



newConstructsTM
Tools for Better Investment Performance

Diligence + Leadership = Success

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

Agenda

- I. Quick Background
- II. Deliverables
- III. Product Details and Samples
- IV. Value Proposition

[Hyperlinks](#) in this presentation enable you to download free reports and more info.

Part I

Quick Background

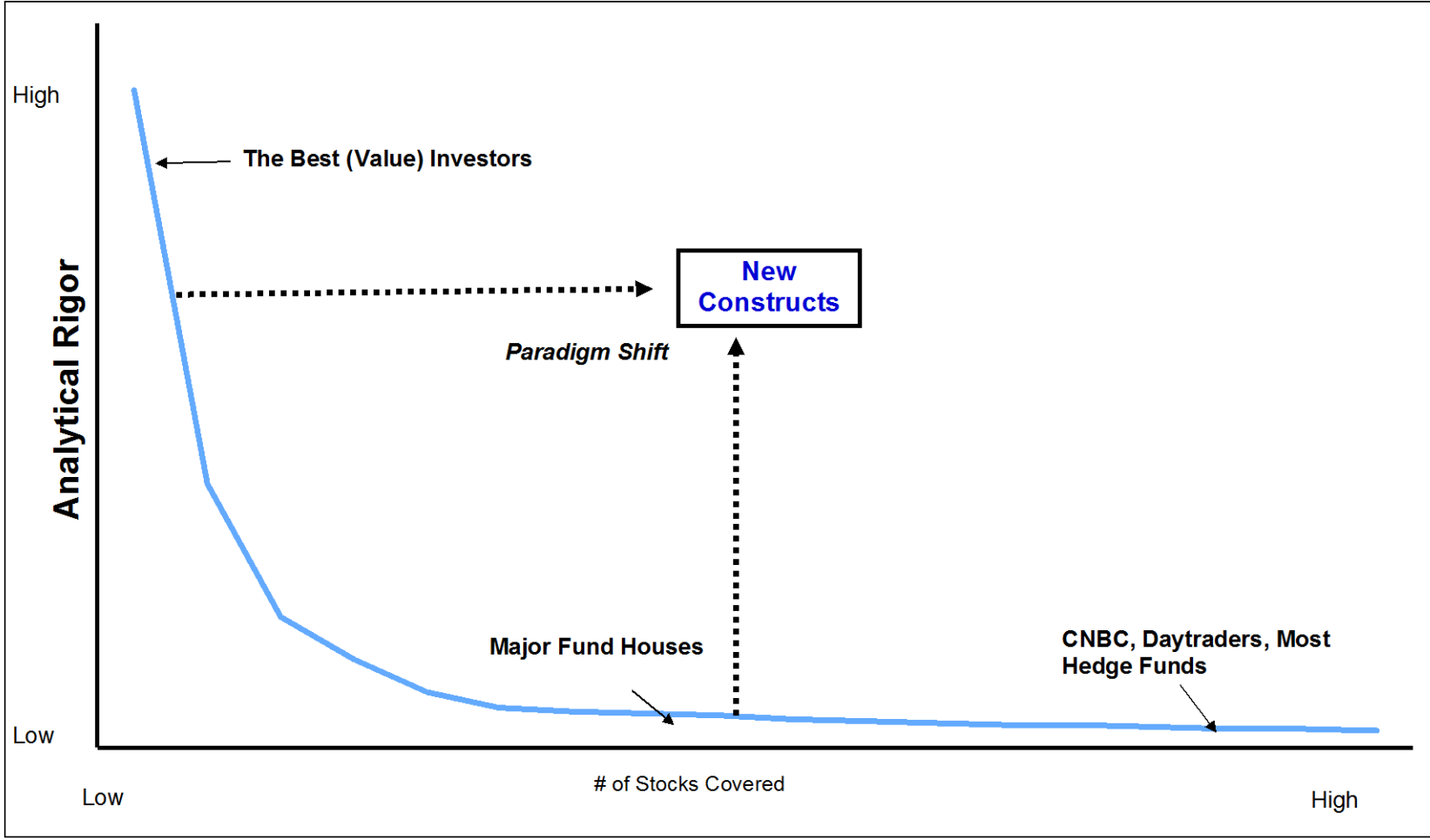
Overview

Independent Proprietary Research & Diligence

- Founded July 2002
- Top-rated stock-picking by [Barron's](#)
- Deep, financial fundamental focus
- Patented research platform covers 3000+ stocks & 7400+ funds
- Untapped source of alpha
- Footnotes expertise is a competitive advantage
- Integrated ratings for stocks, ETFs and mutual funds

