New Constructs®

MUTUAL FUND RATING
12/6/2010

Legg Mason Cap Mgmt Value Trust (LMVTX)

Neutral Risk/Reward Rating

Trust

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- **We recommend investors buy an S&P500 ETF/Index fund rather than LMVTX, which offers less upside at a higher cost.**
- **This report provides better analysis than traditional fund ratings by focusing on the earnings quality and valuation of current holdings as opposed to historical price performance.**
- **We provide the same analysis on all publicly-traded funds.**
- **This fund would have a better rating if it invested in more Attractive or Very Attractive holdings.**
- **LMVTX allocates 70% of its value to stocks with a Neutral Rating or worse. The S&P 500 only allocates 55%.**
- **Figure 1 summarizes the five factors that drive our Overall Risk/Reward Rating for LMVTX. Each factor offers insights into the profitability and valuation of the fund.**
- **We provide a detailed explanation of our methodology and each rating criterion for LMVTX. Appendix 1 offers an explanation of how our Risk/Reward Rating system works.**

Figure 1: New Constructs' Risk/Reward Rating

Overall Risk/Reward Score	Quality of Earnings		Valuation		
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period (yrs)
Very Dangerous	Misleading Trend	Bottom Quintile	<-5%	>3.5 or -1<0	more than 50
Dangerous	False Positive	4th Quintile	-5%<-1%	2.4<3.5 or <-1	20<50
Neutral	Neutral EE	3rd Quintile	-1%<3%	1.6<2.4	10<20
Attractive	Positive EE	2nd Quintile	3%<10%	1.1<1.6	3<10
Very Attractive	Rising EE	Top Quintile	>10%	0<1.1	Less than 3

Market-Weighted Avg	$0.04 / $2.95	10.9%	6.8%	2.4	24
Median	$0.26 / $1.99	10.0%	3.4%	1.1	5

Sources: New Constructs, LLC and company filings

Important Disclosure Information is contained on the last page of this report.
The recipient of this report is directed to read these disclosures.

Methodology

Our Risk/Reward Ratings have a solid track record of outperformance for investors. You don't have to take our word for it. See how Barron's ranked us #1 for stock-picking.

Our analysis of Legg Mason Capital Management Value Trust (LMVTX) is based on the aggregation of data for 43 of the 44 companies in LMVTX weighted according to the fund's holdings as of November 15th, 2010. PRU is excluded from this analysis and represents 1.1% of LMVTX's value. PRU is not covered by New Constructs because the company has multiple classes of common stock with differing economic interest. LMVTX also holds 2.55% of its total value in short-term investments This report considers only the 96.35% of the fund invested in equities. See Figure 5 for a complete list of companies, their weights in the fund, and, in the premium report only, their ratings. This report offers benchmarks for (1) investors considering buying LMVTX and for (2) comparing other mutual funds to LMVTX.

Given the success of our Rating system for individual stocks, we believe its application to groups of stocks (i.e. ETFs and funds) will also help investors make more informed decisions.

Recommendation/Conclusion

We recommend investors buy an S&P500 ETF/Index fund rather than LMVTX, which offers less upside at a much higher cost. S&P 500 ETF/Index funds have much lower total expense ratios and allocate more value to Attractive-or-better rated stocks than LMVTX.

Figure 2 shows the Risk/Reward rating for the S&P 500 from our most recent S&P 500 ETF/Index report.

