



Proof Is In Performance Thru 1Q17

Model Portfolios

Trust

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

Performance

The value and success of our ratings are noteworthy. See media features and accolades.

More Reports

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- This report updates performance of our Model Portfolios:
 - [Exec Comp Aligned With ROIC](#)
 - [Safest Dividend Yields](#)
 - [Most Attractive](#) & [Most Dangerous](#)
- The Exec Comp Aligned with ROIC Model Portfolio is up 23% since inception in May 2016 while the S&P is up 11%.
- The Safest Dividend Yields Model Portfolio is up 14% since inception in October 2016 while the S&P is up 10%.
- The Most Attractive and Most Dangerous Stocks reports offer multiple strategies to outperform in good and bad markets.
 - Our small cap long/short strategy beat the Risk-Free Rate by 9% YTD.
 - Our small cap short strategy beat the short Russell 2000 by 8%.
 - Our large and small cap short strategy beat the short S&P 500 and Russell 2000 by 4%.
 - These strategies (and others) have beaten their benchmarks by much more since inception in January 2005.

Keys to Our Success:

- Our [robo-analyst technology](#) allows us to rigorously review the financial footnotes to extract critical data that impacts valuation and the true cash earnings of 3000+ stocks.
- Our reverse DCF models leverage insights into true cash earnings to identify where market expectations are too high and too low.

Exec Comp Aligned With ROIC Model Portfolio

Figure 1 shows the 2017 YTD performance of the Exec Comp Aligned With ROIC Stocks versus its benchmark, the S&P 500. The stocks on this Model Portfolio must earn an Attractive-or-better rating and align executive compensation with ROIC. For more on the methodology behind the Exec Comp Aligned With ROIC Model Portfolio, [click here](#).

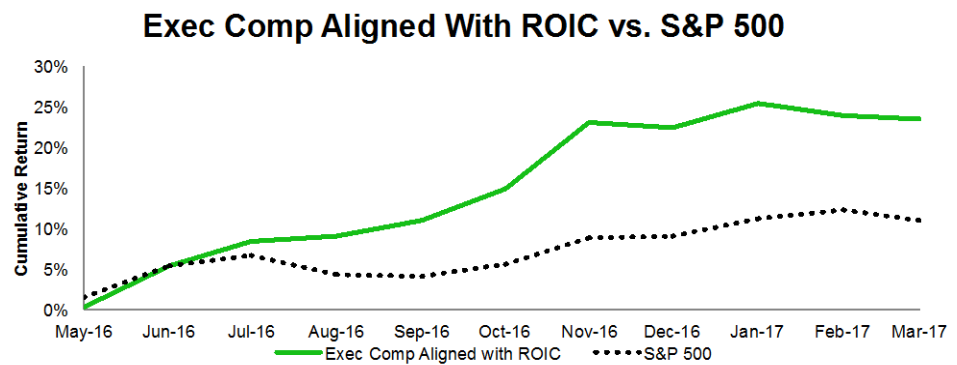
Figure 1: Returns for Exec Comp Aligned with ROIC Portfolio For 2017

Portfolio	1Q	2Q	3Q	4Q	YTD
Exec Comp Aligned With ROIC	1.1%	-	-	-	1.1%
S&P 500	2.0%	-	-	-	2.0%
Difference	-0.9%	-	-	-	-0.9%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 2: Exec Comp Aligned With ROIC Portfolio: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. Exec Comp Aligned With ROIC performance measured since inception date, May 2016.



Safest Dividend Yields Model Portfolio

Figure 3 shows the 2017 YTD performance of the Safest Dividend Yields Model Portfolio versus its benchmark, the S&P 500. Note that this performance does not include dividends, which would likely drive outperformance even higher. This model portfolio offers a well-screened group of stocks that also delivers yields greater than the market (S&P 500 yields ~2%), safety in the sustainability of the yield because of strong free cash flow, and the potential for upside as each stock is currently undervalued. For more on the methodology behind the Safest Dividend Yields Model Portfolio, [click here](#).