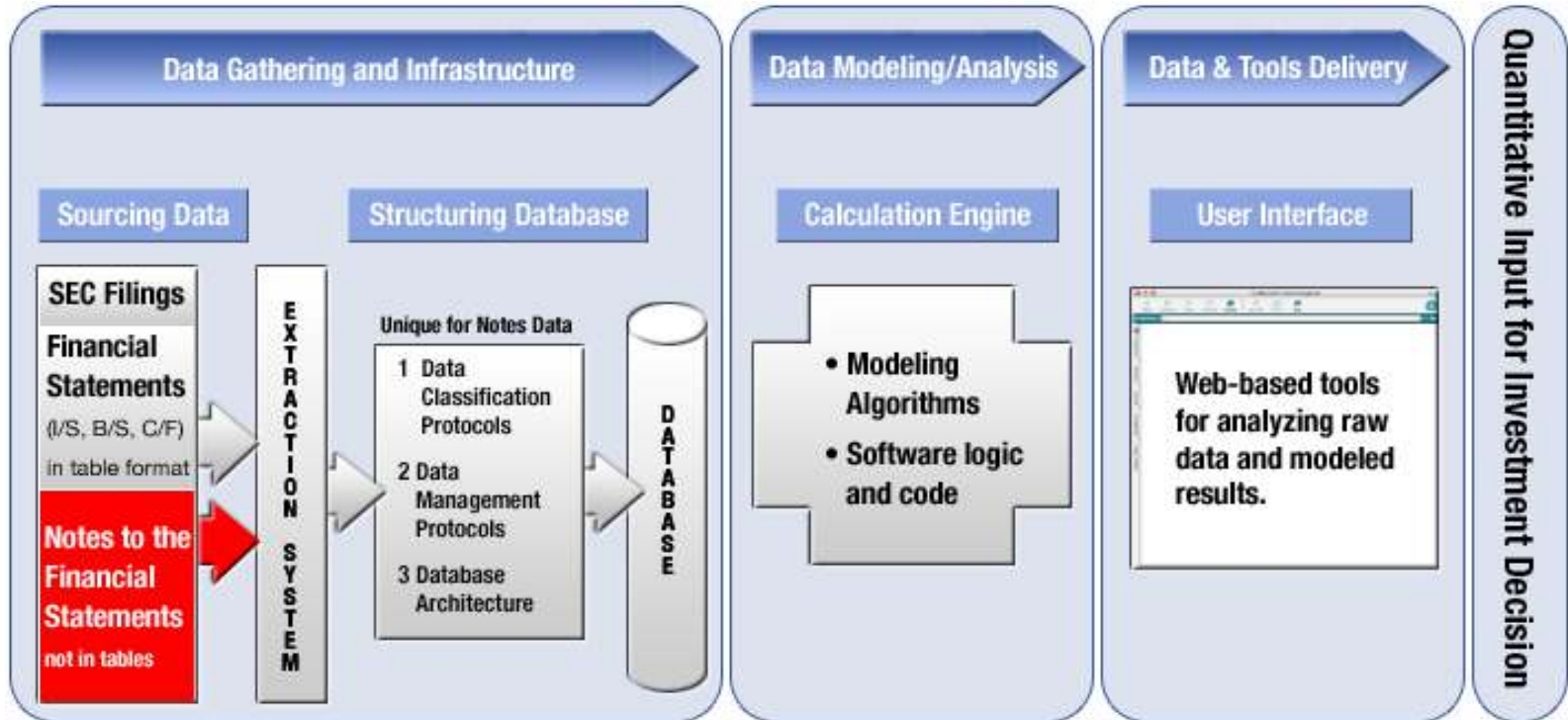
Deep Fundamental Research on 50,000 10-Ks

