



Seeing is Believing

In [last week's letter](#), I wrote about the value of hard work and how much of it we do at New Constructs. This week, I want to show you how much work we do because you deserve to see it. Every client deserves proof of the value proposition for which they pay. Plus, we are able to show our work transparently - in a way that other research firms cannot. I challenge you to ask your advisors, your research providers, and your money managers to show you their work. One of the things about good fundamental research is that if you do it, you can show it. Just as we have shown in our recent training webinars and showed in the training on **Wednesday, May 15, at 5pmET. Replay is [here](#)** and watch me show you how I find stocks that I would trust with my family's money. And, I answer any questions about my methods that participants want to ask. Honestly, I will be surprised if every single person that attends that training (live or replay) does not walk away believing in my process and the research that supports it.

Now, I know there will always be haters and, undoubtedly, there will be a few who say they don't believe simply because they read what I just wrote. So, I should rephrase to "I will be surprised if *nearly* every single person..." The point is when you do the work, one of the many rewards is confidence in your decision making, and we have that confidence. We're proud of work, and we want our clients to see it.

Given how transparent we are, I find it more than a little odd that so many investors let our competitors get away with not showing their work.

Next, let me show you our Marked-up Filings tool (proof of how it works is [here](#)). This tool allows our clients to audit every single data point in our models and analytics. In other words, if you want to audit the accuracy of any of our calculations and/or the data that drive them, you can do so with a few clicks of the mouse. This tool allows clients to verify even the most obscure data that we find in the footnotes. Check out the picture below for an example of how we show exactly where we find an unusual charge buried deep in the footnotes for Taiwan Semiconductor Manufacturing Company (TSM).



Figure 1: A Snapshot from our Marked-up Filings Tool



Marked-Up Filings

Taiwan Semiconductor Manufacturing Company Limited (TSM)

Analyst Notes : None

Select Document:

2023 | 20-F

F - 34

- Balance Sheet
- Income Statement
- Cash Flow Statement
- Income Statement Adjustments*
- Balance Sheet Adjustments
- Valuation Adjustments
- Earnings Distortion from Hidden Items, Net*
- Net Non-Operating Expense Hidden in Operating Earnings Reported Cumulative Value for Gain or Loss on Sale Pre-Tax in Operating (Cash Flow)
 - Loss (gain) on disposal or retirement of property, plant and equipment, net : \$369.10
 - Loss (gain) on disposal or retirement of intangible assets, net : (\$3.00)
- Asset Write-Downs Hidden in Operating Earnings Reported Cumulative Value for Gain or Loss on Sale Pre-Tax in Operating (Cash Flow)
 - Loss (gain) on disposal or retirement of property, plant and equipment, net : \$369.10
 - Loss (gain) on disposal or retirement of intangible assets, net : (\$3.00)
- Pre-Tax Write-Down Hidden in Operating Earnings
 - Net inventory losses : 3,494.6
- Earnings Distortion from Reported Items Pre-Tax, Net
- Pension Data
- Other Disclosures

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Write-down of inventories to net realizable value and reversal of write-down of inventories resulting from the increase in net realizable value were included in the cost of revenue. The amounts are illustrated below:

	Years Ended December 31		
	2021 NT\$ (In Millions)	2022 NT\$ (In Millions)	2023 NT\$ (In Millions)
Net Inventory Losses	\$ 533.0	\$ 4,689.1	\$ 3,494.6

14. INVESTMENTS ACCOUNTED FOR USING EQUITY METHOD

Associates consisted of the following:

Name of Associate	Principal Activities	Place of Incorporation and Operation	Carrying Amount		% of Ownership and Voting Rights Held by the Company	
			December 31, 2022 NT\$ (In Millions)	December 31, 2023 NT\$ (In Millions)	December 31, 2022	December 31, 2023
Vanguard International Semiconductor Corporation (VIS)	Manufacturing, sales, packaging, testing and computer-aided design of integrated circuits and other semiconductor devices and the manufacturing and design service of masks	Hsinchu, Taiwan	\$ 13,268.2	\$ 13,496.0	28%	28%
Systems on Silicon Manufacturing Company Pte Ltd. (SSMC)	Manufacturing and sales of integrated circuits and other semiconductor devices	Singapore	8,934.7	9,728.8	39%	39%
Xintec Inc. (Xintec)	Wafer level chip size packaging and wafer level post passivation interconnection service	Taoyuan, Taiwan	3,491.7	3,734.3	41%	41%
Global Unichip Corporation (GUC)	Researching, developing, manufacturing, testing and marketing of integrated circuits	Hsinchu, Taiwan	1,608.1	2,482.9	35%	35%

Sources: New Constructs, LLC

You probably will not be surprised to learn that this tool plays a big role in convincing clients and partners of the superiority of our data, models and ratings. I mean, what is more convincing than being able to audit every data point in a model. And, that's exactly what the folks at Harvard Business School, Ernst & Young, The Journal of Financial Economics and MIT Sloan did before they published their studies proving the superiority of our data, models and ratings.

