Telecommunication Services Sector ETFs

Dangerous Risk/Reward Rating

Trust

We deliver the whole truth by incorporating critical data from the Financial Footnotes and MD&A that other firms miss.

Performance

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- **We recommend investors buy only the Very Attractive and Attractive stocks in the Telecommunication Services sector over an ETF.**
- **The Telecommunication Services sector has a Dangerous Overall Risk/Reward Rating because the sector offers more downside risk than upside potential.**
- **Our analysis is based on the market-weighted aggregation of models for the 49 companies in the Telecommunication Services sector we cover.**
- **We offer custom reports with Overall Risk/Reward Ratings for any ETF, mutual fund, or portfolio.**
- **Figure 1 summarizes the five factors that drive our Overall Risk/Reward Rating for the Telecommunication Services sector.**
- **The Telecommunication Services sector has Neutral Economic Earnings (EE). Economic Earnings are negative but moving in the same direction as reported earnings.**
- **To increase exposure to our ETF/Fund diligence and research tools, we are offering this aged report at a highly reduced price.**

Figure 1: New Constructs' Risk/Reward Rating – Telecommunication Services Sector ETFs

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	$-1.22 / $1.49	4.4%	-1.3%	-1.0	22
Median	$-0.71 / $0.37	3.9%	4.6%	2.8	28

Sources: New Constructs, LLC and company filings

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 the Telecommunication Services sector is based on the market-weighted aggregation of data for the 49 companies in the Telecommunication Services sector we cover as of November 9th, 2010.[1] See Appendix 2 for a complete list of companies and their market weights. This report offers benchmarks for (1) investors considering buying Telecommunication Services ETFs and for (2) comparing individual stocks to the Telecommunication Services sector.

Given the success of our Rating system for individual stocks, we believe its application to groups of stocks (i.e. ETFs and funds) helps investors make more informed ETF and mutual fund buying decisions.

Recommendation

If you require exposure to the Telecommunication Services sector:
We recommend investors buy only the Very Attractive and Attractive stocks in the Telecommunication Services sector as opposed to a Telecommunication Services sector ETF. The sector allocates 98% of its value to holdings in Neutral-or-worse-rated stocks. Please contact us if you would like access to an ETF of only the Very Attractive and Attractive-rated stocks for the S&P 500 or any other ETF[2].

Custom ETFs: Please contact us if you would like access to an ETF of only the Very Attractive and Attractive-rated stocks for a particular sector or index.

If you require exposure to a sector ETF:
We recommend investors buy a Consumer Staples ETF over a Telecommunication Services ETF. 73% of the value of the Consumer Staples sector is allocated to Attractive-or-better-rated stocks compared to only 2% for the Telecommunication Services sector. See our U.S. Equity ETF Strategic Roadmap report to compare sector and index ETFs.

If you require exposure to a Telecommunication Services ETF or an index ETF:
We recommend investors buy an S&P 500 ETF instead of a Telecommunication Services ETF. See Figure 2, which shows the Risk/Reward rating for the S&P 500.

If you are looking for exposure to the best stocks in the market:
We recommend you buy our Most Attractive Stocks.

[1] For an explanation of the merits of using market-weighted averages in aggregation analysis instead of aggregate values, see Jeremy Siegel's WSJ article "The S&P Gets Its Earnings Wrong."
[2] We offer custom aggregation reports with our ratings for any ETF, mutual fund, or portfolio. We help improve your portfolio's ratings by overweighting stocks with Attractive ratings and underweighting stocks with Dangerous ratings. Contact research@newconstructs.com for more information.

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

The S&P 500 outperforms the Telecommunication Services sector in every component rating except GAP.

