



Not Buying Tom Brady's HOF Speech

I like to believe in a world based on reciprocity and karma: you get what you deserve; what goes around comes around. Output is a function of input. You work hard, and you get good results. Always. Just like Tom Brady [said in his recent speech](#) at the Patriots Hall of Fame.

But, there is more to the story, and in the end I'm going to show you how this applies to your investing and how we may be able to help.

Figure 1: Tom Brady's Patriot Hall Of Fame Speech

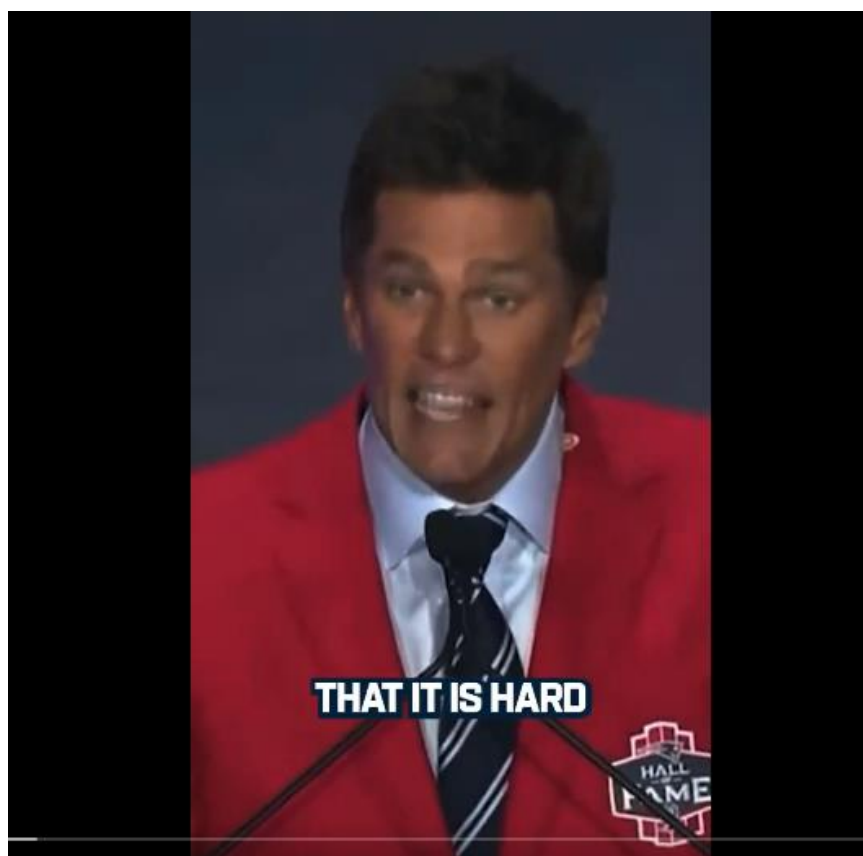


Image Source: [YouTube](#)

He went on to say:

"To be successful at anything, the truth is you don't have to be special. You just have to be what most people aren't: consistent, determined and willing to work for it."

At first, I thought wow, great quote. Yeah, I like that. Just keep grinding and good things will happen. It is 100% true that your chances of success are greatly diminished if you do not grind. But, it is not 100% true that you will be successful if you do grind.

I think Tom means well, but Tom is selling the wrong message. Tom is not telling the truth. "To be successful" you need some luck or grace or blessings. Whatever you want to call it - you need something beyond what you control to be successful. No one, no one controls their destiny. There are no guarantees. The universe is not fair. People do not always get what they deserve.



For example with Tom, he had lots of luck/blessings/grace. First, his genetics are above average: Height 6' 4", Weight 225 lbs, and he was smart enough to graduate from University of Michigan. He was born in the United States into a good family (I am not a biographer or expert on this topic). Drew Bledsoe got hurt. The Tuck Rule (cough-cough). You get the idea. Tom had a pretty good set up compared to most people.

Don't get me wrong. I am not a fan of the idea that I cannot control my destiny. In fact, "It's the Journey Not the Destination" has been one of my least favorite quotes over my entire life. I have always felt that if you do not make it to your destination, then what the heck is the journey worth. Why work toward going somewhere if it is not going to get you there? Who in their right mind would do that?

