



## Focus List Stocks Continues to Outperform as a Long/Short Through 1H24

In our [e-letters to clients](#), we've been talking about the importance of diligence a great deal. Well, this report shows how diligence pays off in the short term and long term.

Our [Focus List Stocks: Long Model Portfolio](#), the best of our Long Ideas, and our [Focus List Stocks: Short Model Portfolio](#), the best of our Danger Zone picks, beat the Risk-Free Rate<sup>1</sup> as a long/short portfolio by 0.2% in the first half of 2024. The [long portfolio was up 5.6%](#) while the [short portfolio was down -3.4%](#) for a net return of 2.2% compared to the Risk-Free Rate at 2.0% in 1H24. See Figure 1.

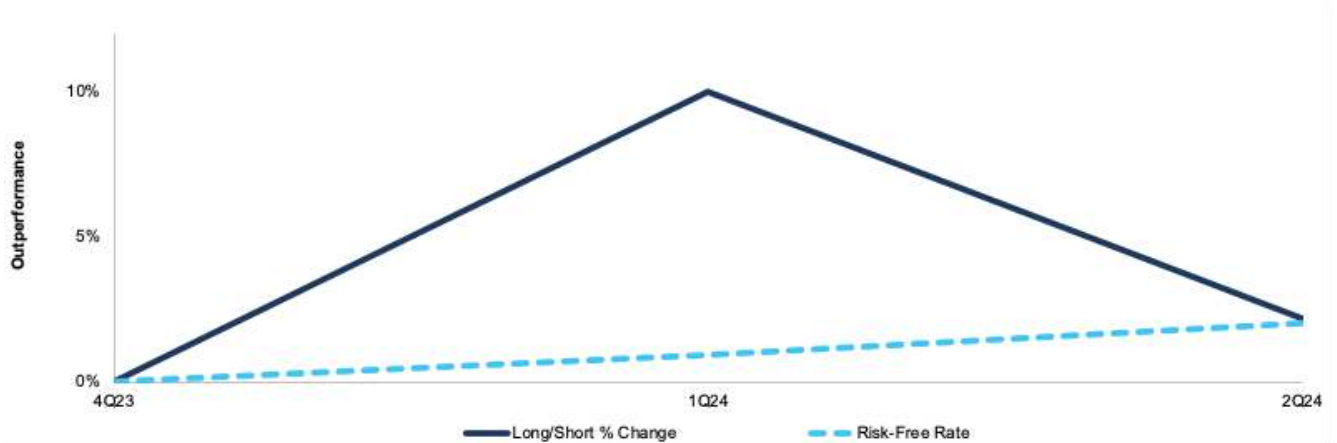
From 2021 through 2Q24, our Focus List Stocks have beaten the Risk-Free Rate by 56%. See Figure 2.

This outperformance underscores just how important reliable fundamental research is in turbulent markets.

**Buy the Focus List Stocks: Short Model Portfolio**

**Buy the Focus List Stocks: Long Model Portfolio**

**Figure 1: Focus List Stocks: Long/Short Performance vs. Risk-Free Rate: 1H24**



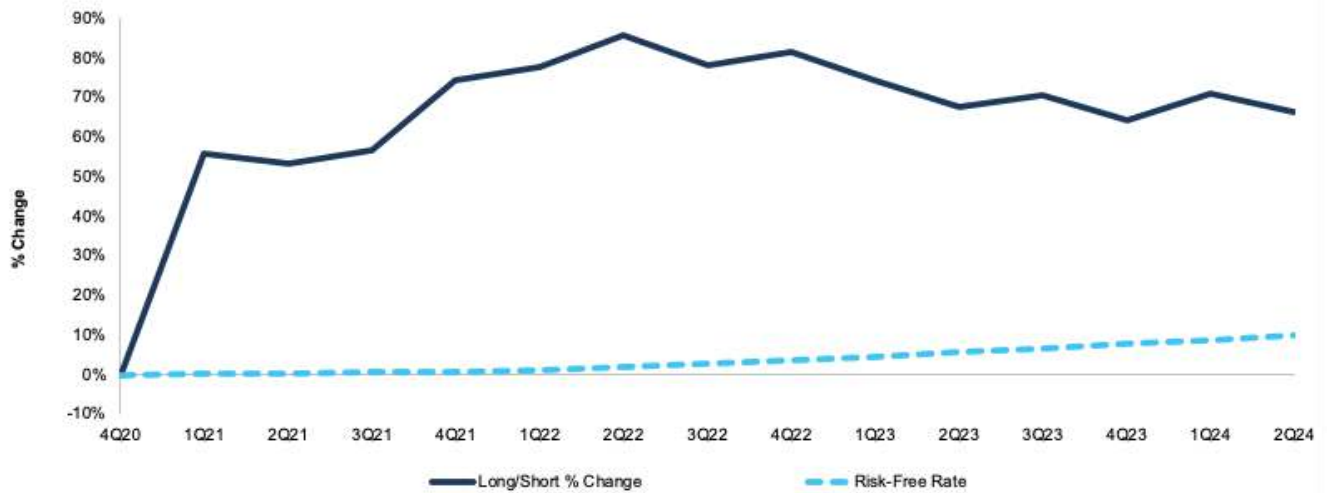
Sources: New Constructs, LLC

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

<sup>1</sup> The Risk-Free Rate is based on the 3-month T-bill.



**Figure 2: Focus List Stocks: Long/Short Performance vs. Risk-Free Rate: 2021 Through 1H24**



Sources: 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 3 details the Model Portfolios' performance, which includes all stocks present in the Model Portfolios at any point in 1H24.

**Figure 2: 1H24 Long/Short Performance of Stocks in the Focus List Model Portfolios**

Number of Stocks	Number of Outperformers	Number of Underperformers
110	51	59

Sources: New Constructs, LLC

[Professional](#) and [Institutional](#) members get real-time updates and can track all Model Portfolios on our site. The Focus List Stocks: Short and Focus List Stocks: Long Model Portfolios leverage superior fundamental data, which provide a [new source of alpha](#).

We're here to help you navigate these turbulent times. Our [uniquely rigorous fundamental research](#) consistently earns [#1 rankings](#) in several categories on SumZero.

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

*Questions on this report or others? Join our [online community](#) and connect with us directly.*



## **It's Official: We Deliver 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. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

### **Best Fundamental Data in the World**

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, 1<sup>st</sup> 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, 2<sup>nd</sup> para.

### **Superior Models**

Ernst & Young 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, 5<sup>th</sup> 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, 2<sup>nd</sup> para.

### **Superior Stock Ratings**

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Harvard Business School. 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, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> 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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