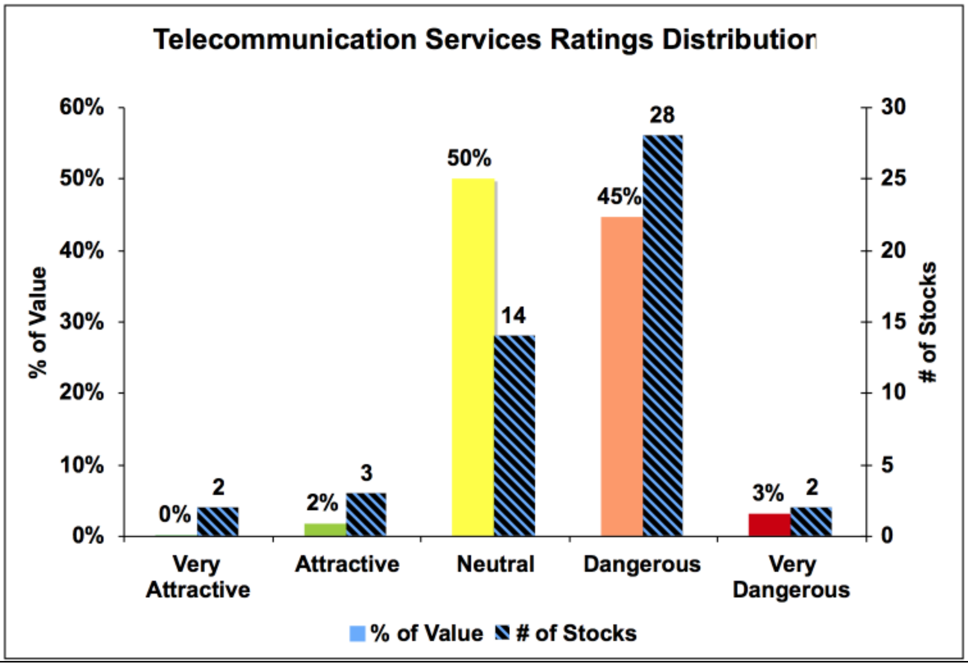
The Telecommunication Services sector has an ROIC in the bottom quintile while the S&P 500 has an ROIC in the top quintile. The sector has a bottom-quintile ROIC primarily because AT&T (T) and Verizon (VZ) make up 68% of the sector's value (44% and 24% respectively) and have ROICs in the bottom quintile themselves. T has an ROIC of 4.4% and VZ has an ROIC of 4.3%.

The S&P 500 has a 20 year GAP and the Telecommunication Services sector has a 22 year GAP. The Telecommunication Services sector's historical performance suggests that the sector has more difficult performance expectations to maintain than the S&P 500 over its GAP period.

The S&P 500's superior quality of earnings and valuation ratings result in a Neutral Overall Risk/Reward Rating compared to a Dangerous Overall Risk/Reward Rating for the Telecommunication Services sector. The S&P 500 offers investors more upside potential with less downside risk.

Figure 3 maps the Risk/Reward composition of the Telecommunication Services sector's holdings and capital allocation.

Figure 3: Telecommunication Services Sector – Capital Allocation & Holdings by Risk/Reward Rating