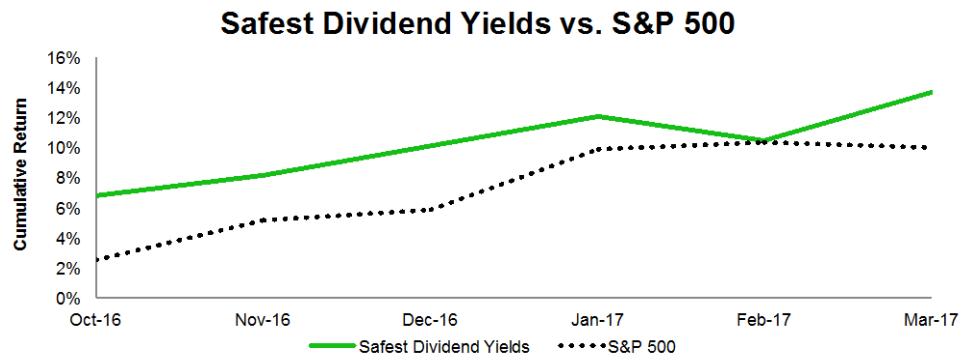
Figure 3: Returns for Safest Dividend Yields Portfolio For 2017

Portfolio	1Q	2Q	3Q	4Q	YTD
Safest Dividend Yields	3.6%	-	-	-	3.6%
S&P 500	4.2%	-	-	-	4.2%
Difference	-0.6%	-	-	-	-0.6%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 4: Safest Dividend Yields Portfolio: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. Safest Dividend Yields Portfolio performance measured since inception date, October 2016



Long/Short Strategies: Most Attractive/Most Dangerous Stocks (MA/MD)

The Most Attractive and Most Dangerous Stocks reports offer multiple strategies to outperform in good and bad markets.

Figure 5: Top 3 Strategies For 2017

Strategy	Portfolio	2017				YTD
		1Q	2Q	3Q	4Q	
Long/Short <i>benchmark</i>	Small Cap Stocks	9.5%	-	-	-	9.5%
	<i>Risk-Free Rate</i>	0.2%	-	-	-	0.2%
	Difference	9.3%	-	-	-	9.3%
Short <i>benchmark</i>	Small Cap Stocks	9.3%	-	-	-	9.3%
	<i>Short Russell 2000</i>	0.8%	-	-	-	0.8%
	Difference	8.4%	-	-	-	8.4%
Short <i>benchmark</i>	Large and Small Cap Stocks	2.2%	-	-	-	2.2%
	<i>Short S&P 500 and Russell 2000</i>	-1.7%	-	-	-	-1.7%
	Difference	3.9%	-	-	-	3.9%

Source: New Constructs, LLC.

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 6 shows the 2017 YTD performance of the long/short strategies offered by our Most Attractive and Most Dangerous Stocks versus benchmarks.

Figure 6: Returns for Long/Short Strategies For 2017

Strategy	Portfolio	2017				YTD
		1Q	2Q	3Q	4Q	
Long/Short <i>benchmark</i>	Large and Small Cap Stocks	3.1%	-	-	-	3.1%
	<i>Risk-Free Rate</i>	0.2%	-	-	-	0.2%
	Difference	2.9%	-	-	-	2.9%
Long/Short <i>benchmark</i>	Large Cap Stocks	-3.1%	-	-	-	-3.1%
	<i>Risk-Free Rate</i>	0.2%	-	-	-	0.2%
	Difference	-3.3%	-	-	-	-3.3%
Long/Short <i>benchmark</i>	Small Cap Stocks	9.5%	-	-	-	9.5%
	<i>Risk-Free Rate</i>	0.2%	-	-	-	0.2%
	Difference	9.3%	-	-	-	9.3%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.



Figure 7 shows the annualized returns of the long/short strategies offered by our Most Attractive and Most Dangerous Stocks versus benchmarks.

