



Most Attractive Stocks for June 2022

20 Large/Mid Cap and 20 Small Cap Stocks

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- Figure 1 shows 17 new stocks that make our June lists.
- The Most Attractive Stocks portfolio (-6.8%) underperformed the S&P 500 (-3.9%) last month.
- Figure 4 shows the 16 stocks that outperformed from May's report.
- See Appendix C for data on returns, volatility and portfolio turnover for our Most Attractive Stocks Portfolio.
- Most Attractive Stocks have high and rising returns on capital (ROIC) and low market expectations for future profits.
- This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.
- Our Robo-Analyst technology, [featured by Harvard Business School](#), enables analysis of financial footnotes at unprecedented scale.
- Our research utilizes more reliable & [proprietary](#) fundamental data, proven in [The Journal of Financial Economics](#) and [studies](#) from the public & private sectors.

Figure 1: Additions for June

Large Cap Additions		Small Cap Additions	
Ticker	Company Name	Ticker	Company Name
BPOP	Popular Inc.	CASS	Cass Information Systems, Inc.
CF	Cf Industries Holdings, Inc.	CRTO	Criteo S.A.
DDS	Dillard's Inc.	CVLG	Covenant Logistics Group Inc.
HRB	H&R Block, Inc.	FF	Futurefuel Corp
SBLK	Star Bulk Carriers Corp	HCC	Warrior Met Coal Inc.
TX	Ternium, S.A.	NM	Navios Maritime Holdings Inc
WU	Western Union Co (The)	SB	Safe Bulkers, Inc.
X	United States Steel Corp	VHI	Valhi Inc.
ZION	Zions Bancorporation, Na		

Sources: New Constructs, LLC

Please see Appendix B for explanations of additions and deletions to the large and small cap lists.

The 20 Most Attractive Large/Mid Cap Stocks for June

We recommend that investors equal-weight holdings in all 20 Large/Mid Cap Most Attractive Stocks.

Figure 2: 20 Most Attractive Large/Mid Cap Stocks for June

			High-Quality Earnings			Cheap Valuation			
			As of Last Twelve Months			as of 05/31/22			
			Positive Economic EPS	Rising ROIC (% point increase)	High-Ranking ROIC (by Quintile)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	
Ticker	Company Name	Sector							Market Value (\$mm)
X*	United States Steel Corp	Basic Materials	\$17.02	36%	Top Quintile	39%	0.1	Less than 1	\$6,534
HRB*	H&R Block, Inc.	Consumer Non-cyclicals	\$6.26	31%	Top Quintile	27%	0.2	Less than 1	\$5,624
OMF	Onemain Holdings Inc	Financials	\$5.94	4%	Top Quintile	23%	0.4	Less than 1	\$5,517
LPX	Louisiana-Pacific Corporation	Basic Materials	\$14.06	28%	Top Quintile	22%	0.3	Less than 1	\$5,671
TX*	Ternium, S.A.	Basic Materials	\$18.64	17%	Top Quintile	20%	0.1	Less than 1	\$8,632
DDS*	Dillard's Inc.	Consumer Cyclicals	\$33.82	37%	Top Quintile	19%	0.5	2	\$5,536
SBLK*	Star Bulk Carriers Corp	Industrials	\$6.97	21%	Top Quintile	18%	0.2	Less than 1	\$3,352
BCC	Boise Cascade Company	Consumer Cyclicals	\$18.63	24%	Top Quintile	18%	0.3	Less than 1	\$3,050
ZION*	Zions Bancorporation, Na	Financials	\$4.64	1%	2nd	17%	0.4	Less than 1	\$17,828
WU*	Western Union Co (The)	Industrials	\$2.16	5%	Top Quintile	16%	0.3	Less than 1	\$8,634
WIRE	Encore Wire Corp	Industrials	\$30.96	41%	Top Quintile	15%	0.2	Less than 1	\$7,003
SIG	Signet Jewelers Ltd	Consumer Cyclicals	\$7.39	12%	Top Quintile	15%	0.3	Less than 1	\$2,466
CF*	Cf Industries Holdings, Inc.	Basic Materials	\$10.67	20%	Top Quintile	14%	0.5	Less than 1	\$2,972
BPOP*	Popular Inc.	Financials	\$3.76	2%	2nd	14%	0.6	Less than 1	\$6,973
MTG	Mgic Investment Corp	Financials	\$0.82	4%	2nd	13%	0.5	Less than 1	\$3,064
MC	Moelis & Co	Financials	\$6.29	38%	Top Quintile	13%	0.5	Less than 1	\$20,604
EVR	Evercore, Inc.	Financials	\$18.76	8%	Top Quintile	13%	0.4	Less than 1	\$6,257
ACGL	Arch Capital Group, Ltd.	Financials	\$2.99	3%	Top Quintile	13%	0.6	Less than 1	\$4,313
AN	AutoNation Inc.	Consumer Cyclicals	\$16.03	8%	Top Quintile	13%	0.3	Less than 1	\$3,262
MLI	Mueller Industries, Inc.	Industrials	\$7.85	18%	Top Quintile	12%	0.4	Less than 1	\$4,636

