



## September 2020 Stock Picking Accolades: #6 in Consumer Staples

We are September's [#6 ranked stock picker in Consumer Staples](#) per *SumZero Rankings*. SumZero is a highly exclusive buy-side only community with over 16,000 pre-screened professional portfolio managers.

Below are some of our best picks, which utilize the superior [core earnings](#)<sup>1</sup> and [Earnings Distortion](#) research featured by the HBS & MIT Sloan Paper, "[Core Earnings: New Data and Evidence](#)".

We give members of New Constructs access to these ideas, as we do all research, before we post them to SumZero.

### Long Calls

1. KLA Tencor (KLAC) – up 129% [since publishing](#) in August 2017
2. Williams Sonoma (WSM) – up 76% [since publishing](#) in September 2016
3. D.R. Horton (DHI) – up 68% [since publishing](#) in April 2020
4. Amgen Inc. (AMGN) – up 52% [since publishing](#) in May 2017
5. HCA Healthcare (HCA) – up 39% [since publishing](#) in June 2020

### Short Calls

1. Overstock.com (OSTK) – down 69% when [position closed in March 2020](#)
2. TrueCar Inc. (TRUE) – down 67% when [position closed in June 2019](#)

[Learn more about the best fundamental research](#)

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*Disclosure: David Trainer owns DHI. David Trainer, Kyle Guske II, and Matt Shuler receive no compensation to write about any specific stock, style, or theme.*

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<sup>1</sup> Our core earnings are a superior measure of profits, as demonstrated in [Core Earnings: New Data & Evidence](#) a paper by professors at Harvard Business School (HBS) & MIT Sloan. The paper empirically shows that our data is superior to "Operating Income After Depreciation" and "Income Before Special Items" from Compustat, owned by S&P Global (SPGI).



## ***Footnotes adjustments matter. We are the ONLY source.***

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We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

**[HBS & MIT Sloan research](#) reveals that:**

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies ([featured by Harvard Business School](#)), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, [Core Earnings: New Data and Evidence](#), shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

**[Learn more.](#)**

Quotes from HBS & MIT Sloan professors on our research:

### **Get better research:**

*“...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications.” – page 20*

### **Pick better stocks:**

*“Trading strategies that exploit cross-sectional differences in firms’ transitory earnings produce abnormal returns of 7-to-10% per year.” – Abstract*

### **Avoid losses from using other firms’ data:**

*“...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat...” – page 14*

### **Build better models:**

*“Core Earnings [calculated using New Constructs’ novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts.” – page 4*

### **Exploit market inefficiencies:**

*“These results ... suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures.” – page 26*

### **Fulfill fiduciary duties:**

*“An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A.” – page 33-34*



## **DISCLOSURES**

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