Figure 2: S&P 500 – Risk/Reward Rating

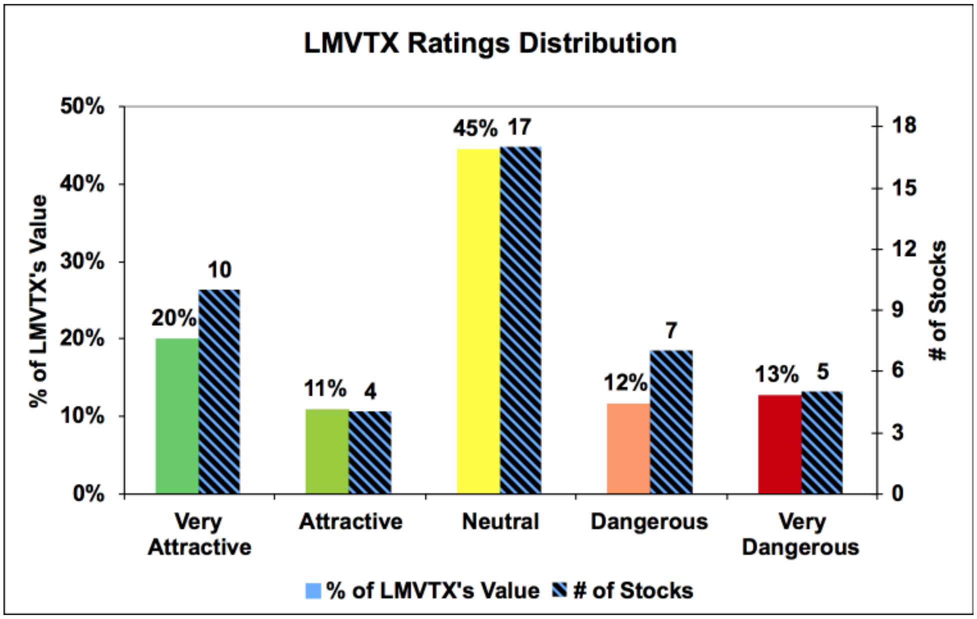
Overall Risk/Reward Score	Quality of Earnings		Valuation		
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period (yrs)
Very Dangerous	Misleading Trend	Bottom Quintile	<-5%	>3.5 or -1<0	more than 50
Dangerous	False Positive	4th Quintile	-5%<-1%	2.4<3.5 or <-1	20<50
Neutral	Neutral EE	3rd Quintile	-1%<3%	1.6<2.4	10<20
Attractive	Positive EE	2nd Quintile	3%<10%	1.1<1.6	3<10
Very Attractive	Rising EE	Top Quintile	>10%	0<1.1	Less than 3
Market-Weighted Avg	$0.80 / $3.27	17.4%	3.3%	1.3	20
Median	$-0.09 / $1.77	6.8%	3.6%	1.6	11

Sources: New Constructs, LLC and company filings

Though the S&P 500 has the same Overall Risk/Reward rating as LMVTX, its ROIC and Price-to-EBV Ratio ratings are both better. The S&P 500 offers investors more upside potential and less downside risk. See our premium report for a comparison of the fees charged by LMVTX and S&P 500 index funds. You might be surprised how much the LMVTX managers charge for their index-like fund.

Figure 3 details the Risk/Reward composition of LMVTX's holdings and capital allocation.

Figure 3: LMVTX – Capital Allocation & Holdings by Risk/Reward Rating

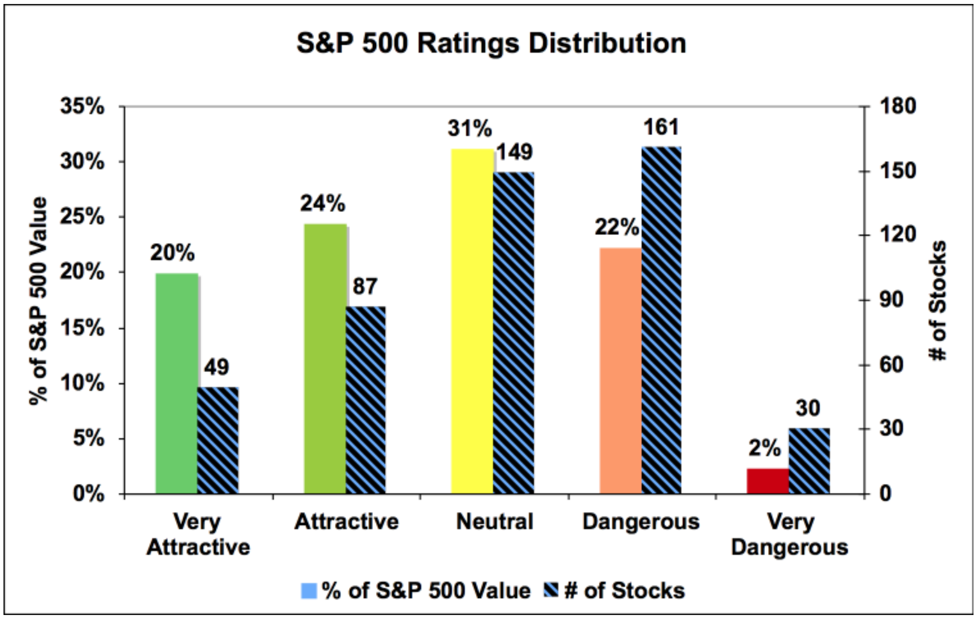


Sources: New Constructs, LLC and company filings

The largest amount of the fund's capital is invested in Neutral-Rated stocks, giving the fund its Overall Rating of Neutral. LMVTX's could offer investors a more attractive Risk/Reward profile by (1) adding Attractive-rated holdings in place of Neutral and Dangerous-rated holdings and/or (2) allocating more capital to the Attractive-rated holdings instead of Neutral and Dangerous-rated holdings.

Figure 4 details the Risk/Reward composition of the S&P 500 and its capital allocation.

