



The Reddit Day-Trader Phenomenon – New Constructs CEO David Trainer Is Live on Clubhouse with Business Insider on March 10 from 10-11ET

We're excited for our CEO, David Trainer, to join Business Insider editor, Joseph Ciolli, on Clubhouse later today to discuss the Reddit day-trader phenomenon and the recent GameStop stock frenzy.

We think the meme stock frenzy underscores the dearth of [reliable fundamental research](#) for self-directed investors. The absence of reliable fundamental research creates a vacuum, which elevates sources like Reddit to undue levels of influence and leads investors to lose perspective on the real risks they are taking.

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

No better evidence of the lack of reliable fundamental research exists than the recent meme-stock phenomenon. As our CEO, David Trainer, has asserted on [Fox Business](#) and the [TD Ameritrade Network](#), mis-information is at an all-time high in the stock market.

Figure 1: Mis-Information for Self-Directed Investors Is At an All-Time High

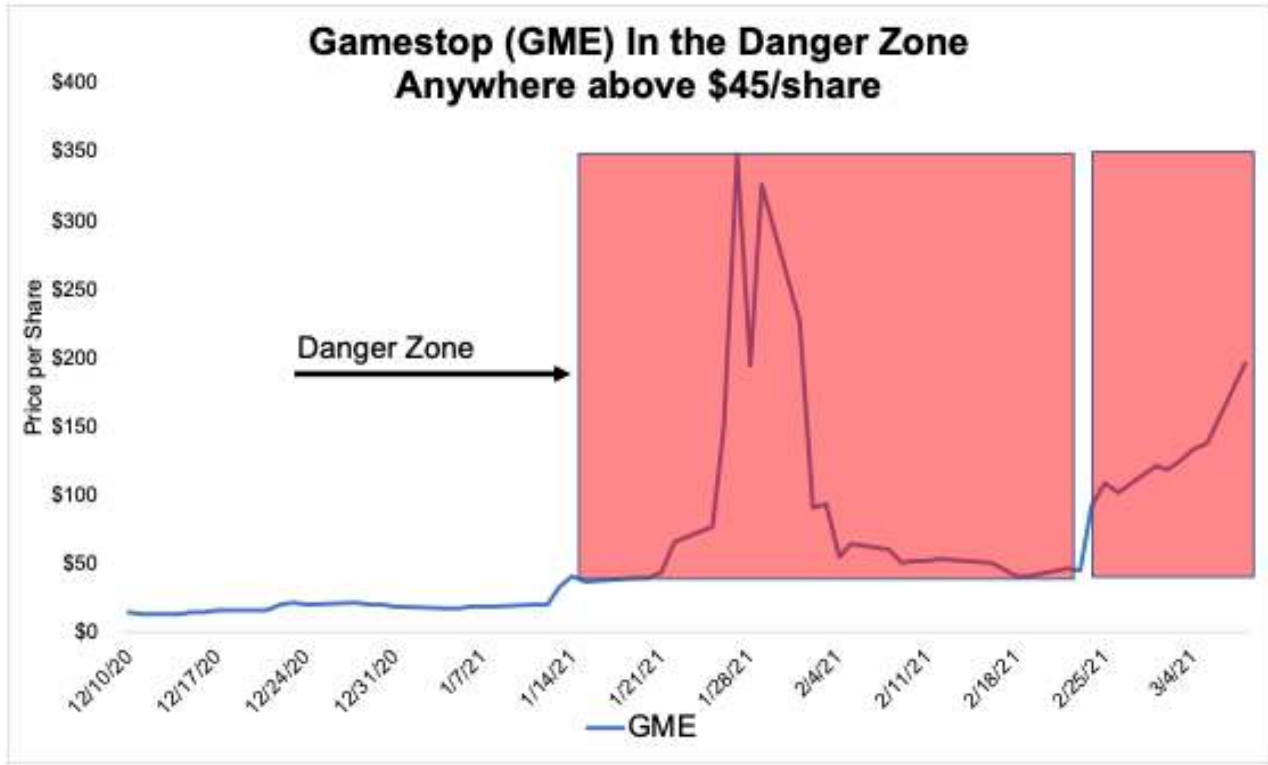


Image Source: [Everipedia](#)

As we noted when we [closed our Focus List Stocks: Long position in GameStop](#) (GME) in late January, owning this stock at anywhere close to \$200/share presents too much risk versus reward. The bottom line is that fundamentals, even under the most optimistic assumptions, hardly support a price over \$45/share.



Figure 2: Fundamental Radar To Navigate Misinformation



Sources: New Constructs, LLC and company filings.

Yet, who raises a red flag for [self-directed investors](#) when a meme stock goes on the run or when trading frenzies push stocks to, what we all now know are, unsustainable heights?

We have identified several other meme stocks, which, of course, Wall Street loves because those companies generate significant investment banking revenues. See our reports on the original meme stocks [Netflix \(NFLX\)](#) and [Tesla \(TSLA\)](#) as well as recent reports on [DoorDash \(DASH\)](#), [Airbnb \(ABNB\)](#), [Uber \(UBER\)](#), [Carvana \(CVNA\)](#), [Spotify \(SPOT\)](#), [Beyond Meat \(BYND\)](#), [Casper \(CSPR\)](#), [Wayfair \(W\)](#) [Snap \(SNAP\)](#), [Pinterest \(PINS\)](#), [Peloton \(PTON\)](#), and [Shopify \(SHOP\)](#).

Only independent research firms are free to warn investors, provide unconflicted advice, and navigate [Wall Street conflicts](#) and [analyst biases](#). Our business also needs new technology to cut through the ever-growing deluge of data in financial filings and [overcome the flaws](#) in legacy fundamental data and research.

Our [Robo-Analyst technology](#) levels the playing field for self-directed investors, advisors and RIAs by providing fundamental insights previously available only to Wall Street insiders. No other firm can provide such fundamental insights, proven superior by [The Journal of Financial Economics](#), as we do at scale. By leveraging this technology, self-directed investors no longer have to settle for the often incomplete and conflicted research from traditional research providers.

We believe that every investor deserves access to comprehensive fundamental research like ours.

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

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Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome these flaws and apply [reliable](#) fundamental data in their research.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms’ data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by *S&P Global’s (SPGI) Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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