Figure 7: Annualized Returns for Long/Short Strategies

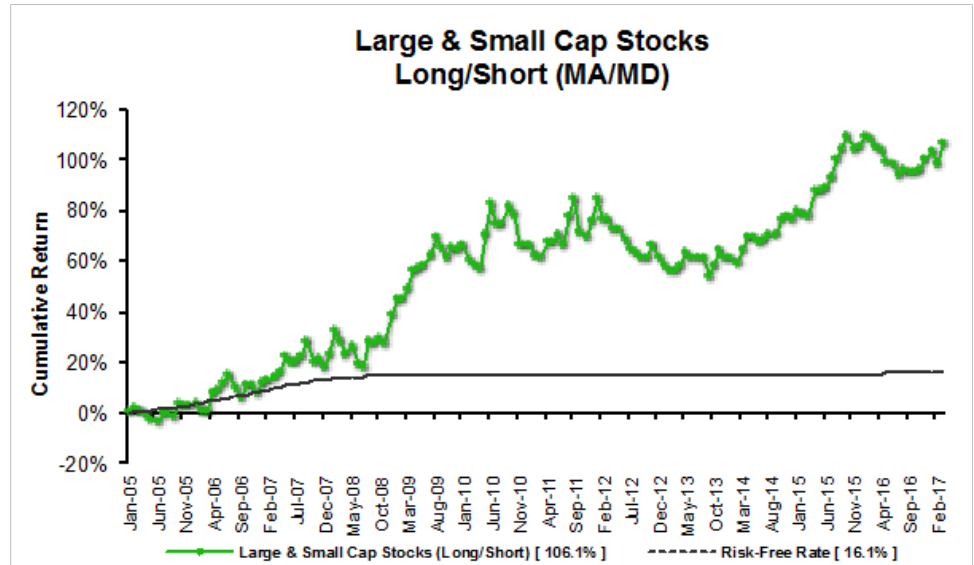
Strategy	Portfolio	Annualized return as of 3/31/2017			
		1 Year	3 Year	5 Year	Since Inception
Long/Short benchmark	Large and Small Cap Stocks	0.6%	7.9%	3.2%	6.1%
	Risk-Free Rate	0.4%	0.2%	0.1%	1.2%
	Difference	0.2%	7.7%	3.0%	4.9%
Long/Short benchmark	Large Cap Stocks	-3.6%	-1.5%	-2.1%	3.7%
	Risk-Free Rate	0.4%	0.2%	0.1%	1.2%
	Difference	-4.0%	-1.6%	-2.2%	2.4%
Long/Short benchmark	Small Cap Stocks	4.6%	17.4%	8.2%	7.8%
	Risk-Free Rate	0.4%	0.2%	0.1%	1.2%
	Difference	4.2%	17.2%	8.0%	6.6%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. Inception date is January 2005.



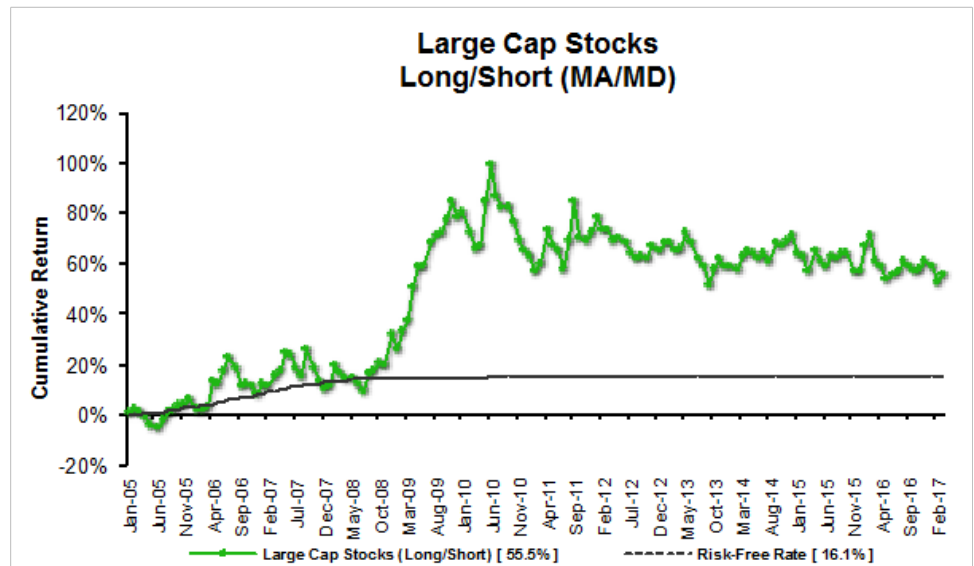
Figure 8: Large and Small Cap Strategy: Most Attractive/Most Dangerous (MA/MD) Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. The Risk-Free Rate is based on the 3-Month T-Bill.

Figure 9: Large Cap Strategy: Most Attractive/Most Dangerous (MA/MD) Stocks: Cumulative Performance

