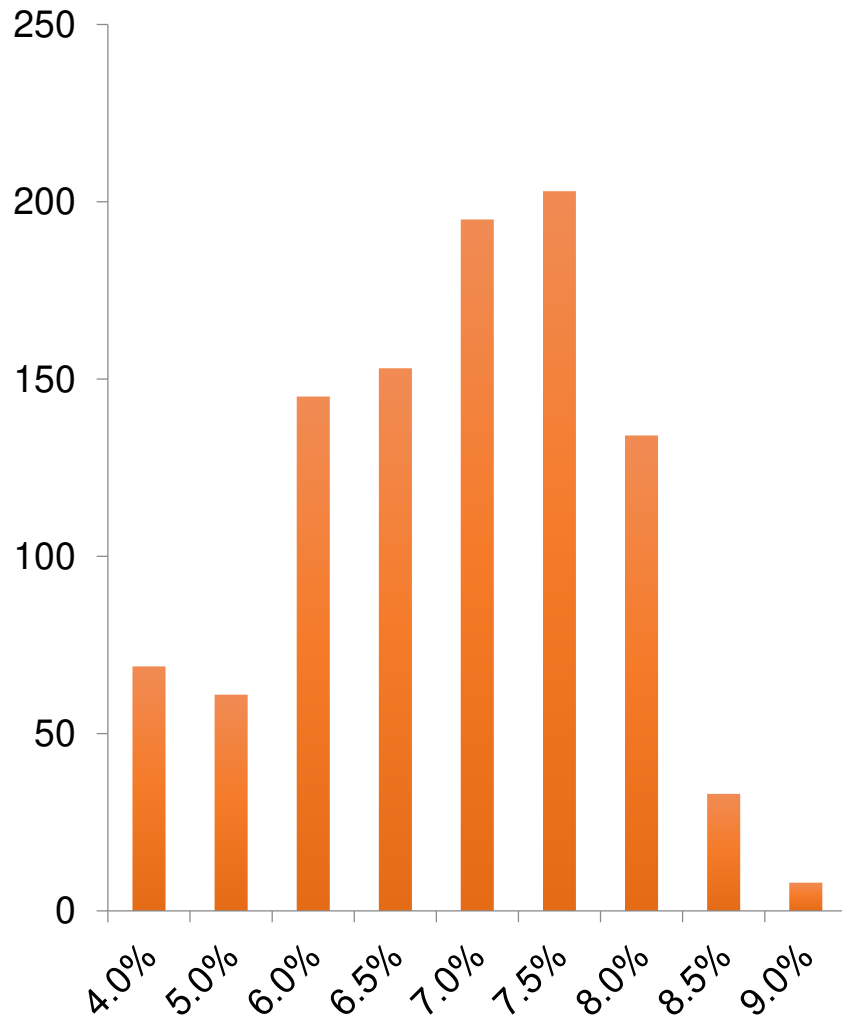
32,583

Over the last 5+ Years, we found 32,583 write-downs.

of Write-Downs



Distribution of Return On Plan Asset Assumptions



Auditors & investors need to know this data.

- Raising the expected Return on Plan Assets (EROPA) reduces reported pension expense.
- The mean EROPA for 2014 was 6.5%. Roughly 55% of companies expect a long-term return on plan assets between 6.5% and 7.5%.
- Virtusa Corp (VRTU) has the most aggressive assumptions, with EROPA of 10.38%, followed by Exlservice Holdings (EXLS) at 9%.

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