Meet the New Boss, Same as the Old Boss

Do you ever get the feeling that a decision you're making in the moment might change your life forever?

Many of you have likely noticed that we've been making lots of big decisions at New Constructs lately. We've made decisions to change our website, partnerships, product pricing, and packaging. We've changed how we communicate with our customers by adding our 2-3x per month e-letter, webinars, podcasts and a much more active customer support strategy.

We do this to provide you the best investing data in the industry and the best customer experience.

And, today, I am announcing another big decision. This one came from a new partner, who is advising our product development team. But, to be fair, this idea is one I've had since I started New Constructs, back in my 1-bedroom apartment in New York city in 2002. We are providing you a gift to prepare you for the opportunity.

More on that in a second…

Most of you don't know it, but before I started New Constructs, I was a Wall Street analyst at one of the bulge bracket firms. In fact, my firm, Credit-Suisse, was the #1 tech IPO investment bank during the dot.com bubble. Believe it or not, that is not a dubious distinction to Wall Street insiders because they all made ridiculous amounts of money during that time - even after the record-setting fines from regulators. In fact, the fines were a drop in the bucket compared to the profits that investment banks raked in during the dot.com bubble.

Unlike many of my Wall Street colleagues, I had a problem with all those profits, extravagant parties and, worst of all, bloated egos that came with the money and parties. It's been made public that analysts at Credit Suisse were joking about how "stupid" people were for investing in IPOs for which those same analysts had written glowing reports telling them to buy the IPOs. In short, the dot.com bubble was a huge grift…taking money from the pockets of many to put into the pockets of a few.

While I did not work on any of those IPOs or any IPOs for that matter, I had a front row seat for how the firm's culture changed, how the research changed, and how the focus of analysts changed. The most astounding change was how analysts no longer cared about doing good fundamental research anymore. In fact, there were multiple people on the Credit Suisse technology research team that told me I was nuts to suggest they spend any time on fundamental research. They saw it as a waste of time since it would not help them sell more of the gloriously profitable IPOs.

To say the least, I was dumbfounded. I'd only been on Wall Street for a couple years. I'd been hired to run a special project (which we called "The Value Dynamics Framework") to help the firm boost its analytical rigor. And, I'd been successful leading equity research analysts and sales people around the world to do just that. I was proud of the work I did, and our clients loved it. I felt like my work was supporting the integrity of the capital markets by helping institutional investors make more informed decisions. So, when the tide turned away from that goal, I was shaken. For a short time, I thought I might be able to turn the tide back with the brute force of logic and the inarguable math of fundamental analysis. But, as more of my colleagues and even mentors decided to go with the flow, I accepted defeat and handed The Value Dynamics Framework off for someone else to run.

I did not know it at the time, but that decision was bigger than I realized at the time. That decision led to me leaving Wall Street altogether. That decision led me to take up the fight to support the integrity of the capital markets in another way - via New Constructs.

Now, the time has come for another big decision. We need to focus solely on upside for our readers. Our institutional audience sometimes pays 10x what our everyday investors are paying. And, everyday investors need to be focused on our upside offerings the most.

You can't find analysis or REAL GAINS like the ones we offer anywhere. There is NO data like ours. None. And, none that will give you honest money making opportunities as often and consistently as we have.

The bottomline here is that New Constructs creates enormous value for even the most sophisticated investors. The fact that clients can with just a few keystrokes, i.e. typing a ticker and hitting <enter>, get a best-in-world financial model and rating on 10,000+ stocks, ETFs and mutual funds in about one second - is amazing. Full stop. Amazing.

Our technology unlocks in seconds what normally takes months for a highly trained professional to do. But, we do not want only the highly trained professionals to have access. I know that helping the people that are already rich does not support the integrity of the capital markets. I also know that my mission to improve the integrity of the capital markets means taking New Constructs research to everyone. Bottom line - I believe in that mission. I believe in what we do with every fiber of my being.

Our desire to service you is very high, which leads me to my bold decision today: to give away for free our Zombie Stock List - click here to get it for free. We understand that however much we help you find exciting Long Ideas, we know you need to avoid the Zombie Stocks. Knowing the stocks to avoid requires just as much work as finding the stocks that can torpedo your portfolio. The same diligence we do on Zombie Stocks goes into our Attractive stock ratings. **Proven-superior data and models drive all of our proven-superior ratings.**

33 stocks have made our Zombie Stock List since June of 2022. Some of the stocks are already trading below $1/share. From inception through 2023, as a short portfolio, the Zombie Stock list outperformed the S&P.

Given how frothy the market is going into Q1 24 earnings season, it is so important right now for people to know the stocks they need to avoid. You never know when a dangerous stock might blow up. Our research will show you which stocks have the highest risk of blowing up.

Back when I started on Wall Street, fundamentals were the boss. And, integrity was held in higher regard. So, as we enter into, perhaps, the most dangerous earnings season of the last few years, **New Constructs is supporting the integrity of the capital markets by giving our readers access to the truth about fundamentals and showing them some of the worst stocks in the market, the Zombie Stocks List.**

We all win if our capital markets are more efficient. This is my gift to you in preparation for investing and believing in us.

Have a great week.

David

This article was originally published on April 9, 2024.

Disclosure: David Trainer, Kyle Guske II, and Hakan Salt, receive no compensation to write about any specific stock, sector, 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, 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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