



Why Footnotes Are More Important Than You Think

Don't be misled by the carefully orchestrated game of earnings "beats" and "misses" played by Wall Street analysts. What truly matters is the underlying fundamentals of a business.

To better understand how Wall Street and corporate auditors influence the market through selective disclosure, and why high-integrity data is essential for investors, listen to our appearance on The Value Spotlight podcast.

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Accounting earnings overlook a significant amount of what it takes to run a business. To get the most accurate picture of the economic health of a company, investors need to look at all the financial statements, including and most importantly the footnotes and MD&A.

Data in the financial statements is most meaningful when you consider the information in the footnotes. Ignoring material disclosures means relying on selectively presented data that can obscure more than it reveals.

That's precisely why every financial statement includes the directive, "read the footnotes"!

The number of pages in 10Ks and 10Qs has ballooned from around 20 pages in mid 1990s to more than 250 pages on average now.

Why? It's no coincidence...

Corporate America and Wall Street are trying to intimidate and discourage people from reading filings!

Yet, this complexity is no excuse for complacency. Rigorous, diligent analysis of full filings is what separates insightful investors and New Constructs from the rest.

Hype and momentum may fuel temporary gains, but they are unsustainable. There are no shortcuts. Success in investing rewards those willing to do the hard work.

For example, some of the most compelling opportunities can be found in the disconnect between [economic earnings](#) and accounting earnings. This distinction is critical – yet only meaningful if economic earnings are calculated accurately.

This signal is just one example of how genuine outperformance is built on data that goes beyond surface-level disclosures and includes critical details found in financial statement footnotes!

Lucky for you if you are reading this message, you've already found a resource that delivers [proven-superior](#), footnote-level data and research at scale – empowering you to compete on more equal footing with Wall Street. To learn more, listen to our appearance on The Value Spotlight podcast.

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Want data that can generate alpha in any market?

Learn more about our memberships [here](#).

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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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