Our Podcast with George Noble on April 30, 2025: When Objective Analysis Meets the Market's Hottest Narratives

On a recent Twitter Spaces event hosted by renowned fund manager George Noble, our CEO, David Trainer, joined a wide-ranging and dynamic discussion on stock market narratives, forensic accounting, and the dangers of relying on Wall Street's sell-side spin.

The conversation, which included veteran analysts, short sellers, and fundamental purists, offered a sharp contrast between objective, data-driven research and hype-fueled investing. For those who couldn't tune in live, here's a breakdown of key moments and insights from the discussion.

Watch the Replay

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Cracking the Code on Earnings Quality

David opened with a simple but bold assertion:

> *"We've cracked the code on how to read through all the corporate filings... to pull out a more robust and superior measure of earnings."*

Backed by peer-reviewed research from Harvard Business School and MIT Sloan, David explained how New Constructs' proprietary machine learning system analyzes 10-Ks, 10-Qs, and footnotes to uncover accounting distortions that Wall Street misses—or ignores.

Independent Validation: Bloomberg, Harvard, and the Numbers

George Noble highlighted that New Constructs isn't just theory—it's proven:

> *"The performance of your very attractive stocks index beat the market by 80% over five years. That's top 1% performance."*

David elaborated on our Bloomberg-listed indices and our consistent outperformance. These indices rebalance quarterly and include only companies with the strongest fundamental risk/reward profiles—based on core earnings, ROIC, and valuation.

Trust and Transparency in a Broken System

Reflecting on his early career on Wall Street, David didn't mince words:

> *"Wall Street had completely been taken over by its lust for money. There was no integrity left."*

He described how some research analysts knowingly published lowball earnings estimates to help their banking clients "beat" expectations. Internally, they shared higher estimates with institutional clients. "That's two sets of books," David said.

Tesla, GameStop, and the Power of Reverse DCF

No conversation about modern market distortions is complete without **Tesla**, and David took the topic head-on. Using New Constructs' **Reverse DCF model**, he broke down the math:

> *"To justify $250 per share, Tesla would need margins higher than any auto company in history and revenue of $1.4 trillion by 2035—more than the entire global EV market."*

Similarly, David detailed how we **recommended GameStop as a long in 2018** based on its undervaluation—and then **closed the position near $197 in January 2021**, right before its historic meme-fueled collapse.

From Harvard Lectures to Helping Retail Investors

David emphasized that our mission isn't to put our models behind a paywall for institutions only:

> *"We've got subscriptions as low as $10/month. This isn't for Wall Street insiders. It's for everyone."*

New Constructs regularly contributes to investor education through guest lectures at Harvard Business School, and free reports on zombie stocks, earnings distortions, and misleading non-GAAP metrics.

The Elephant in the Room: Adjusted Earnings and Stock-Based Compensation

George called out the industry-wide abuse of adjusted earnings:

> *"It's a complete scam. They exclude stock comp as if it's not a real expense. Of course it is!"*

David agreed and shared how New Constructs was ahead of the curve:

> *"Even before the rules changed, we were modeling stock-based compensation buried in the footnotes. In many cases, those expenses were 200-300% of reported revenue!"*

Conclusion: In Defense of Capital Market Integrity

David made it clear why this work matters:

> *"If people can't allocate capital to its highest and best use, capitalism fails. That's why we built this—to preserve the integrity of our markets."*

George closed with a fitting summary:

> *"David, this was magical. So many Spaces are superficial. I think I speak for everyone—we actually learned something tonight."*

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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, 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

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, 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 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, 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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