Figure 4: S&P 500 – Capital Allocation & Holdings by Risk/Reward Rating



Sources: New Constructs, LLC and company filings

LMVTX and the S&P 500 both hold around 25% of their value in stocks rated worse than Neutral. The S&P 500 however allocates only 2% of its value to Very Dangerous stocks while LMVTX allocates 13% of its value to Very Dangerous holdings. Similarly, the 14% less value allocated to Neutral stocks in the S&P 500 compared to LMVTX appears to have instead been invested in Attractive stocks in the S&P 500. LMVTX and the S&P 500 hold equivalent amounts of Very Attractive stocks.

Comparing their rating distributions, the S&P 500 shows a better allocation of capital. Note again that LMVTX has a similar or worse Risk/Reward profile than the S&P 500 with higher management costs.

Figure 5 provides a detailed break down of LMVTX's holdings and their weights in the fund. Our premium report also includes the Ratings for each holding.

Figure 5: LMVTX – Risk/Reward Ratings for 43 Holdings as of Nov 15, 2010

	Ticker	Weight	Overall Rating	Economic vs Reported EPS	ROIC	FCF Yield	Price-to-EBV	GAP
			Premium Report Only	Premium Report Only	Premium Report Only	Premium Report Only	Premium Report Only	Premium Report Only
1	AES	6.99%						
2	GENZ	3.95%	-	-	-	-	-	-
3	AFL	3.74%	-	-	-	-	-	-
4	IBM	3.58%	-	-	-	-	-	-
5	GS	3.34%	-	-	-	-	-	-
6	COF	3.22%	-	-	-	-	-	-
7	TWX	3.19%	-	-	-	-	-	-
8	TXN	3.13%	-	-	-	-	-	-
9	C	3.12%	-	-	-	-	-	-
10	RIG	2.93%	-	-	-	-	-	-
11	EBAY	2.91%	-	-	-	-	-	-
12	AET	2.89%	-	-	-	-	-	-
13	CSCO	2.81%	-	-	-	-	-	-
14	HPQ	2.80%	-	-	-	-	-	-
15	AMGN	2.76%	-	-	-	-	-	-
16	AMZN	2.73%	-	-	-	-	-	-
17	JPM	2.64%	-	-	-	-	-	-
18	NYX	2.64%	-	-	-	-	-	-
19	WFC	2.60%	-	-	-	-	-	-
20	GE	2.49%	-	-	-	-	-	-
21	BAC	2.45%	-	-	-	-	-	-
22	UNH	2.12%	-	-	-	-	-	-
23	AXP	2.04%	-	-	-	-	-	-
24	DTV	2.02%	-	-	-	-	-	-
25	MSFT	1.94%	-	-	-	-	-	-
26	QCOM	1.93%	-	-	-	-	-	-
27	INTC	1.90%	-	-	-	-	-	-
28	EK	1.83%	-	-	-	-	-	-
29	JCP	1.82%	-	-	-	-	-	-
30	YUM	1.77%	-	-	-	-	-	-
31	MRK	1.75%	-	-	-	-	-	-
32	TWC	1.68%	-	-	-	-	-	-
33	GILD	1.67%	-	-	-	-	-	-
34	YHOO	1.65%	-	-	-	-	-	-
35	EMC	1.57%	-	-	-	-	-	-
36	COP	1.52%	-	-	-	-	-	-
37	S	1.39%	-	-	-	-	-	-
38	ALL	1.26%	-	-	-	-	-	-
39	BBY	1.15%	-	-	-	-	-	-
40	MDT	0.94%	-	-	-	-	-	-
41	PEP	0.82%	-	-	-	-	-	-
42	SHLD	0.16%	-	-	-	-	-	-
43	WMT	0.14%	-	-	-	-	-	-

Sources: New Constructs, LLC and company filings
Note: PRU, which is excluded from our analysis as explained on page 1, is 1.1% of LMVTX's value which ranks 40th of all its holdings..

We offer custom aggregation reports with Overall Risk/Reward Ratings for any ETF, mutual fund, or portfolio. We also offer recommendations to improve your portfolio's Overall Risk/Reward Rating by overweighting stocks with Attractive ratings and underweighting stocks with Dangerous ratings. Contact research@newconstructs.com for more information.