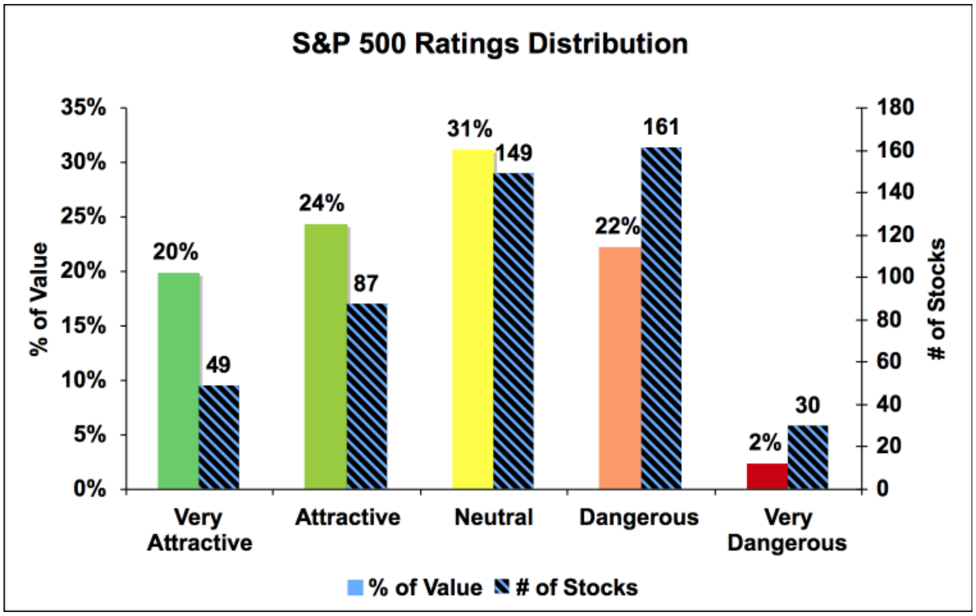


Sources: New Constructs, LLC and company filings

The Telecommunication Services sector has just two Very Attractive-rated stocks that effectively make up 0% of the sector's value. Only 3% of the sector's capital is allocated to Very Dangerous-rated stocks. However, allocating 45% of its capital to Dangerous-rated stocks gives the Telecommunication Services sector a Dangerous Overall Risk/Reward Rating.

Figure 4 maps the Risk/Reward composition of the S&P 500's holdings and capital allocation.

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



Sources: New Constructs, LLC and company filings

The S&P 500 has only 2% of its value invested in Very Dangerous-rated stocks and 44% of its value invested in Attractive-or-better-rated stocks, compared to 2% for the Telecommunication Services sector. The index has a Neutral Overall Risk/Reward rating however because its Neutral-or-worse-rated holdings offset its Attractive-or-better-rated stocks. The S&P 500 is very close to an Attractive Overall Risk/Reward Rating, but falls just short.

Comparing their rating distributions, the S&P 500 shows a better allocation of capital and is a more appealing option for investors looking to buy an ETF.

For a detailed description of an individual company's ratings, purchase a Company Valuation Report for any of the 3000+ companies we cover. Sample reports are available in the Free Archive on our website.

Appendices in our Company Valuation Reports highlight all adjustments we make to reported earnings and their effects on NOPAT, Invested Capital, WACC, and Economic Earnings. Our Company Valuation Reports show every adjustment and exactly how we calculate each variable used in our Risk/Reward Ratings.

Economic vs Reported Earnings

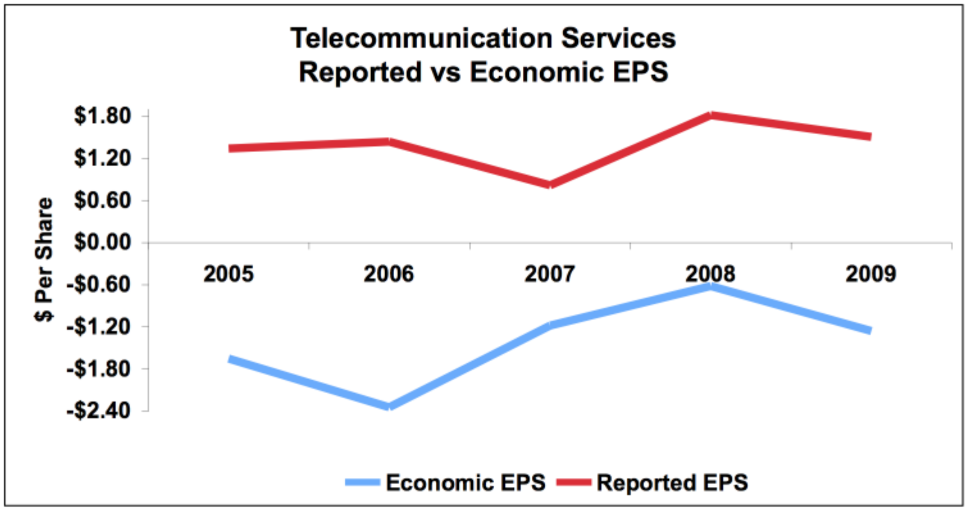
Why Economic Earnings Matter

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 5: 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 6 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.

