



## New Training & Education: Value Profit Blueprint

Pete Renzulli of Stock Trading Pro and I partnered to introduce a new service combining our expertise. Pete specializes in maximizing profits based on timing as well as order flow. He's been in the business and successful for over 35 years. I think he's an excellent complement to our best-in-class fundamental analysis.

[Watch the training replay](#)

### Here's the agenda from the Value Profit Blueprint event:

#### Value Profit Blueprint

1. Value investing concepts
2. Value investing examples
3. Macro principles and business cycle
4. Order flow stacking principles
5. Risk management
6. Position management

#### Introductions

David Trainer, CEO of New Constructs

- Former Wall Street analyst
- Founded independent research firm to analyze financial filings

Pete Renzulli, CEO of Stock Trading Pro

- 36 years experience as investor and entrepreneur
- Specializes in order flow analysis

#### Value Investing Strategy

- Invest in Superior Capital Allocation
- Manage Risk in Pursuit of Gains
- Fund Managers Maintain Positions as Long as Story Remains Valid

If story changes, allocation should decrease

- Retail Investors Need Structured, Repeatable Process
- To identify plays
- And recognize when thesis changes

#### Macro Principles

- Business Cycle
- Sector Rotation
- Order Flow Stacking
- Tracks institutional supply and demand

#### Risk Management

- Keep You In the Game Long Enough to Understand Value
- Prioritize Managing Downside
- Different From Money Management

1. Money management – Amount of capital allocated
2. Risk management – How capital allocated based on idea quality



### **Position Management**

- Build Positions in Planned Manner
- Follow system to determine if idea remains valid
- Add Shares Based on Volatility Metrics
- Sell Based on Changes in Story Validity
- Fundamentals, technicals
- New decision needs to be made
- Great Investors Do Not Pick Price Target for Exits

### **Value Investing Examples**

- Analyze Financial Filings to Determine:
- Economic vs Accounting Earnings
- Growth Appreciation Period
- Return on Invested Capital
- Compare Valuations of Stocks like:
- JPMorgan (undervalued)
- Nvidia (overvalued based on expectations)

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*Disclosure: David Trainer, Kyle Guske II, Italo Mendonca, and Hakan Salt receive no compensation to write about any specific stock, style, or theme.*

*Questions on this report or others? Join our [Society of Intelligent Investors](#) and connect with us directly.*



## *It's Official: We Offer the Best Fundamental Data in the World*

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, 1<sup>st</sup> 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, 2<sup>nd</sup> 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, 5<sup>th</sup> 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, 2<sup>nd</sup> 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, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> 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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