Economic vs Reported Earnings

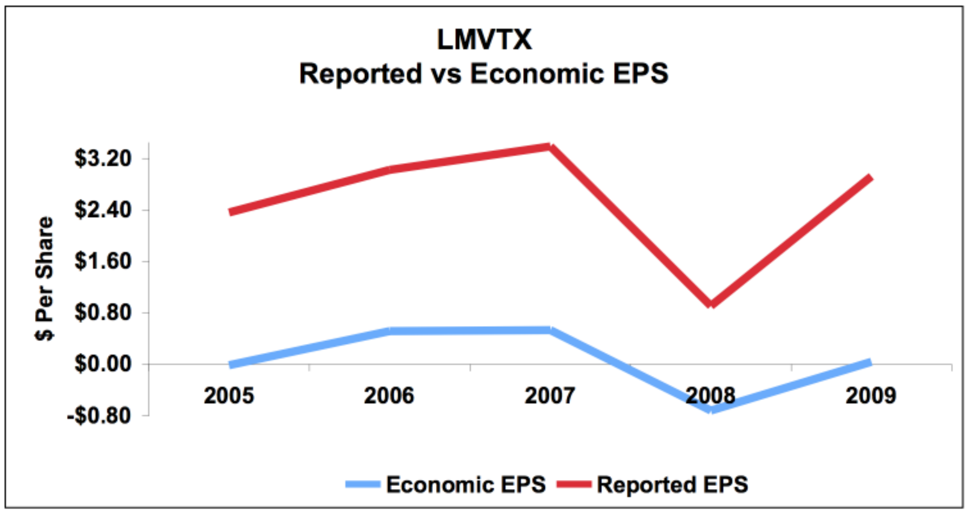
Why Economic Earnings Matter

Economic Earnings provide a truer measure of profitability and shareholder value creation than reported earnings. Economic Earnings almost always meaningfully differ from reported earnings. Investors should beware of investing in companies that report earnings meaningfully different than their economic earnings.

We reverse ALL accounting distortions to reveal *accurate* and *comparable* economic earnings for 3,000+ companies.

See our chapter in the *Valuation Handbook* (Wiley Finance, 2009) for more information.

Figure 6: Economic Earnings Per Share vs Reported EPS



Sources: New Constructs, LLC and company filings

Our Economic Earnings and Return on Invested Capital (ROIC) metrics are significantly more accurate than reported earnings because they are adjusted to reverse accounting distortions. The majority of the data required to reverse accounting distortions is available only in the Financial Footnotes, which we analyze rigorously. Our core competency is gathering and analyzing all relevant financial data (from the Financial Footnotes and the Management Discussion and Analysis) so that we can deliver earnings analyses that best represent the true profitability of businesses. See Figure 7 for a list of the adjustments we make to a company's reported earnings in order to reverse accounting distortions and arrive at a truer measure of a firm's earnings.

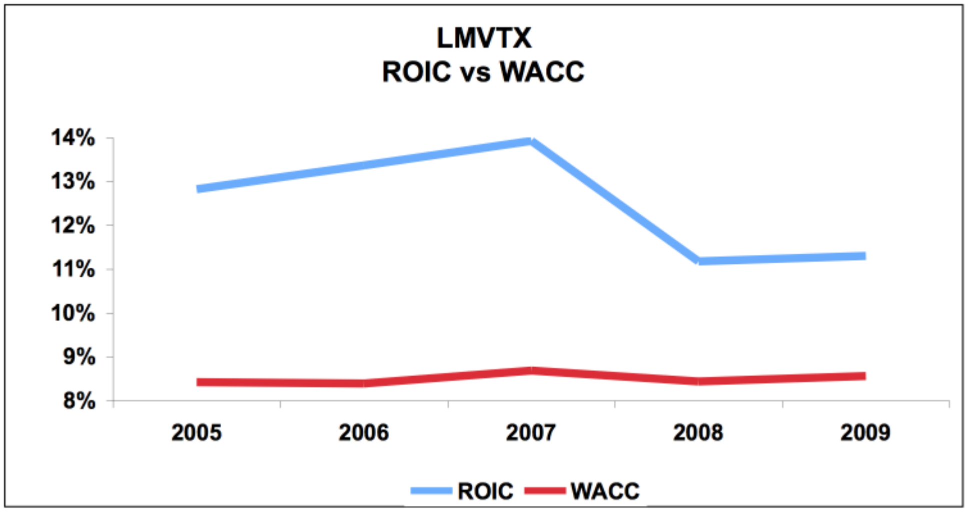
Figure 7: Accounting Issues that Distort Reported Earnings

- Employee Stock Options	- Off-Balance-Sheet Financing
- Pension Over/Under Funding	- Reserves
- Excess Cash	- Unrealized Gains/Losses
- Restructuring	- Goodwill Amoirtzation
- Pooling Goodwill	- Unconsolidated Subsidiaries
- Minority Interests	- Capitalized Expenses

Sources: New Constructs, LLC

Figure 8 compares LMVTX's Return on Invested Capital (ROIC) to its Weighted-Average Cost of Capital (WACC). LMVTX's ROIC during the last fiscal year ranks in the 2nd quintile.