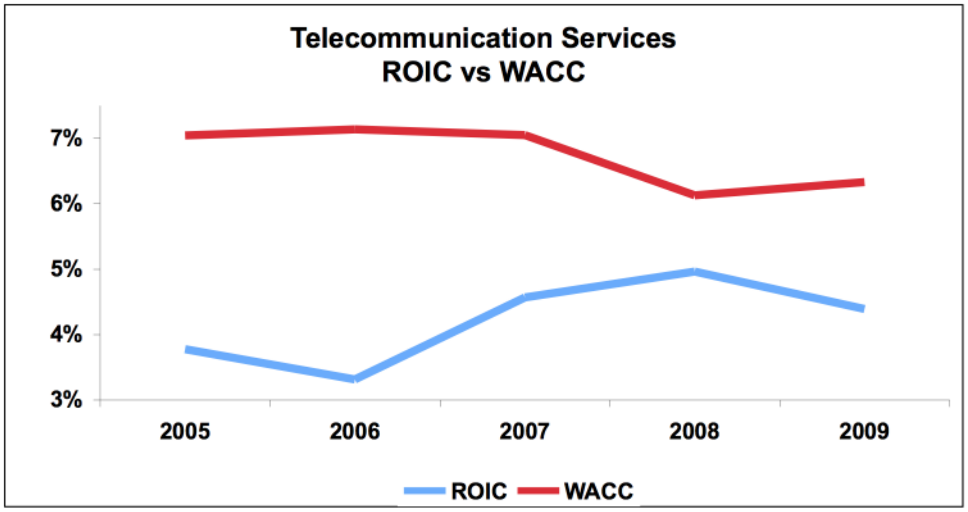
Figure 6: Accounting Issues that Distort Reported Earnings

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

Sources: New Constructs, LLC

Figure 7 compares the Telecommunication Services sector's Return on Invested Capital (ROIC) to its Weighted-Average Cost of Capital (WACC). The Telecommunication Services sector's ROIC during the last fiscal year ranks in the bottom quintile.

Figure 7: 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 6.

Figure 8 provides benchmarks for the Telecommunication Services sector over the past five years for the key profitability metrics we use. Our Risk/Reward Ratings are based on market-weighted averages. Aggregate values for the sector are also provided for comparison.

Figure 8: Telecommunication Services Sector Benchmarks
($ millions except per share amounts)

Market-Weighted Averages	2005	2006	2007	2008	2009
Revenues	$41,136	$52,960	$81,854	$91,632	$85,186
Revenue Growth (Based on Avg)	n/a	28.7%	54.6%	11.9%	-7.0%
ROIC	3.8%	3.3%	4.6%	5.0%	4.4%
WACC	7.0%	7.1%	7.0%	6.1%	6.3%
Economic Earnings Margin	-3.3%	-3.8%	-2.5%	-1.2%	-1.9%
Economic EPS	-$1.65	-$2.35	-$1.18	-$0.62	-$1.26
Reported EPS	$1.34	$1.43	$0.81	$1.81	$1.50
- net difference	-$2.99	-$3.78	-$2.00	-$2.44	-$2.76
Economic Earnings	-$3,780	-$7,582	-$4,772	-$2,575	-$4,059
Reported Earnings	$3,702	$4,836	$4,973	$8,309	$6,535
- net difference	-$7,482	-$12,417	-$9,745	-$10,884	-$10,594

Aggregate Values	2005	2006	2007	2008	2009
Revenues	$198,253	$243,645	$312,757	$322,400	$330,431
Revenue Growth	n/a	22.9%	28.4%	3.1%	2.5%
ROIC	1.9%	0.4%	1.0%	4.5%	4.8%
WACC	7.9%	7.9%	7.7%	7.6%	7.3%
Economic Earnings Margin	-6.0%	-7.5%	-6.7%	-3.1%	-2.5%
Economic EPS	-$1.90	-$2.27	-$1.42	-$1.03	-$1.02
Reported EPS	-$0.48	-$0.52	-$0.66	-$0.88	-$0.12
- net difference	-$1.42	-$1.75	-$0.76	-$0.15	-$0.90
Economic Earnings	-$21,106	-$29,624	-$23,628	-$17,839	-$24,314
Reported Earnings	$12,622	$15,812	-$8,783	$17,382	$15,715
- net difference	-$33,728	-$45,436	-$14,845	-$35,222	-$40,029