* Addition to the Large/Mid Cap Most Attractive list in June

Most Attractive Stocks are sorted by Risk/Reward rating

Sources: New Constructs, LLC

The 20 Most Attractive Small Cap Stocks for June

We recommend that investors equal-weight holdings in all 20 Small Cap Most Attractive Stocks.

Figure 3: 20 Most Attractive Small Cap Stocks for June

			High-Quality Earnings			Cheap Valuation			
			As of Last Twelve Months			as of 05/31/22			
Ticker	Company Name	Sector	Positive Economic EPS	Rising ROIC (% point increase)	High-Ranking ROIC (by Quintile)	Positive Free Cash Flow Yield	Low Price-to-Economic Book Value	Short Market-Implied GAP (years)	Market Value (\$mm)
CASS*	Cass Information Systems, Inc.	Industrials	\$1.36	10%	Top Quintile	70%	0.7	Less than 1	\$466
ANF	Abercrombie & Fitch Company	Consumer Cyclicals	\$3.33	10%	2nd	35%	0.2	Less than 1	\$1,737
NM*	Navios Maritime Holdings Inc	Industrials	\$4.98	7%	2nd	28%	0.0	Less than 1	\$320
PLCE	Childrens Place Inc.	Consumer Cyclicals	\$10.17	32%	Top Quintile	27%	0.2	Less than 1	\$1,035
FF*	Futurefuel Corp	Energy	\$0.26	12%	2nd	23%	0.6	Less than 1	\$253
SB*	Safe Bulkers, Inc.	Industrials	\$1.10	14%	Top Quintile	22%	0.2	Less than 1	\$84
ZUMZ	Zumiez Inc.	Consumer Cyclicals	\$4.12	9%	Top Quintile	22%	0.3	Less than 1	\$643
GBL	Gamco Investors, Inc.	Financials	\$3.27	493%	Top Quintile	19%	0.4	Less than 1	\$315
RFP	Resolute Forest Products Inc.	Basic Materials	\$3.81	7%	2nd	18%	0.1	Less than 1	\$354
DXLG	Destination XL Group Inc.	Consumer Cyclicals	\$0.76	18%	Top Quintile	18%	0.3	2	\$579
HSII	Heidrick & Struggles International, Inc.	Industrials	\$3.50	13%	Top Quintile	16%	0.4	Less than 1	\$654
BKE	The Buckle, Inc.	Consumer Cyclicals	\$4.78	33%	Top Quintile	16%	0.4	Less than 1	\$545
VHI*	Valhi Inc.	Basic Materials	\$5.70	6%	2nd	16%	0.3	Less than 1	\$989
MOV	Movado Group, Inc.	Consumer Cyclicals	\$3.31	11%	Top Quintile	15%	0.4	Less than 1	\$1,110
HCC*	Warrior Met Coal Inc.	Basic Materials	\$7.09	50%	Top Quintile	15%	0.2	Less than 1	\$298
BBW	Build-A-Bear Workshop Inc	Consumer Cyclicals	\$1.99	18%	Top Quintile	15%	0.4	Less than 1	\$681
TLYS	Tilly's Inc.	Consumer Cyclicals	\$1.82	19%	Top Quintile	14%	0.2	Less than 1	\$1,646
CVLG*	Covenant Logistics Group Inc.	Industrials	\$2.50	10%	2nd	13%	0.3	Less than 1	\$1,564
DFIN	Donnelley Financial Solutions Inc	Industrials	\$2.84	9%	Top Quintile	12%	0.5	Less than 1	\$1,311
CRTO*	Criteo S.A.	Consumer Cyclicals	\$1.42	4%	Top Quintile	11%	0.6	Less than 1	\$765