Figure 8: Return on Invested Capital vs Weighted Average Cost of Capital



Sources: New Constructs, LLC and company filings

How We Measure Economic Earnings

The metrics we use to measure the economic performance of companies are Economic Earnings Margin and Economic Earnings. The Economic Earnings Margin for a company equals its ROIC minus its WACC. The Economic Earnings of a company equal its Economic Earnings Margin multiplied by its Invested Capital. Economic Earnings per Share equal Economic Earnings divided by Basic Shares Outstanding. ROIC equals Net Operating Profit After-Tax (NOPAT) divided by Invested Capital.

We believe our measures of economic performance are substantially more accurate than accounting metrics because we make adjustments for all the issues listed in Figure 7.

Figure 9 provides benchmarks for LMVTX over the past five years for the key profitability metrics we use. Our Risk/Reward Ratings are based on weighted averages. Aggregate values for the fund are also provided for comparison.

Figure 9: LMVTX Benchmarks
($ millions except per share amounts)

Weighted Averages	2005	2006	2007	2008	2009
Revenues	$32,167	$35,595	$38,527	$39,251	$41,375
Revenue Growth (Based on Avg)	n/a	10.7%	8.2%	1.9%	5.4%
ROIC	12.5%	13.0%	13.6%	10.8%	10.9%
WACC	8.0%	8.0%	8.3%	8.0%	8.2%
Economic Earnings Margin	4.4%	5.0%	5.3%	2.8%	2.8%
Economic EPS	-$0.02	$0.52	$0.54	-$0.73	$0.04
Reported EPS	$2.39	$3.05	$3.43	$0.92	$2.95
- net difference	-$2.40	-$2.53	-$2.89	-$1.65	-$2.91
Economic Earnings	-$250	$529	$357	-$1,522	-$1,116
Reported Earnings	$4,357	$5,206	$4,314	$1,225	$3,440
- net difference	-$4,606	-$4,676	-$3,957	-$2,747	-$4,556

Aggregate Values	2005	2006	2007	2008	2009
Revenues	$1,699,571	$1,877,625	$2,025,553	$2,103,664	$2,151,558
Revenue Growth	n/a	10.5%	7.9%	3.9%	2.3%
ROIC	13.9%	14.4%	14.1%	11.2%	11.2%
WACC	8.2%	8.2%	8.1%	7.8%	7.9%
Economic Earnings Margin	5.8%	6.2%	6.0%	3.4%	3.3%
Economic EPS	$0.12	$0.67	$0.57	-$0.60	-$0.05
Reported EPS	$2.46	$3.22	$3.24	$0.59	$2.72
- net difference	-$2.34	-$2.55	-$2.67	-$1.20	-$2.77
Economic Earnings	$9,029	$38,182	$35,511	-$33,942	-$24,472
Reported Earnings	$189,388	$223,833	$180,173	$63,706	$156,984
- net difference	-$180,359	-$185,652	-$144,662	-$97,648	-$181,457

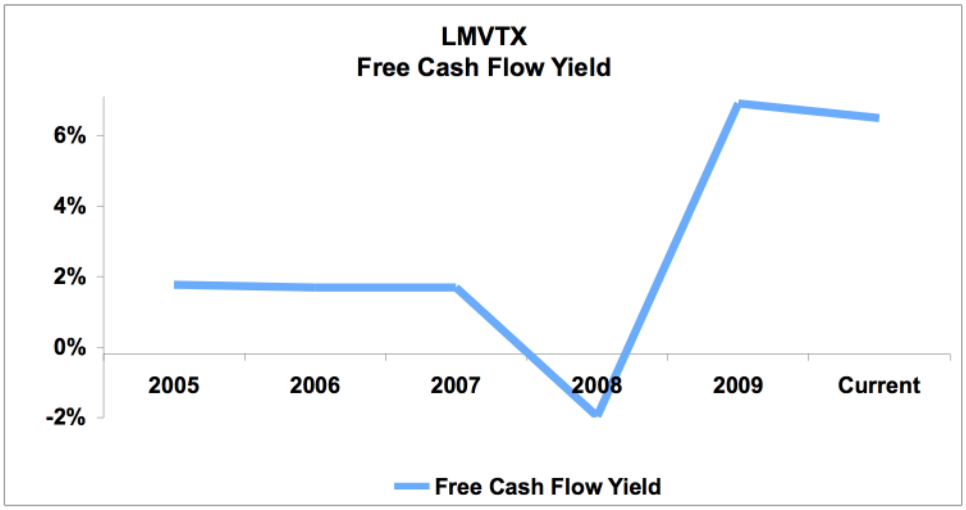
Sources: New Constructs, LLC and company filings

The years shown in all figures represent the financial results for all companies that have a fiscal-year end on or after 12/31 of that year through to 12/30 of the following year. Most companies have 12/31 fiscal year ends. It is far simpler to put all companies into an annual bucket that represents the fiscal-year end results of the majority of the companies. The alternative is to refer to "Last Fiscal Year" etc, which is not as clear and adds little analytical value.