Life has a way of teaching you things whether you want to learn them or not. Very slowly over the last 52 years, I have started to accept the fact that I do not control my destiny. No matter how hard I work, how hard I try, how well I plan, I cannot control what happens. There are many forces far greater than me that affect what happens. I do not know what these forces are or understand them, but they can kick my ass anytime they decide to do so.

Now, does that mean I pack it all in and do no work? Hell no. That's giving up and pretending we have no control over our lives.

I am not saying we have no control over our lives. I am saying we do not have 100% control. There are other forces/factors at play that affect life beyond ourselves.

So, what do we do in a world where we only have partial control?

I think the answer is similar to how we act if we had 100% control. We work as hard as we can, but we do not expect any guaranteed outcome. That means we work our tails off no matter what happens because we know what happens if we do not work hard, and we only have potential for success if we work hard. You know the saying: "Luck is where opportunity meets hard work."

The main thing is to recognize there are no guarantees: not to be successful, not to be healthy, not to have a safe commute, not to have a sudden heart attack, etc. In a world with no guarantees, we should start with being grateful for every little advantage the universe sends our way. Shoot, when you really think about it, we are lucky to be able to get out of bed every day and have the energy and desire to work hard. It also means we carry ourselves with more humility and respect our limitations.

There are not many people who live their life this way. I think a lot of the United States' founding mothers and fathers lived this way. In today's world, some of the best examples of this approach to life come from high-level wrestling. This CNBC article on Kyle Dake, [33-year-old wrestler turned down 'massive' job opportunity to pursue Olympic gold with Team USA](#), gives us a real-time example of someone living for the journey not the destination. Check out this quote:

"I don't wrestle for income, I don't wrestle because it's easy," Dake added. "I wrestle because it's something that I want to do."



Figure 2: Kyle Dake: 33-year-old wrestler turned down 'massive' job opportunity to pursue Olympic gold with Team USA



Sources: [CNBC](#)

Then, there's this great [LinkedIn](#) post on Aaron Brooks after he defeated the reigning Olympic champion, David Taylor, to make the Olympic team.

Figure 3: Aaron Brooks and David Taylor Post Match



Sources: [LinkedIn post by Jim Pearson](#)



My favorite quote from that post is:

“When asked what he said to David after the match, Aaron responded, “I told him, I love you.” He recognized that David had pushed him to be better by setting such a high standard, illustrating the transformative power of competition.”

After reading that post, I watched Aaron’s interview post the match, and it is clear that Aaron has embraced the challenge of putting in the incredible amount of hard work required to be a U.S. wrestling Olympian. And, it is also clear by his demeanor that he was not overjoyed by the win, that he was not overwhelmed with happiness by arriving at his goal/destination of making the Olympic team. His first thought was gratitude for a formidable opponent that elevated his performance. Aaron has been enjoying the journey so much that arriving at the destination was not that big of a deal. I would go so far as to say that Aaron enjoys his journey so much that he’s not so concerned with the destination, which, in some ways, is precisely why he is so good and wrestles with such resolute composure and focus. Amazing.

There are a few things over which we do have 100% control: how hard we work and how much we focus on gratitude. And, I think folks that focus on those two things tend to be highly successful no matter their luck because they’re able to enjoy the journey no matter the outcome.

So, what does all this have to do with New Constructs and investing.

1. At New Constructs, we enjoy working hard to create superior research for investors. As I’ve written in other e-letters, I believe in creating superior research because I believe it makes the stock market more efficient, which raises standards of living, which makes the world a better place. And, we are grateful to live in a country where we can make a living making the world a better place.
2. Regarding investing, recognizing that we do not have 100% control means focusing on what we can control, which includes (1) quality of the investment research we do and (2) the amount of risk we take.

We’re taking care of the first item. #2 is up to you. **But we can show you how we do this so you can learn.**

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If this message resonated with you and you want to start your investing future with us – schedule a meeting with us [here](#).

Diligence (for the sake of diligence) matters,

David

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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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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.

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