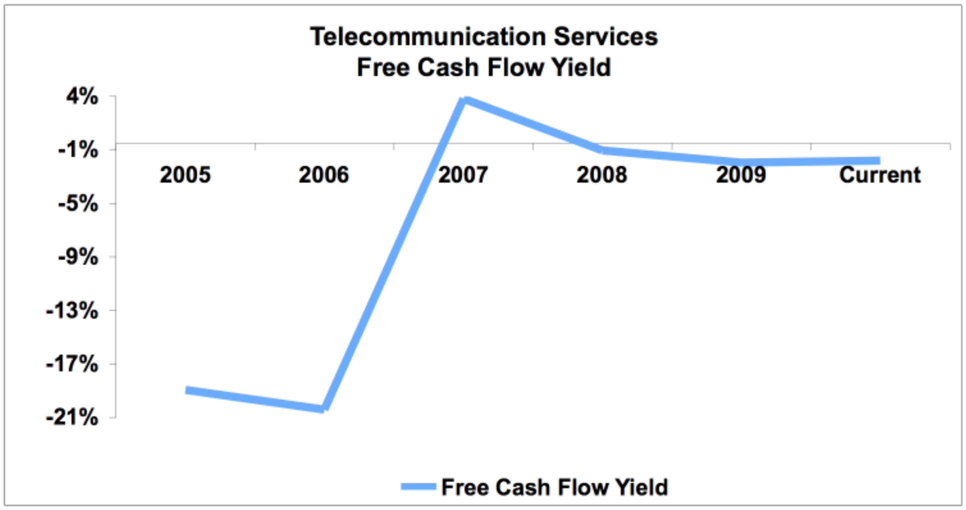
Sources: New Constructs, LLC and company filings

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 9: Free Cash Flow Yield



Sources: New Constructs, LLC and company filings

Figure 10 provides the data behind Figure 9*.* Our Risk/Reward Ratings are based on market-weighted averages. Aggregate values for the sector are also provided for comparison.

Figure 10: Benchmarks for Free Cash Flow Yield ($ millions)

Market-Weighted Average	2005	2006	2007	2008	2009	Current
Free Cash Flow Yield	-18.43%	-19.91%	3.32%	-0.54%	-1.45%	-1.31%

Aggregate Values	2005	2006	2007	2008	2009	Current
Free Cash Flow	-$74,645	-$130,383	$23,143	$3	-$11,514	-$11,614
Enterprise Value	$491,031	$737,279	$793,539	$627,421	$691,389	$711,930
Free Cash Flow Yield	-15.20%	-17.68%	2.92%	0.00%	-1.67%	-1.63%

Sources: New Constructs, LLC and company filings

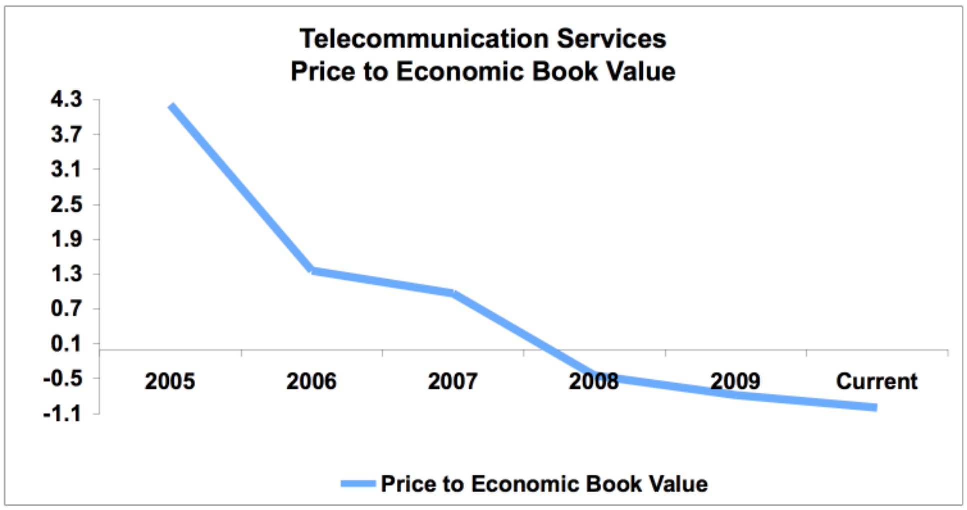
Free Cash Flow Yield equals unlevered FCF divided by enterprise value. The level of FCF does not always reflect the health of a business or its prospects. For example, a large amount of FCF can be a sign that a company has limited investment opportunities and, hence, limited growth prospects. On the 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 11 shows the Price to Economic Book Value (EBV) per share for the Telecommunication Services sector. This ratio reflects the value that the market places on $1 of current cash flows into perpetuity.