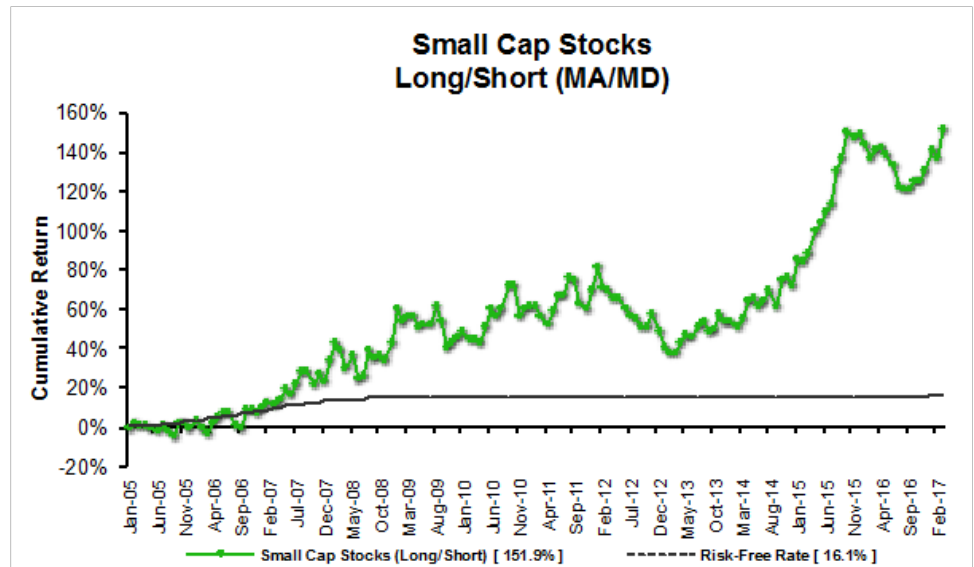


Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. The Risk-Free Rate is based on the 3-Month T-Bill.



Figure 10: Small Cap Strategy: Most Attractive/Most Dangerous (MA/MD) Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. The Risk-Free Rate is based on the 3-Month T-Bill.



Long Strategies: Most Attractive Stocks (MA)

Figure 11 shows the 2017 performance of the long strategies offered by our Most Attractive Stocks versus benchmarks.

Figure 11: Returns for Long Strategies For 2017

Strategy	Portfolio	2017				YTD
		1Q	2Q	3Q	4Q	
Long <i>benchmark</i>	Large and Small Cap Stocks	0.8%	-	-	-	0.8%
	S&P 500 and Russell 2000	1.6%	-	-	-	1.6%
	Difference	-0.8%	-	-	-	-0.8%
Long <i>benchmark</i>	Large Cap Stocks	1.3%	-	-	-	1.3%
	S&P 500	4.2%	-	-	-	4.2%
	Difference	-2.9%	-	-	-	-2.9%
Long <i>benchmark</i>	Small Cap Stocks	0.2%	-	-	-	0.2%
	Russell 2000	-1.0%	-	-	-	-1.0%
	Difference	1.2%	-	-	-	1.2%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 12 shows the annualized returns of the long strategies offered by our Most Attractive Stocks versus benchmarks.

Figure 12: Annualized Returns for Long Strategies

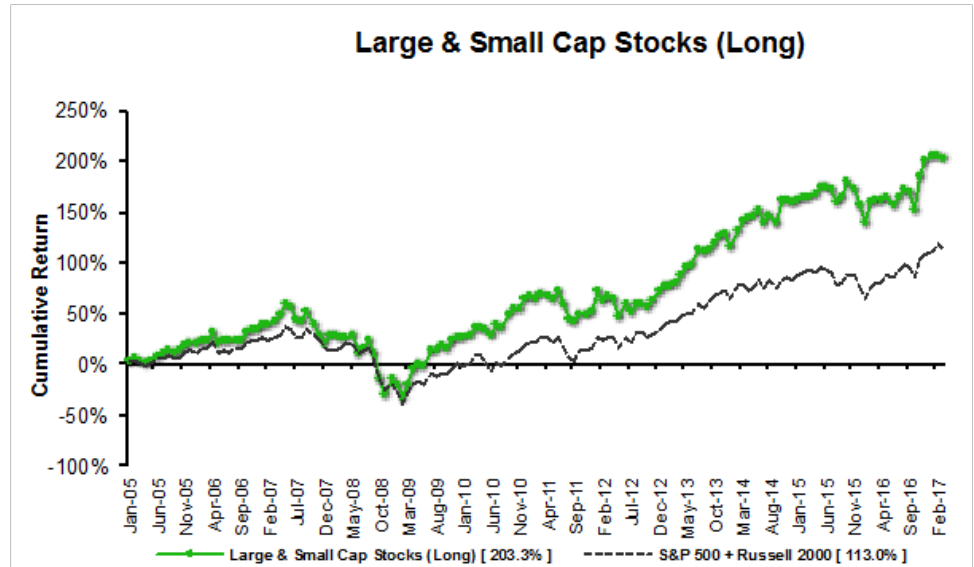
Strategy	Portfolio	Annualized return as of 3/31/2017			
		1 Year	3 Year	5 Year	Since Inception
Long <i>benchmark</i>	Large and Small Cap Stocks	15.4%	8.0%	12.8%	9.5%
	S&P 500 and Russell 2000	18.0%	6.0%	10.8%	6.4%
	Difference	-2.6%	2.0%	1.9%	3.1%
Long <i>benchmark</i>	Large Cap Stocks	15.1%	4.9%	10.3%	8.6%
	S&P 500	13.9%	7.6%	11.0%	5.8%
	Difference	1.2%	-2.7%	-0.6%	2.7%
Long <i>benchmark</i>	Small Cap Stocks	15.5%	10.9%	15.0%	9.9%
	Russell 2000	21.9%	4.3%	10.5%	6.7%
	Difference	-6.4%	6.6%	4.5%	3.2%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. Inception date is January 2005.



