



On the Acquirer's Podcast: To Discuss Core Earnings, Machine Learning, And More

CEO David Trainer joined Tobias Carlisle, founder and principal of Acquirers Fund, on the Acquirer's Podcast. Topics discussed include:

- The reason for founding New Constructs
- Why Wall Street largely ignores fundamentals
- Bias and manipulation in reported earnings
- Using machine learning to analyze financial filings, especially footnotes
- Core earnings, earnings distortion, and what they reveal about the market

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Get more information of the topics above by reading these articles:

1. [Beware Footnote Mischief](#)
2. [Novel Database is Better at Measuring and Predicting Core Earnings and Stock Prices](#)
3. [Consensus Earnings Are Wrong & How Much Is It Costing You?](#)
4. [Big Tech Leads Decline in Core Earnings](#)
5. [Earnings Distortion Analysis Reveals Opportunity in Defensive Sectors](#)

You can read all our research [here](#). Learn more about any of the metrics, methodologies, and calculations mentioned in the podcast by visiting our Education section [here](#).

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Disclosure: David Trainer, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, sector, style, or theme.

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Footnotes adjustments matter. We are the ONLY source.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

[HBS & MIT Sloan research](#) reveals that:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies ([featured by Harvard Business School](#)), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, [Core Earnings: New Data and Evidence](#), shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

[Learn more.](#)

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

“...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications.” – page 20

Pick better stocks:

“Trading strategies that exploit cross-sectional differences in firms’ transitory earnings produce abnormal returns of 7-to-10% per year.” – Abstract

Avoid losses from using other firms’ data:

“...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat...” – page 14

Build better models:

“Core Earnings [calculated using New Constructs’ novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts.” – page 4

Exploit market inefficiencies:

“These results ... suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures.” – page 26

Fulfill fiduciary duties:

“An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A.” – page 33-34



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