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 11: Price to Economic Book Value Per Share[3]



Sources: New Constructs, LLC and company filings

Figure 12 provides the data behind Figure 11*.* Our Risk/Reward Ratings are based on market-weighted averages. Aggregate values for the sector are also provided for comparison.

Figure 12: Price to Economic Book Value Per Share ($ millions)

Market-Weighted Average	2005	2006	2007	2008	2009	Current
Price to Economic Book Value	4.21	1.36	0.96	-0.45	-0.78	-1.00

Aggregate Values	2005	2006	2007	2008	2009	Current
Market Value	$304,174	$496,718	$537,985	$336,074	$371,048	$391,093
Economic Book Value	$159,362	$152,346	$246,033	$313,421	$228,620	$227,721
Price to Economic Book Value	1.91	3.26	2.19	1.07	1.62	1.72

Sources: New Constructs, LLC and company filings

[3] Negative Price to EBVs are not continuous with positive Price to EBVs, which improve as they approach zero. The graph in Figure 6 can be misleading when the Price to EBV line crosses zero.

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 13 compares the future performance required to justify the sector's market value to its historical performance. Historically, the Telecommunication Services sector has generated a Revenue CAGR of 12.8%, 3.6%, and 6.1% and Economic Earnings Margins of -3.2%, -2.1%, and -1.9% over the past 5, 3 and 1 year(s) respectively.

To justify the current market value of $391 billion, the Telecommunication Services sector must grow revenues at 5.6% and maintain a 1.4% Economic Earnings Margin for 22 years. Compare the market's expectations for future cash flows for the Telecommunication Services sector to those of the S&P 500 in Figure 14.

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

Figure 13: Future Performance Required to Justify Valuation

	Historical Performance			Market Expectations
Performance Hurdles	5-Year Avg	3-Year Avg	Last Fiscal Year	based on current price
Market Values ($bn)	**$304**	**$538**	**$371**	**$391**
1. Revenue CAGR	**12.8%**	**3.6%**	**6.1%**	**5.6%**
2. Economic Earnings Margin	**-3.2%**	**-2.1%**	**-1.9%**	**1.4%**
3. Growth Appreciation Period	**-**	**-**	**-**	**22**

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 14: 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 [4]
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.

The Telecommunication Services sector has lower market expectations for revenue growth and Economic Earnings Margin than the S&P 500. The sector's historical performance suggests that the sector has more challenging expectations to meet than the S&P 500 however, given that the sector has a history of negative Economic Earnings Margins.

Growth Appreciation Period (GAP) measures the number of years implied by the stock price over which a company must maintain an edge over its

[4] 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.

current and future competitors. Specifically, GAP measures the number of years a company will earn returns on invested capital greater than its cost 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

Appendix 2: Sector Constituents and Market Weights

Contact us for a detailed rating of the individual companies below, or purchase a Company Valuation Report for any of the 3000+ companies we cover. Sample reports are available in the Free Archive on our website.

1	T	44.04%
2	VZ	23.93%
3	AMT	5.37%
4	CTL	3.24%
5	CCI	3.12%
6	S	3.07%
7	Q	3.00%
8	NIHD	1.78%
9	WIN	1.52%
10	SBAC	1.14%
11	PCS	1.08%
12	USM	1.05%
13	TDS	0.97%
14	FTR	0.73%
15	TWTC	0.66%
16	ARUN	0.56%
17	SVR	0.54%
18	NSR	0.51%
19	LVLT	0.44%
20	ABVT	0.40%
21	LEAP	0.23%
22	GLBC	0.20%
23	NTLS	0.18%
24	IRDM	0.16%
25	ATNI	0.15%
26	GNCMA	0.15%
27	PAET	0.15%
28	CNSL	0.14%
29	TNDM	0.13%
30	CCOI	0.13%
31	CBB	0.13%
32	VG	0.13%
33	ALSK	0.12%
34	SHEN	0.11%
35	PGI	0.11%
36	IDT	0.10%
37	CBEY	0.10%
38	USMO	0.10%
39	ITCD	0.06%
40	GILT	0.05%
41	FTWR	0.05%
42	KTOS	0.05%
43	SURW	0.03%
44	HTCO	0.03%
45	WWVY	0.02%

MBND	0.01%
IFLG	0.00%
FRCMQ	0.00%
PRPL	0.00%

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.

Our Philosophy About Research

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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