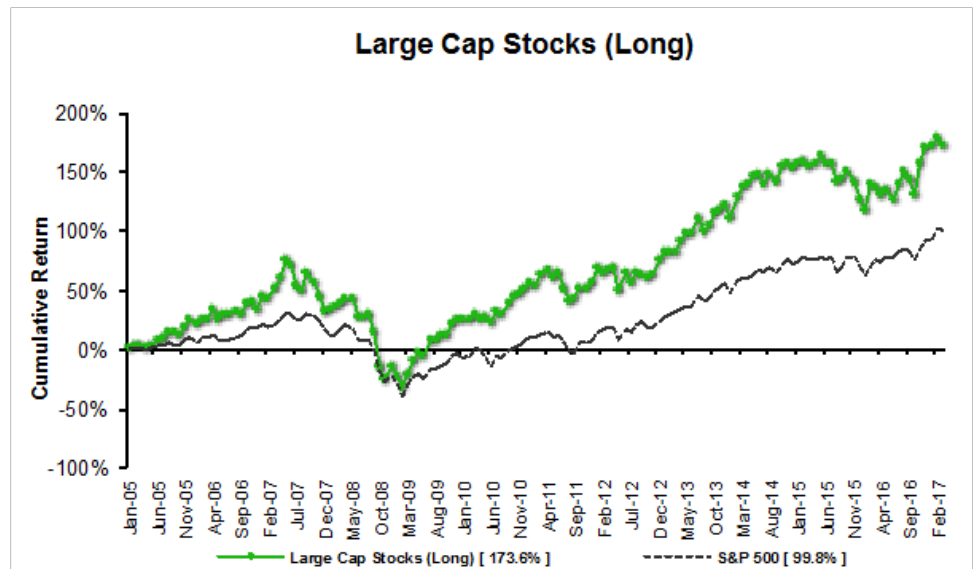
Figure 13: Large and Small Cap Strategy: Most Attractive Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 14: Large Cap Strategy: Most Attractive Stocks: Cumulative Performance

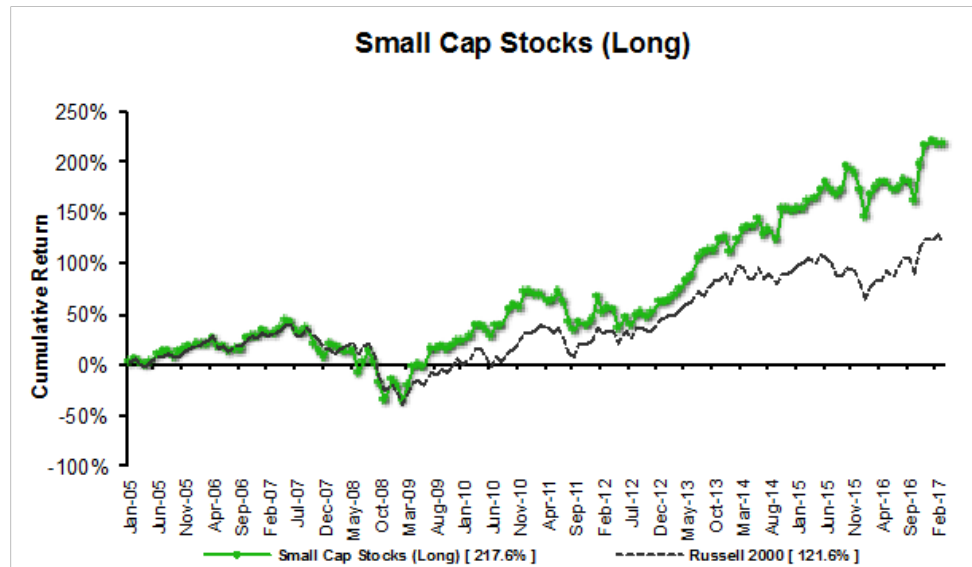


Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.



Figure 15: Small Cap Strategy: Most Attractive Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.



