



The All-In Podcast Calls for New Constructs' Research

At 53:09 in Episode #158 of the All-In podcast (clip attached), Chamath Palihapitiya asks for a research service exactly like New Constructs. Specifically, Mr. Palihapitiya calls for “AI that crawls 10-Ks and 10-Qs to generate statistical measurements of all public companies”. It’s uncanny how well he describes our value proposition.

[Watch the clip](#)

We think the All-In crew (Chamath Palihapitiya, Jason Calacanis, David Sacks, and David Friedberg) would like to know that the service they ask for exists and that it produces [proven superior](#) research.

The need for our exact technology is underscored by recent findings that other large language models are unable to analyze and interpret SEC filings. A new [study from Patronus AI](#) led to these headlines:

- “A startup tested if ChatGPT and other AI chatbots could understand SEC filings. They failed about 70% of the time and only succeeded if told exactly where to look” – [Fortune](#)
- “GPT and other AI models can’t analyze an SEC filing” – [CNBC](#)
- “SEC Filings Are So Complicated Even AI Is Baffled” – [TheMessenger Tech](#)
- “ChatGPT and other AI models unable to analyze SEC Filing” – [Tech Startups](#)

[This CNBC](#) article details more failings of other AI trying to read SEC filings (bold emphasis added):

- GPT-4-Turbo failed at the startup’s [Patronus AI] “closed book” test, where it wasn’t given access to any SEC source document. It **failed to answer 88% of the 150 questions it was asked**, and only produced a correct answer 14 times. It was able to improve significantly when given access to the underlying filings. In “Oracle” mode, where it was pointed to the exact text for the answer, GPT-4-Turbo answered the question correctly 85% of the time, **but still produced an incorrect answer 15% of the time**.
 - CNBC notes that “oracle mode” is an unrealistic test because it requires human input to find the exact pertinent place in the filing — the exact task that many hope that language models can address.
- Llama 2, an open-source AI model developed by Meta, had some of the worst “hallucinations,” **producing wrong answers as much as 70% of the time**, and correct answers only 19% of the time, when given access to an array of underlying documents.
- Anthropic’s Claude 2 performed well when given “long context,” where nearly the entire relevant SEC filing was included along with the question. It could answer 75% of the questions it was posed, **gave the wrong answer for 21%**, and failed to answer only 3%. GPT-4-Turbo also did well with long context, answering 79% of the questions correctly, and giving the wrong answer for 17% of them.

Our [Robo-Analyst AI](#), powered by the [proprietary training dataset](#) we’ve been building for over 20 years, solves these problems. In addition, it parses important information from the footnotes and MD&A to produce materially [superior fundamental datasets](#), [models and analytics](#) and [stock ratings](#).

Not a client of New Constructs, yet? Learn [more](#).

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Disclosure: David Trainer, Kyle Guske II, Italo Mendonca, and Hakan Salt receive no compensation to write about any specific stock, style, or theme.

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It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome these flaws and apply [reliable](#) fundamental data in their research.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms’ data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

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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