Best Insights on 3000+ U.S. Stocks In the World



Proprietary Research Platform

Focus: Exploit Insights from Footnotes on 3000+ Stocks



Source: Novo Capital Management, LLC

Gathering and analyzing data from the *Notes to the Financial Statements* is key to better analysis and understanding of:

1. **Profitability and**
2. **Valuation.**

Part II

Deliverables

Deliverables: Diligence Packaged For You

Ideas, reports, website, models, custom data

- [Stock screener](#)
- [ETF & mutual fund screeners](#)
- Detailed reports on 10,000+ stocks, ETFs and mutual funds – updated daily
- Weekly actionable ideas on [blog](#)
- Monthly newsletters: [Most Attractive](#) & [Most Dangerous](#) Stocks
- [Forensic Accounting reports](#) and studies
- Valuation models (web-based)
- Database for screening and downloading data

Why Diligence Is Needed

Core Problem: GAAP is exploitable.

Only Solution: Read the Footnotes and MD&A.

Traditional P&L

Revenues

- operating expenses

= pretax earnings

- taxes

= Reported Profit

Economic P&L

Revenues

- operating expenses

- **Hidden Incomes/Charges**

= pretax earnings

- taxes

= Profit

- **capital charge/hidden liabilities and assets**

= Economic Profit

Diligence Done For You

Scouring the Footnotes and MD&A of 50,000 10-Ks

- Hidden Expenses/Income
- Unrecorded Goodwill
- Impairments
- Unconsolidated Subsidiaries
- Minority Interests
- Unrealized Gains/Losses
- Changes in Accounting Rules
- Derivatives Exposure
- Customer Concentration
- FASB 159
- Employee Stock Options
- Option Valuation Assumptions
- Operating Leases
- Loan Loss/LIFO Reserves
- Pension Assumptions
- Excess Cash
- Pension Over/Under Funding
- Auditor's Opinions
- Carrying Value vs Fair Value
- Mid-year Acquisitions