* Addition to the Small Cap Most Attractive list in June

Most Attractive Stocks are sorted by Risk/Reward rating

Sources: New Constructs, LLC



Most Attractive Stocks: Monthly Updates

The Most Attractive Stocks portfolio (-6.8%) underperformed the S&P 500 (-3.9%) last month. 16 stocks from our May Most Attractive Large Cap and Small Cap lists outperformed the S&P 500, and 12 stocks had positive returns. See Figure 4 for details. For updates on the performance of all of last month's Most Attractive stocks, see Appendix A. The performance is based on closing prices from May 4, 2022 to May 31, 2022.

See our quarterly [Model Portfolio Performance reports](#) for updates on performance since inception and other longer periods of time.

Figure 4: 16 Stocks that Outperformed From May's Report

Large Cap			Small Cap		
Ticker	Company Name	Change From 05/04/22	Ticker	Company Name	Change From 05/04/22
MC	Moelis & Co	4.6%	IMMR	Immersion Corp	13.2%
OLN	Olin Corporation	2.0%	CTS	CTS Corporation	7.8%
MTG	Mgic Investment Corp	0.9%	HVT	Haverty Furniture Companies, Inc.	1.7%
ACGL	Arch Capital Group, Ltd.	0.3%	HSII	Heidrick & Struggles International	1.2%
EVR	Evercore, Inc.	0.2%	BBW	Build-A-Bear Workshop Inc	1.2%
LYB	LyondellBasell Industries	-1.5%	PZN	Pzena Investment Management	1.1%
SPX	S&P 500	-3.9%	DFIN	Donnelley Financial Solutions Inc	0.8%
			BKE	The Buckle, Inc.	-0.1%
			GBL	Gamco Investors, Inc.	-0.6%
			RFP	Resolute Forest Products Inc.	-3.4%
			SPX	S&P 500	-3.9%

Sources: New Constructs, LLC

Note: Gain/Dcline performance analysis excludes transaction costs and dividends.



Most Attractive Stocks: Methodology

Stocks make our Most Attractive list because they have:

1. **High-Quality Earnings** based on:

- Returns on Invested Capital that are rising; and
- Economic Earnings/Cash Flows that are positive.

AND

2. **Cheap Valuations** based on:

- Free-Cash Flow Yields*¹ that are positive;
- Price-to-Economic Book Value* (EBV)² ratios that are relatively low; and
- Growth Appreciation Periods*³ (GAP) that are relatively low.

The above characteristics also qualify stocks for a 'Very Attractive' or 'Attractive' Rating, according to our Risk/Reward Rating system. Figure 5 shows our Risk/Reward Rating analysis, which we apply to the 3000+ companies that we cover. Stocks get a grade of 1 to 5 for each criterion, 5 being the worst and 1 being the best score. The overall score is based on the average score of all five criteria. Stocks must get an average score of 1.4 or below to be rated Very Attractive.

Figure 5: New Constructs Risk/Reward Rating for Stocks

Risk/Reward Rating ⑦	Quality of Earnings		Valuation		
	Econ vs Reported EPS ⑦	ROIC ⑦	FCF Yield ⑦	Price to EBV ⑦	GAP ⑦
Very Unattractive	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50
Unattractive	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	0 < 3

Sources: New Constructs, LLC

¹ Free-Cash Flow Yields measure the % of the total value of the firm for which the Free Cash Flows of the firm account. The formula is FCF/Current Enterprise Value.