Short Strategies: Most Dangerous Stocks (MD)

Figure 16 shows the 2017 performance of the short strategies offered by our Most Dangerous Stocks versus benchmarks.

Figure 16: Returns for Short Strategies For 2017

Strategy	Portfolio	2017				YTD
		1Q	2Q	3Q	4Q	
Short <i>benchmark</i>	Large and Small Cap Stocks	2.2%	-	-	-	2.2%
	<i>Short S&P 500 and Russell 2000</i>	-1.7%	-	-	-	-1.7%
	Difference	3.9%	-	-	-	3.9%
Short <i>benchmark</i>	Large Cap Stocks	-4.6%	-	-	-	-4.6%
	<i>Short S&P 500</i>	-4.3%	-	-	-	-4.3%
	Difference	-0.4%	-	-	-	-0.4%
Short <i>benchmark</i>	Small Cap Stocks	9.3%	-	-	-	9.3%
	<i>Short Russell 2000</i>	0.8%	-	-	-	0.8%
	Difference	8.4%	-	-	-	8.4%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 17 shows the annualized returns of the short strategies offered by our Most Dangerous Stocks versus benchmarks.

Figure 17: Annualized Returns for Short Strategies

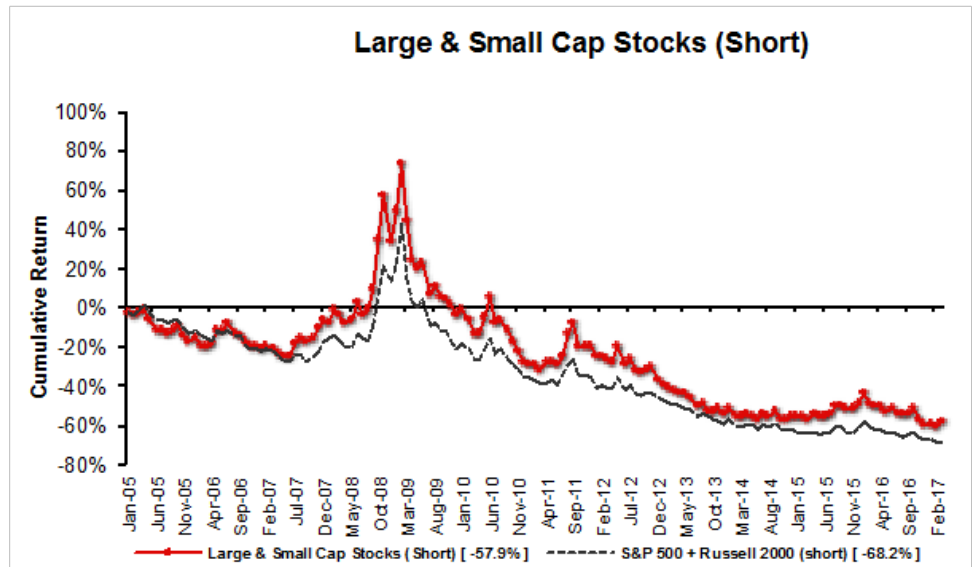
Strategy	Portfolio	Annualized return as of 3/31/2017			
		1 Year	3 Year	5 Year	Since Inception
Short <i>benchmark</i>	Large and Small Cap Stocks	-15.0%	-2.0%	-10.6%	-6.8%
	<i>Short S&P 500 and Russell 2000</i>	-16.8%	-7.2%	-11.5%	-8.9%
	Difference	1.8%	5.2%	0.9%	2.1%
Short <i>benchmark</i>	Large Cap Stocks	-18.2%	-7.6%	-13.2%	-7.4%
	<i>Short S&P 500</i>	-12.9%	-8.0%	-11.1%	-7.7%
	Difference	-5.3%	0.4%	-2.2%	0.3%
Short <i>benchmark</i>	Small Cap Stocks	-12.0%	3.5%	-8.2%	-6.8%
	<i>Short Russell 2000</i>	-20.8%	-6.7%	-12.2%	-10.3%
	Difference	8.8%	10.2%	4.0%	3.5%

Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates. Inception date is January 2005.