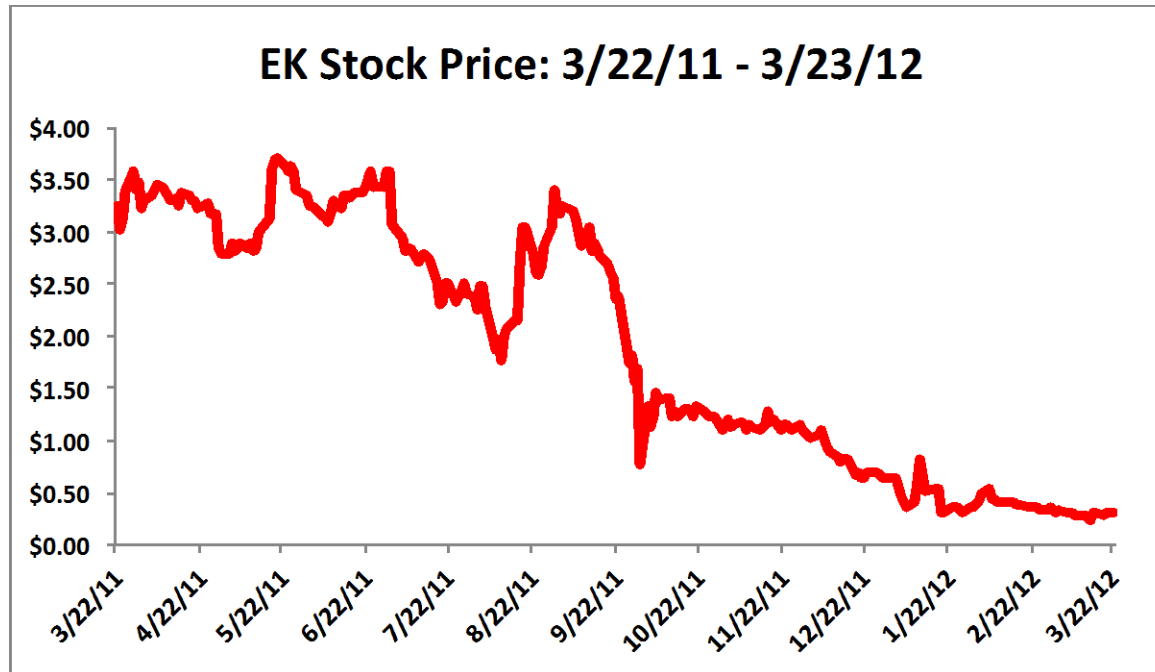
Depth and Breadth Is Critical

Diligence Pays

Sell Call: Eastman Kodak (EKDKQ.PK) on 3/21/2011

2010 10-K Revealed Funny Pension Acctg

1. Underfunded by \$2.6bn or 3x the market cap at the time
2. 2.2% of revs from pension, abnormally high return on plan asset assumption 8.7%
3. Valuation implied 10% CAGR in NOPAT for 11 years
4. Down 90% since call, no longer under coverage



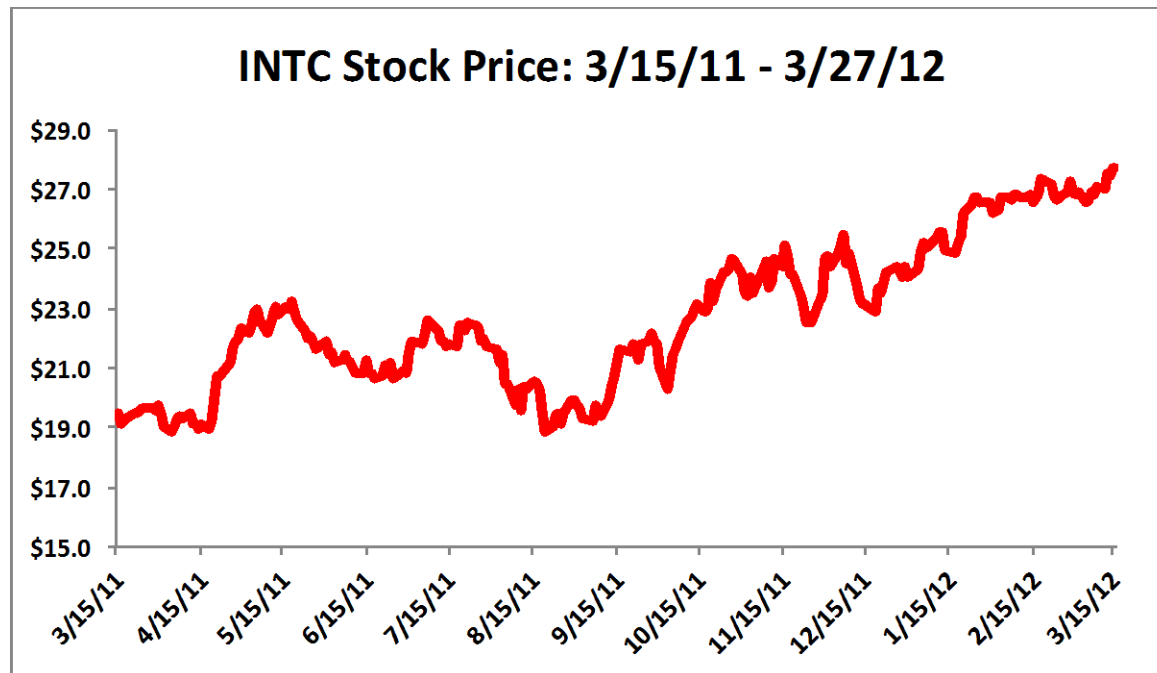
*This graph was created based on information collected and analyzed by New Constructs, LLC. New Constructs regularly gathers information from over 3,000 companies' 10Ks, including the Notes to the Financial Statements and MD&A.