Next, I will share how much work we've done in the last few weeks. Per Figure 2, we've analyzed over 2,015 financial reports filed with the SEC.



Figure 2: Putting a \$ Value on Our Parsing Work for Clients: 1Q24 Filing Season So Far

Date	Day	# of FTEs* to Match our Work	Filings Parsed & Models Updated	FTEs Cost per day	Cumulative \$ Savings
4/22/24	Monday	20	18	\$16,200	\$16,200
4/23/24	Tuesday	14	12	\$10,800	\$27,000
4/24/24	Wednesday	39	35	\$31,500	\$58,500
4/25/24	Thursday	87	77	\$69,300	\$127,800
4/26/24	Friday	133	118	\$106,200	\$234,000
4/27/24	Saturday	124	110	\$99,000	\$333,000
4/28/24	Sunday	0	0	\$0	\$333,000
4/29/24	Monday	0	0	\$0	\$333,000
4/30/24	Tuesday	55	49	\$44,100	\$377,100
5/1/24	Wednesday	150	133	\$119,700	\$496,800
5/2/24	Thursday	218	194	\$174,600	\$671,400
5/3/24	Friday	362	322	\$289,800	\$961,200
5/4/24	Saturday	232	206	\$185,400	\$1,146,600
5/5/24	Sunday	0	0	\$0	\$1,146,600
5/6/24	Monday	0	0	\$0	\$1,146,600
5/7/24	Tuesday	129	115	\$103,500	\$1,250,100
5/8/24	Wednesday	327	291	\$261,900	\$1,512,000
5/9/24	Thursday	377	335	\$301,500	\$1,813,500

Sources: New Constructs, LLC

* FTEs = Full Time Employees at \$100/hour for 8 hours a day.

Note that you can verify that we've parsed this many filings by using the Marked-Up Filing tool to see the latest filing parsed for every company we cover. Plus, we're forthright and transparent about the freshness of the data driving our models and ratings for every company as you can see in Figure 3.

Figure 3: Snapshot from our Ratings Page

Sources: New Constructs, LLC

In other words, you can check the freshness date for all of our data, models and ratings anytime, all day every day. Plus, clients get alerts every morning every time we parse a new filing for any of the companies in their portfolio(s).

We built transparency into our platform for a reason - we don't want to have to *hope* people will trust us, we want to *prove* that you should trust us. Trust might be the most important thing you have for the research you use to make investment decisions. I mean, if you can't trust your research, then you probably shouldn't be investing anyone's money, not even your own.



So, we make it easy to audit our data, models and research. We're 100% transparent because we want you to know how much work we do for you. I'm not sure our competitors can say the same. And, I encourage you to ask them about it. Ask them to show you their work like we do. If they're doing the work, they shouldn't mind showing it any more than we do. Right? Why not?

And, if you'd like more proof from us about how much work we do, then please check out our:

1. Live training Wednesday, May 15, at 5pm ET: **The Stocks I Would Trust With My Family's Money**. Click the button below to watch the replay.

Get the Replay

2. Free live Podcast every month. We just did one on May 10th at 12pmET. Get the free replay from our [Society of Intelligent Investors](#) (use this [form](#) to sign up for free) and ask questions and make requests anytime!
3. Monthly [Let's Talk Long Ideas](#) webinars where we do deep dives into our research, analytics, reverse DCF models and ideas for our Professional and Institutional clients. We just did one on May 8th at 3:30pmET. Replay is [here](#) for our Professional and Institutional clients.
4. And, I cannot emphasize enough - BECAUSE NO ONE ELSE CAN DO THIS - the 100% transparency into all models, analytics and data so clients can audit our work anytime via our [Marked-up Filings](#) feature.

Diligence matters,

David Trainer

This article was originally published on [May 13, 2024](#).

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

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It's Official: We Deliver 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. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

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

Ernst & Young 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 Harvard Business School. 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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