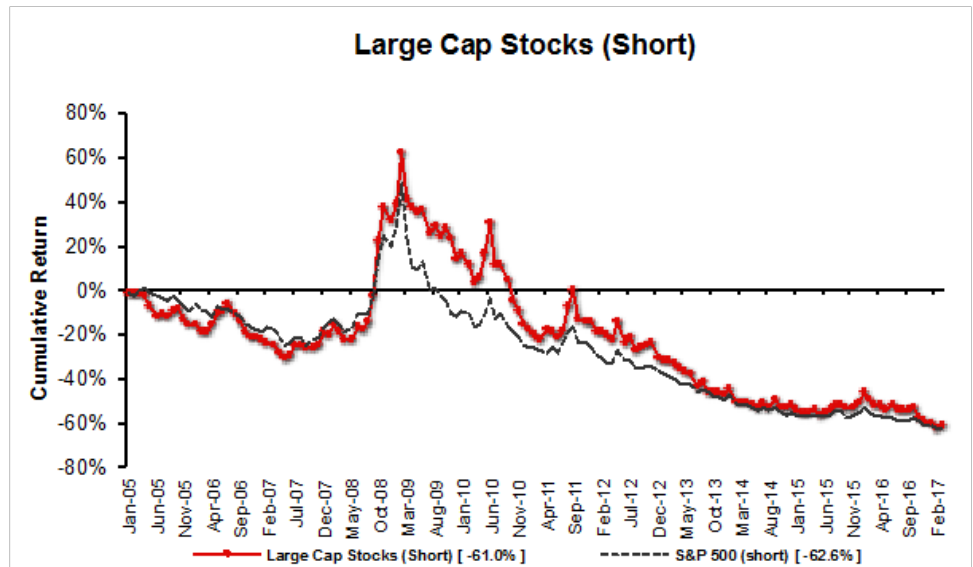
Figure 18: Large and Small Cap Strategy: Most Dangerous Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.

Figure 19: Large Cap Strategy: Most Dangerous Stocks: Cumulative Performance

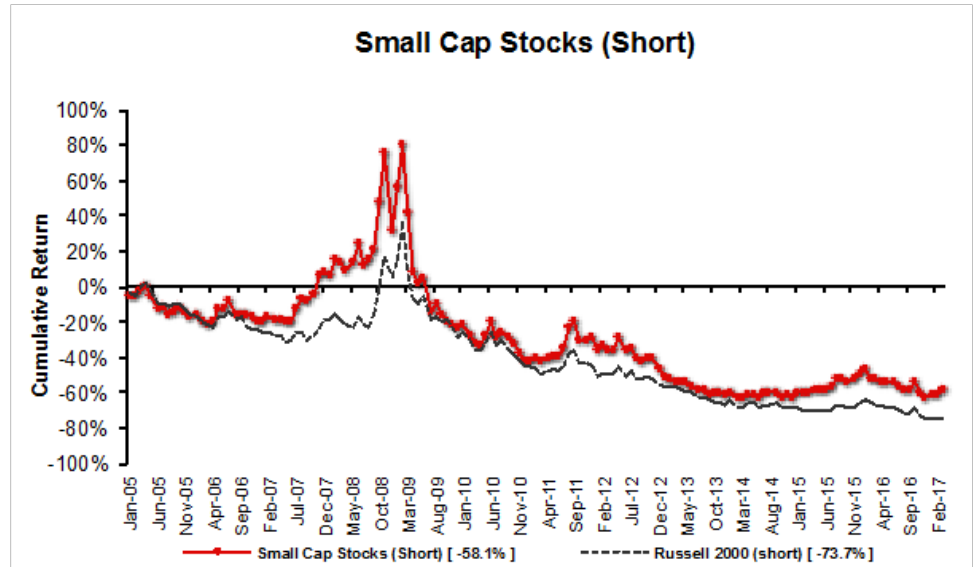


Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.



Figure 20: Small Cap Strategy: Most Dangerous Stocks: Cumulative Performance



Source: New Constructs, LLC

Note: Gain/Decline performance analysis excludes transaction costs, dividends and rebates.



Appendix 1 – Risk Metrics

Strategy	Volatility				Sharpe Ratio				Beta				Monthly Turnover			
	1 year	3 year	5 year	Since Inception	1 Year	3 Year	5 Year	Since Inception	1 Year	3 Year	5 Year	Since Inception	1 Year	3 Year	5 Year	Since Inception
Long/Short	7%	7%	7%	10%	0.1	1.1	0.4	0.5	1.0	1.0	1.1	1.0	47%	44%	39%	32%
Long Large	16%	13%	15%	19%	0.9	0.3	0.6	0.4	1.0	1.0	1.0	1.0	46%	39%	36%	30%
Long Small	17%	17%	17%	25%	0.9	0.6	0.9	0.4	0.86	0.90	0.92	0.93	48%	45%	40%	33%
Long Large and Small	16%	15%	15%	21%	0.9	0.5	0.8	0.4	0.94	0.95	0.95	0.96	47%	42%	38%	31%
Short Large	16%	16%	17%	20%	-1.2	-0.5	-0.8	-0.4	1.1	1.2	1.2	1.2	44%	41%	37%	30%
Short Small	20%	18%	18%	25%	-0.6	0.2	-0.5	-0.3	1.05	1.11	1.17	1.13	45%	47%	40%	33%
Short Large and Small	17%	16%	17%	21%	-0.8	-0.1	-0.7	-0.4	1.07	1.13	1.18	1.14	47%	46%	39%	32%
S&P 500	9%	10%	11%	15%	1.5	0.7	0.9	0.3								
Russell 2000	18%	17%	17%	21%	1.2	0.2	0.6	0.3								