Diligence Pays

Buy Call: Intel (INTC) on 3/15/2011

Excess Cash Drives Higher ROIC

1. \$26 billion in excess cash in 2010
2. ROIC more than doubled to 31%
3. Valuation implied permanent 30% decline in profit (NOPAT)
4. Up 45% since call, no longer recommending



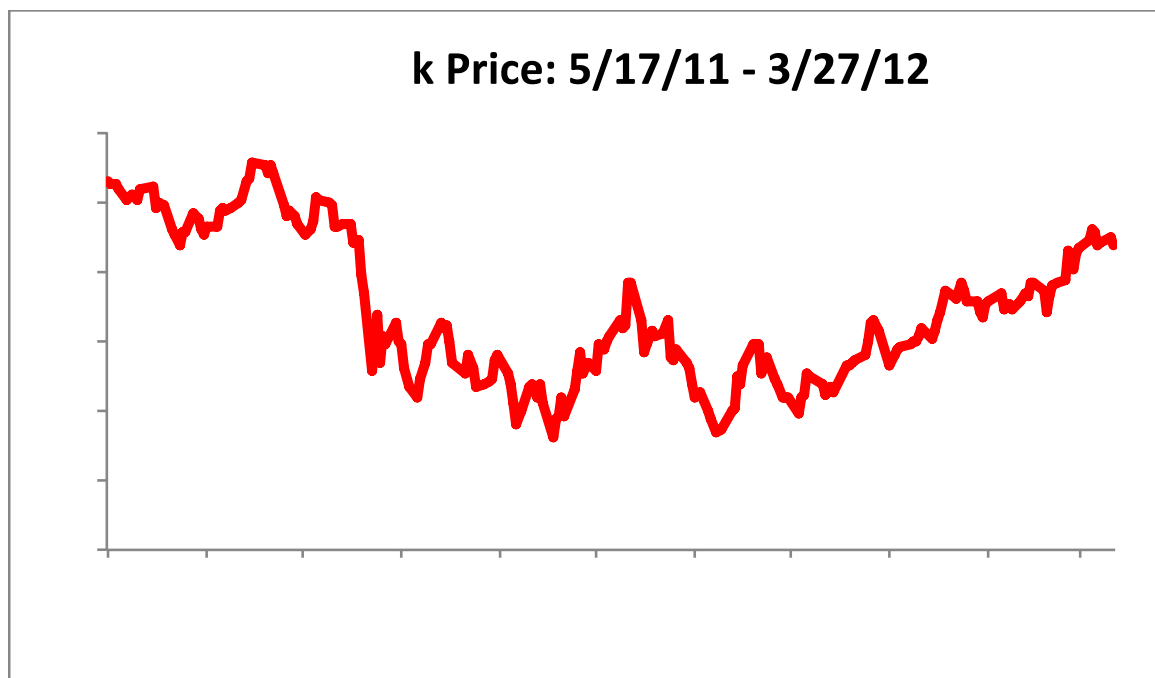
*This graph was created based on information collected and analyzed by New Constructs, LLC. New Constructs regularly gathers information from over 3,000 companies' 10Ks, including the Notes to the Financial Statements and MD&A.

Diligence Pays

Sell Call: Citigroup (C) on 5/17/2011

2010 10-K Revealed Deferred Tax Asset Manipulation

1. Overstated earnings from tax accounting trickery and loan loss reserve drawdowns
2. Valuation implied 16% CAGR in NOPAT for 20+ years
3. Down 11% since call, Sell recommendation remains