Free Cash Flow Yield

Using Free Cash Flow Yields to pick stocks is not a new strategy. However, our strategy yields superior results because we use a better measure of Free Cash Flow (FCF) that incorporates information from the Notes and MD&A other firms miss. We measure Free Cash Flow by subtracting the change in Invested Capital from NOPAT.

Figure 10: Free Cash Flow Yield



Sources: New Constructs, LLC and company filings

Figure 11 provides the data behind Figure 10. Our Risk/Reward Ratings are based on market-weighted averages. Aggregate values for the sector are also provided for comparison.

Figure 11: Benchmarks for Free Cash Flow Yield ($ millions)

Weighted Average	2005	2006	2007	2008	2009	Current
Free Cash Flow Yield	1.98%	1.90%	1.90%	-1.79%	7.18%	6.76%

Aggregate Values	2005	2006	2007	2008	2009	Current
Free Cash Flow	$148,279	$94,436	$86,664	-$131,218	$150,970	$150,993
Enterprise Value	$3,507,845	$3,905,401	$3,824,529	$2,667,890	$3,018,875	$3,145,111
Free Cash Flow Yield	4.23%	2.42%	2.27%	-4.92%	5.00%	4.80%

Sources: New Constructs, LLC and company filings

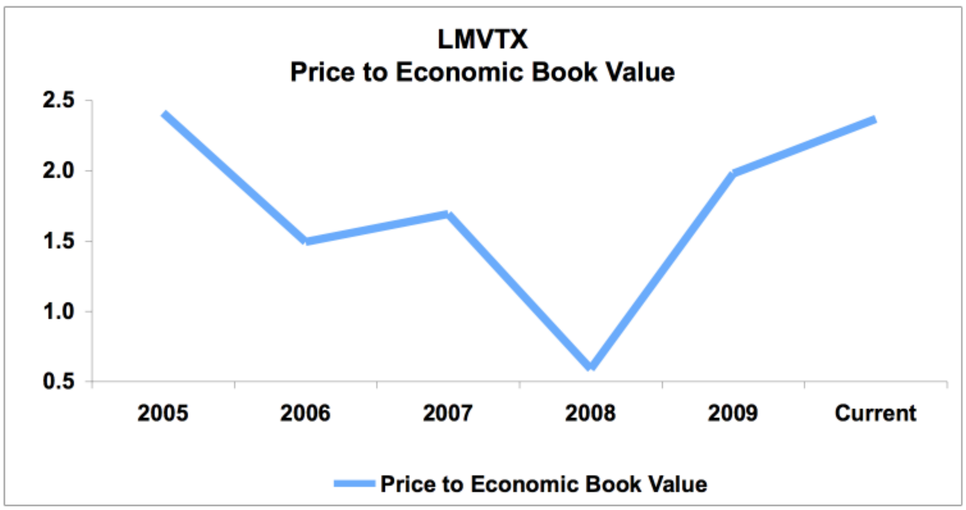
Free Cash Flow Yield equals unlevered FCF divided by enterprise value. The level of FCF does not always reflect the health of a business or its prospects. For example, a large amount of FCF can be a sign that a company has limited investment opportunities and, hence, limited growth prospects. On the other hand, negative FCF can be an attractive indication that a company has more investment opportunities than it can fund with cash from operations. Zero FCF could mean that the company generates just enough cash to internally fund its growth opportunities.

Price-to-EBV Per Share

Figure 12 shows the Price to Economic Book Value (EBV) per share for LMVTX. This ratio reflects the value that the market places on $1 of current cash flows into perpetuity. With a Price to EBV of 2.40, the market expects cash flows for LMVTX to improve by 140%.

When stock prices are much higher than EBVs, the market predicts cash flows of the company will meaningfully increase. When stock prices are much lower than EBVs, the market predicts the cash flows of the company will meaningfully decrease. If the stock price equals the EBV, the market predicts the company's cash flows will not change.

Figure 12: Price to Economic Book Value Per Share



Sources: New Constructs, LLC and company filings

Figure 13 provides the data behind Figure 8*.* Our Risk/Reward Ratings are based on market-weighted averages. Aggregate values for the sector are also provided for comparison.

Figure 13: Price to Economic Book Value Per Share ($ millions)

Weighted Average	2005	2006	2007	2008	2009	Current
Price to Economic Book Value	2.44	1.51	1.71	0.60	2.00	2.40

Aggregate Values	2005	2006	2007	2008	2009	Current
Market Value	$3,289,530	$3,623,948	$3,487,450	$2,189,918	$2,734,688	$2,859,440
Economic Book Value	$2,138,865	$2,463,810	$2,681,927	$2,278,189	$2,700,057	$2,697,070
Price to Economic Book Value	1.54	1.47	1.30	0.96	1.01	1.06

Sources: New Constructs, LLC and company filings

EBV measures the no-growth value of the company based on the current economic cash flows generated by the business. It is also known as the "pre-strategy value" of the company because it ignores the value attributable to future cash flows, which are, in theory, what business strategies should aim to improve.