² Economic Book Value (EBV) measures the no-growth value of the business based on its annual after-tax cash flow. The Formula for EBV is: (NOPAT / WACC) + Excess Cash + Non-operating assets – Debt (incl. Operating Leases) - Value of Outstanding Stock Options – Minority Interests.

³ Growth Appreciation Period measures the number of years, implied by the market-price, that a company will grow its economic earnings. This measure assigns a numerical value to the width of the moat around a firm's business.

**Appendix A – Performance of Stocks in May's Report****Figure 6: Performance of All Stocks Since May's Report**

Large Cap			Small Cap		
Ticker	Company Name	Change From 05/04/22	Ticker	Company Name	Change From 05/04/22
MC	Moelis & Co	4.6%	IMMR	Immersion Corp	13.2%
OLN	Olin Corporation	2.0%	CTS	CTS Corporation	7.8%
MTG	Mgic Investment Corp	0.9%	HVT	Haverty Furniture Companies	1.7%
ACGL	Arch Capital Group, Ltd.	0.3%	HSII	Heidrick & Struggles International	1.2%
EVR	Evercore, Inc.	0.2%	BBW	Build-A-Bear Workshop Inc	1.2%
LYB	LyondellBasell Industries	-1.5%	PZN	Pzena Investment Management	1.1%
SPX	S&P 500	-3.9%	DFIN	Donnelley Financial Solutions Inc	0.8%
MLI	Mueller Industries, Inc.	-4.5%	BKE	The Buckle, Inc.	-0.1%
AN	AutNation Inc.	-5.2%	GBL	Gamco Investors, Inc.	-0.6%
CNO	CNO Financial Group Inc	-5.5%	RFP	Resolute Forest Products Inc.	-3.4%
NOK	Nokia Corporation	-6.0%	SPX	S&P 500	-3.9%
WIRE	Encore Wire Corp	-6.8%	HZO	MarineMax Inc.	-7.0%
BLMN	Bloomin' Brands Inc.	-8.0%	PLCE	Childrens Place Inc.	-7.6%
BCC	Boise Cascade Company	-9.1%	DXLG	Destination XL Group Inc.	-7.9%
CIM	Chimera Investment Corp	-10.6%	TLYS	Tilly's Inc.	-8.3%
OMF	Onemain Holdings Inc	-11.1%	MOV	Movado Group, Inc.	-9.1%
LPX	Louisiana-Pacific Corp	-11.3%	ETD	Ethan Allen Interiors, Inc.	-9.4%
HBI	Hanesbrands Inc.	-16.3%	ZUMZ	Zumiez Inc.	-14.0%
SIG	Signet Jewelers Ltd	-19.9%	BGFV	Big 5 Sporting Goods Corp	-15.1%
DKS	Dick's Sporting Goods, Inc.	-20.9%	MTEX	Mannatech Inc.	-21.6%
CROX	Crocs Inc.	-22.8%	ANF	Abercrombie & Fitch Company	-43.8%
Large Cap Portfolio Return		-7.6%	Small Cap Portfolio Return		-6.0%
Combo (Large and Small Cap) Return		-6.8%			

Sources: New Constructs, LLC

Note: Gain/Dcline performance analysis excludes transaction costs and dividends.



Appendix B – Additions and Deletions

Most Attractive Large/Mid Cap Stocks

Deletions:

- OLN - Stock price increased 2.0% since May report.
- BLMN - Displaced by improved rank of other stocks.
- CIM - Displaced by improved rank of other stocks.
- CNO - Displaced by improved rank of other stocks.
- CROX - Displaced by improved rank of other stocks.
- DKS - Displaced by improved rank of other stocks.
- HBI - Displaced by improved rank of other stocks.
- LYB - Displaced by improved rank of other stocks.
- NOK - Displaced by improved rank of other stocks.