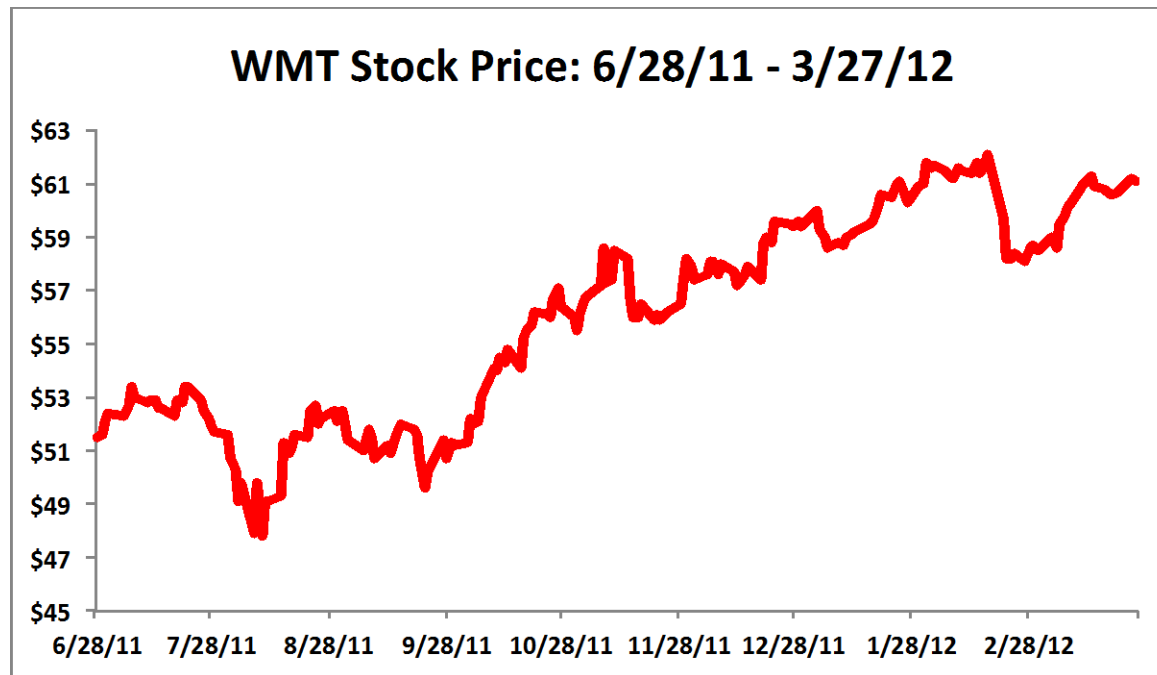
*This graph was created based on information collected and analyzed by New Constructs, LLC. New Constructs regularly gathers information from over 3,000 companies' 10Ks, including the Notes to the Financial Statements and MD&A.

Diligence Pays

Buy Call: Wal-Mart (WMT) on 6/28/2011

Focus on ROIC and Valuation

1. Superior ROIC and consistency of economic earnings
2. Valuation implied permanent 35% decline in profit (NOPAT)
3. Up 19% since call, Buy recommendation remains



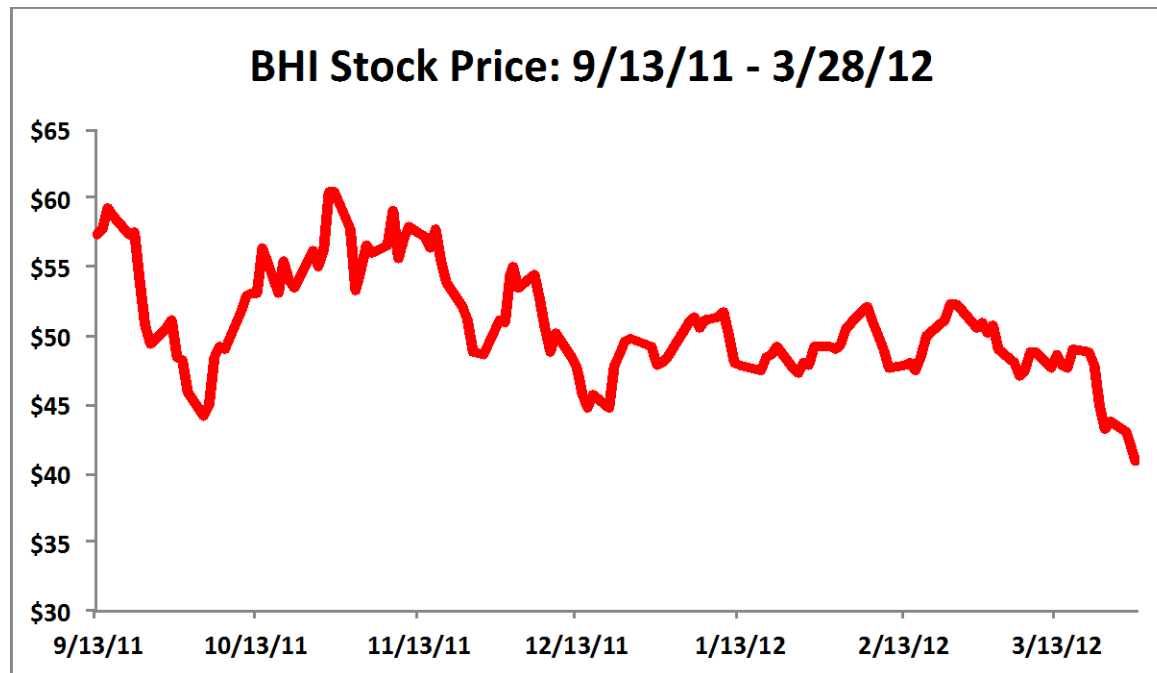
*This graph was created based on information collected and analyzed by New Constructs, LLC. New Constructs regularly gathers information from over 3,000 companies' 10Ks, including the Notes to the Financial Statements and MD&A.