The Formula for EBV is: (NOPAT / WACC) + Excess Cash + Unconsolidated Subsidiary Assets + Net Assets from Discontinued Operations - Debt (incl. Operating Leases) - Value of Outstanding Stock Options - Preferred Capital - Minority Interests. EBV per share equals EBV divided by shares outstanding.

Quantifying Market Expectations

Figure 14 compares the future performance required to justify the fund's market value to its historical performance. Historically, LMVTX has generated a Revenue CAGR of 8.4%, 4.9%, and 8.5% and Economic Earnings Margins of 4.1%, 3.6%, and 2.8% over the past 5, 3 and 1 year(s) respectively.

To justify the current price of $37.20, LMVTX must grow revenues at 6.1% and maintain a 4.6% Economic Earnings Margin for 24 years. Compare the market's expectations for future cash flows for LMVTX to those of the S&P 500 in Figure 15

Investing 101 – "Buy stocks with low expectations and sell stocks with high expectations."

Figure 14: Future Performance Required to Justify Valuation

	Historical Performance			Future Performance
Performance Hurdles	5-Year Avg	3-Year Avg	Last Fiscal Year	based on current price
Fund Price	**$58.29**	**$57.62**	**$36.44**	**$37.20**
1. Revenue CAGR	**8.3%**	**4.8%**	**8.4%**	**6.1%**
2. Economic Earnings Margin	**4.1%**	**3.6%**	**2.7%**	**4.6%**
3. Growth Appreciation Period	-	-	-	**24**

Market Value is an aggregate value. All other values in table are market-weighted averages.
Sources: New Constructs, LLC and company filings.

The current price level of the S&P 500 implies the index must grow revenues at 9.1% and maintain an 11.8% Economic Earnings Margin for 20 years.

Figure 15: Future Performance Required to Justify Valuation - S&P 500

	Historical Performance			Market Expectations
Performance Hurdles	5-Year Avg	3-Year Avg	Last Fiscal Year	based on current price [2]
Index Price	**1,248**	**1,468**	**1,115**	**1,213**
1. Revenue CAGR	**4.5%**	**0.6%**	**2.0%**	**9.1%**
2. Economic Earnings Margin	**4.5%**	**5.8%**	**10.0%**	**11.8%**
3. Growth Appreciation Period	-	-	-	**20**

Index Price is the price of the S&P 500 index. All other values in table are market-weighted averages.
Sources: New Constructs, LLC and company filings.

LMVTX has lower market expectations for revenue growth and Economic Earnings Margin than the S&P 500, and has a similar Growth Appreciation Period. LMVTX's historical performance suggests that the fund has less challenging expectations to meet than the S&P 500.

Growth Appreciation Period (GAP) measures the number of years implied by the stock price over which a company must maintain an edge over its current and future competitors. Specifically, GAP measures the number of years a company will earn returns on invested capital greater than its cost

[1] Technically, instead of using the Index Price of the S&P 500 in Figure 14, we should use the aggregate market values because all calculations in this report are based on market-weighted values. We use market-weighted values as a proxy for Standard and Poor's proprietary method of weighting companies in the S&P 500.

of capital on new investments. The law of competition dictates that a company can only grow its economic earnings for the finite period over which it can maintain a competitive advantage.

GAP analysis comes from our dynamic discounted cash flow model, a multi-stage DCF model that values companies across multiple forecast horizons. Each forecast horizon (i.e., GAP), assumes the company cannot grow profits beyond the GAP. Our model exclusively uses no-growth terminal value assumptions for calculating the value of the stock for each GAP.

The forecast drivers for our DCF model are: (1) Revenue Growth; (2) NOPBT Margin, (i.e. EBIT Margin with Adjustments), (3) Cash Tax Rate, (4) Incremental Net Working and Fixed Capital needs.

Our company models value stocks based on the present value of expected free cash flows, with that free cash flow measured according to our economic (as distinct from conventional accounting) methodology. Website subscribers can set the four forecast drivers referenced above to arrive at estimates of the three value drivers:

1. **Revenue Growth**
   Compounded over the indicated time frame.
2. **Economic Earnings Margin**
   The Return On Invested Capital minus the Weighted-Average Cost of Capital.
3. **Growth Appreciation Period**
   Number of years the company can earn a positive Economic Earnings Margin on incremental investments, i.e. the number of years it can create economic value.

An alternative way to conceptualize the three value drivers is:

1. "How fast will the company grow?"

2. "How profitable will the company be?"