Appendix 2 – Assumptions Behind Simulated Performance Analysis

The basic assumptions behind our simulated performance analysis are:

1. Positions are equally dollar-weighted in all portfolios and strategies: going long with the Most Attractive and shorting the Most Dangerous.
2. Holdings are updated on the publish date of the monthly reports.
3. Closing prices are used to open positions on the day each report was published. If a report is published on a non-trading day, then the closing price of the next trading day is used.
4. Positions are closed at the same time new positions are opened.
5. If a stock stops trading before the subsequent monthly report is published, we assume that the position was exited at the last available price.
6. Performance analysis excludes transaction costs, dividends, and the rebates associated with the short portfolios.

The Most Attractive and Most Dangerous portfolios are matched to the following benchmarks:

1. Long/Short (Most Attractive as Long and Most Dangerous as Short): Benchmark is the 3-Month T-Bill, the Risk-Free Rate.
2. Large Cap Stocks: Long benchmark is the S&P 500. Short benchmark is based on shorting the S&P 500.
3. Small Cap Stocks: Long benchmark is the Russell 2000. Short benchmark is based on shorting the Russell 2000.
4. Combo Large and Small Cap Stocks: Long benchmark is the average of the S&P 500 and Russell 2000. Short benchmark is based on the average of shorting the S&P 500 and shorting the Russell 2000.



Appendix 3 – Keys to Our Success

Key to Our Success: Better Data and Better Models

Our proprietary earnings and valuation models leverage large amounts of data from the Notes to the Financial Statements to produce better measures of profitability and valuation. Our report [“Why the Notes Matter”](#) provides insights into why our analysis of the Notes to the Financial Statements is critical to understanding the financial performance of companies.

Investment Philosophy: Cash is King

Our investment philosophy relies on leveraging a better understanding of (1) cash earnings, in place of reported GAAP¹ accounting earnings, and (2) the market’s expectations for future cash flows for every company we cover.

Having a better model for assessing these core value drivers enables us to exercise greater discipline and enjoy greater success when implementing our [“Cash Is King”](#) investment philosophy.

We believe the performance of our Most Attractive and Most Dangerous Stocks portfolios underscores the merits of our [investment philosophy](#).

¹ GAAP stands for Generally Accepted Accounting Principles, the rules that govern how companies report financial performance and present financial statements.



New Constructs® – Profile

How New Constructs Creates Value for Clients

We find it. You benefit. Cutting-edge technology enables us to scale our [forensic accounting expertise](#) across 3000+ stocks. We shine a light in the dark corners of SEC filings so our clients can make safer, more informed decisions.

Our [stock rating methodology](#) instantly informs you of the quality of the business and the fairness of the stock's valuation. We do the diligence on earnings quality and valuation so you don't have to.

In-depth risk/reward analysis underpins our ratings. Our rating methodology grades every stock, ETF, and mutual fund according to what we believe are the 5 most important criteria for assessing the quality of an equity. Each grade reflects the balance of potential risk and reward of buying that equity. Our analysis results in the 5 ratings described below. Very Attractive and Attractive correspond to a "Buy" rating, Very Dangerous and Dangerous correspond to a "Sell" rating, while Neutral corresponds to a "Hold" rating.

QUESTION: Why shouldn't fund research be as good as stock research?

Why should fund investors rely on backward-looking price trends?

ANSWER: They should not.

Don't judge a fund by its cover. Take a look inside at its holdings and understand the quality of earnings and valuation of the stocks it holds. We enable you to choose the best fund based on its stock-picking merits so you do not have to rely solely on backward-looking technical metrics.

The drivers of our [forward-looking fund ratings](#) are Portfolio Management (i.e. the aggregated ratings of its holdings) and Total Annual Costs.

The Total Annual Costs Rating ([details here](#)) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all fund investors.

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.

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