Diligence Pays – *especially on the downside*

Sell Call: Baker Hughes (BHI) on 9/13/2011

2010 10-K – Acquisition Accounting Overstated EPS and Margins

1. Economics of BJ Services deal were bad: accounting creates “[hi/lo fallacy](#)”
2. [Economic earnings](#) diverged from reported earnings. Stock follows economics.
3. Valuation implied 20% CAGR in NOPAT for 12 years
4. Down 30% since call, Neutral rated as of 3/21/12



*This graph was created based on information collected and analyzed by New Constructs, LLC. New Constructs regularly gathers information from over 3,000 companies' 10Ks, including the Notes to the Financial Statements and MD&A.

Part III

Product Details and Samples

Stock Research

Real Diligence and Hard Work

- Top-rated stock-picking by [Barron's](#)
- 3000+ US stocks – reports and models updated daily
- Focus on true economic earnings via footnotes study
- Sophisticated valuation analysis
- 100% transparent adjustments
- Customizable models
- Custom feeds
- Screener
- Monthly newsletter on [Most Attractive](#) and [Most Dangerous](#) stocks

Click for [sample report](#)

ETF Research

Real Diligence and Hard Work

- 475+ US Equity ETFs
- Reports updated daily
- Truly predictive rating
- Based on bottoms-up research of holdings
- Leverages research on individual stocks
- Transparent [methodology](#)
- [ETF screener](#)

Click for [sample report](#)

Mutual Fund Research

Real Diligence and Hard Work

- 7400+ US Equity ETFs
- Reports updated daily
- Truly predictive rating
- Based on bottoms-up research of holdings
- Leverages research on individual stocks
- [Total Annual Costs](#): apples-to-apples analysis of all-in costs
- Transparent [methodology](#)
- [Fund screener](#)

Click for [sample report](#)

Part IV

Value Proposition

Value Proposition

How I Help You Make Better Investments & Raise Assets

1. Diligence

- Heavy lifting and analysis of Footnotes
- Avg 10-K is 100+ pages, 300+, not comic book material

2. Superior Insight

- Diligence pays

3. Competitive Differentiation

- Leading, not following
- Competitors cannot match your diligence or insights
- Early mover advantage

DISCLOSURES

New Constructs®, LLC (together with any subsidiaries and/or affiliates, New Constructs®) is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.

New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first 15 days after New Constructs issues a report on that security.

New Constructs is affiliated with Novo Capital Management, LLC, the general partner of a hedge fund. At any particular time, New Constructs' research recommendations may not coincide with the hedge fund's holdings. However, in no event will the hedge fund receive any research information or recommendations in advance of the information that New Constructs provides to its other clients.

DISCLAIMERS

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.

Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.

New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.

This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.

This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.

All material in this report is the property of, and under copyright, of New Constructs. None of the contents, nor any copy of it, may be altered in any way, copied, or distributed or transmitted to any other party without the prior express written consent of New Constructs. All trademarks, service marks and logos used in this report are trademarks or service marks or registered trademarks or service marks of New Constructs.

Copyright New Constructs, LLC 2003 to present. All rights reserved.