3. "For how many years will the company grow economic earnings or create incremental value?"

Appendix 1: Risk/Reward Rating System

Our Risk/Reward Rating System assigns a rating to every stock we cover according to what we believe are the 5 most important criteria for assessing the risk versus reward of stocks. See table that follows for details.

Overall Risk/Reward Ranking	The Overall Risk/Reward Ranking provides a final rating based on the equal-weighted average rating of each criterion.
Very Dangerous	FCF Yield is not included in the average.
Dangerous	FCF Yield is not included in the average.
Neutral	All criteria are equal-weighted in the average calculation.
Attractive	All criteria are equal-weighted in the average calculation.
Very Attractive	All criteria are equal-weighted in the average calculation.

Economic vs Reported EPS	Rates stocks based on how their Economic Earnings compare to their Reported Earnings. Values based on Latest Fiscal Year.
Very Dangerous	Negative and declining Economic Earnings despite positive and rising Reported Earnings
Dangerous	Same as above except Reported Earnings are not rising or Reported Earnings are not positive
Neutral	Negative Economic and Reported Earnings
Attractive	Economic Earnings are positive
Very Attractive	Economic Earnings are positive and rising

Return on Invested Capital (ROIC)	Rates stocks based on their ROIC. Values based on Latest Fiscal Year.
Bottom Quintile	Very Dangerous = the bottom 20% of Russell 1000 companies
4th Quintile	Dangerous = the bottom 40% of Russell 1000 companies
3rd Quintile	Neutral = the middle 20% of Russell 1000 companies
2nd Quintile	Attractive = the top 40% of Russell 1000 companies
Top Quintile	Very Attractive = the top 20% of Russell 1000 companies

FCF Yield	Rates stocks based on their Free Cash Flow Yield. Values based on Latest Closing Stock price and Latest Fiscal Year.
<-5%	Very Dangerous = less than or equal to -5%
-5%<-1%	Dangerous = more than -5% but less than or equal to -1%
-1%<3%	Neutral = more than -1% but less than or equal to +3%
3%<10%	Attractive = more than +3% but less than or equal to +10%
>10%	Very Attractive = more than +10%

Price-to-EBV Ratio	Rates stocks based on their Price-to-Economic Book Value Ratio. Values based on Latest Closing Stock price and Latest Fiscal Year.
>3.5 or -1>0	Very Dangerous = greater than or equal to 3.5 or less than 0 but greater than -1
2.4>3.5 or <-1	Dangerous = greater than or equal to 2.4 but less than 3.5 and less than or equal to -1
1.6>2.4	Neutral = greater than or equal to 1.6 but less than 2.4
1.1>1.6	Attractive = greater than or equal to 1.1 but less than 1.6
0>1.1	Very Attractive = greater than or equal to 0 but less than 1.1

Growth Appreciation Period (yrs)	Rates stocks based on their Market-Implied Growth Appreciation Period. Values based on Latest Closing Stock price and Default Forecast Scenario.
>50	Very Dangerous = greater than or equal to 50 years
20>50	Dangerous = at least 20 years but less than 50
10>20	Neutral = at least 10 years but less than 20
3>10	Attractive = at least 3 years but less than 10
0>3	Very Attractive = at least 0 years but less than 3

New *Constructs®* – *Profile*

How New Constructs Creates Value for Clients

1. **Superior Recommendations** – Our stock picks consistently outperform. See our track record in our stock-picking accolades and Proof Is In Performance reports.
2. **More Accurate Research** – Our patented Research Platform for reversing accounting distortions and discounted cash flow analysis leverages better data to deliver smarter research.
3. **Time Savings** – We check the fine print in thousands of corporate filings so you don't have to. As reported by Barron's, our expertise in analyzing SEC filings delivers Hidden Gems and Red Flags that drive long-term stock-picking success.
4. **Transparency** – We are proud to share the results of our analysis of over 50,000 10Ks. See the Corporate Disclosure Transgressions report we provided the SEC. Our reports detail all data and assumptions. Company Models enable users to change them.
5. **Objectivity** – New Constructs is an independent research firm, not tied to Wall Street or investment banking services. Our models are driven by comprehensive high-quality data not stories. See our presentation to the Senate Banking Committee, the SEC and many others in DC.

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Accounting data is not designed for equity investors, but for debt investors. Accounting data must be translated into economic earnings to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. Economic earnings are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

Additional Information

Incorporated in July 2002, New Constructs is an independent publisher of investment research that provides clients with consulting, advisory and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies. We translate accounting data from 10Ks into economic financial statements, i.e. NOPAT, Invested Capital, and WACC, to create economic earnings models, which are necessary to understand the true profitability and valuation of companies. Visit the Free Archive to download samples of our research. New Constructs is a BBB accredited business and a member of the Investorside Research Association.

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