Additions:

- X - Stock price decreased 17.0% since May report.
- DDS - Stock price decreased 12.4% since May report.
- ZION - Stock price decreased 4.1% since May report.
- TX - Stock price decreased 3.8% since May report.
- CF - Stock price decreased 3.2% since May report.
- BPOP - Stock price decreased 0.7% since May report.
- HRB - Addition by decrease in rank of other stocks.
- SBLK - Addition by decrease in rank of other stocks.
- WU - Addition by decrease in rank of other stocks.

Most Attractive Small Cap Stocks

Deletions:

- IMMR - Stock price increased 13.2% since May report.
- CTS - Stock price increased 7.8% since May report.
- HVT - Stock price increased 1.7% since May report.
- PZN - Stock price increased 1.1% since May report.
- BGFV - Displaced by improved rank of other stocks.
- ETD - Displaced by improved rank of other stocks.
- HZO - Displaced by improved rank of other stocks.
- MTEX - Displaced by improved rank of other stocks.

Additions:

- FF - Stock price decreased 32.2% since May report.
- NM - Stock price decreased 13.6% since May report.
- CASS - Stock price decreased 10.3% since May report.
- CRTD - Stock price decreased 5.3% since May report.
- HCC - Stock price decreased 4.8% since May report.
- CVLG - Addition by decrease in rank of other stocks.
- SB - Addition by decrease in rank of other stocks.
- VHI - Addition by decrease in rank of other stocks.



Explanation of Risk/Reward Rating System

Our Risk/Reward Rating System assigns a rating to every stock under our coverage 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.

Risk/Reward Rating	The Risk/Reward Rating provides a final rating based on the equal-weighted average rating of each criterion.
Very Unattractive	FCF Yield is not included in the average.
Unattractive	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 Unattractive	Negative and declining Economic Earnings despite positive and rising Reported Earnings
Unattractive	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 Unattractive = < 4.8%
4th Quintile	Unattractive = 4.8% < 7.5%
3rd Quintile	Neutral = 7.5% < 10.5%
2nd Quintile	Attractive = 10.5% < 14.5%
Top Quintile	Very Attractive = > 14.5%

FCF Yield	Rates stocks based on their Free Cash Flow Yield. Values based on Latest Closing Stock price and Latest Fiscal Year.
<-5%	Very Unattractive = less than or equal to -5%
-5%<-1%	Unattractive = 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 Unattractive = greater than or equal to 3.5 or less than 0 but greater than -1
2.4>3.5 or <-1	Unattractive = 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 Unattractive = greater than or equal to 50 years
20>50	Unattractive = 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 C – Portfolio Metrics

Figure 7: Performance and Risk Metrics

	Portfolio Returns			Volatility (Annualized)			Sharpe Ratio			Beta		
Portfolio	1 year annualized	3 year annualized	Since Inception	1 year annualized	3 year annualized	Since Inception	1 Year	3 Year	Since Inception	1 Year Average	3 Year Average	Average Since Inception
Most Attractive Large	7%	14%	9%	16%	27%	20%	0.5	0.5	0.5	1.2	1.1	1.0
Most Attractive Small	-13%	7%	10%	20%	33%	25%	-0.6	0.2	0.4	1.04	0.93	0.93
Most Attractive Small and Large	-4%	10%	10%	17%	29%	22%	-0.2	0.4	0.4	1.10	1.00	0.97
S&P 500	3%	14%	8%	13%	19%	16%	0.3	0.7	0.5			
Russell 2000	-13%	7%	7%	17%	28%	21%	-0.7	0.3	0.3			

Source: New Constructs, LLC

Figure 8: Portfolio Turnover

Portfolio	Monthly Turnover		
	1 Year Average	3 Year Average	Average Since Inception
Most Attractive Large	34%	41%	34%
Most Attractive Small	36%	41%	35%
Most Attractive Small and Large	38%	42%	35%

Source: New Constructs, LLC



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Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by *S&P Global’s (SPGI) Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details. Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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