



## Free Stock Pick from the Very Attractive Stocks Index for July 2025

AI models like ChatGPT have captured most of the AI spotlight, for good and bad reasons. The real problem with these “answer anything” services is that they cannot answer everything correctly. We are a long way from anything that can accurately answer any question.

In the meantime, the only way to get reliable answers from AI is to build specialized Agents that are focused on smaller bodies of information, specific topics or industry processes.

When we narrow the scope of an AI, we’re tackling a much more manageable challenge in a smaller dataset and range of processes that we need the AI to fully understand. So, small enough that we can have confidence that the data driving it is 100% accurate and reliable. AI models are like any other model: garbage in-garbage out.

For an AI Agent to be as reliable as a human expert, we must be able to endow it with the subject matter expertise to produce results on par with human experts. How do we do that? How do we know when an AI Agent is working?

There is no better proof that our AI Agent works than the alpha it is delivering via the outperformance of the Very Attractive Stocks Index, officially known as the [Bloomberg New Constructs Ratings VA-1 Index](#) (ticker: [BNCVA1T:IND](#)). This index holds the stocks in the Bloomberg US 1000 that get our Very Attractive rating. Thus, we refer to it as the Very Attractive Stocks Index. The index’s outperformance over the short- and long-term is garnering more and more attention. See more details below.

Below, we share one of the stocks in the Index along with a brief overview of why we think Very Attractive stocks provide quality risk/reward. Enjoy this free stock pick. Feel free to share it with friends and family. We are proud of our work and want more people to see it.

### Featured Stock from Bloomberg New Constructs Ratings VA-1 Index: Ituran Location and Control (ITRN)

Ituran Location and Control (ITRN: \$39/share) earns an overall Very Attractive rating, with Very Attractive ratings in four of the five criteria that drive our overall [Stock Rating](#). See Figure 1.

Figure 1: Ituran Location and Control’s Stock Rating

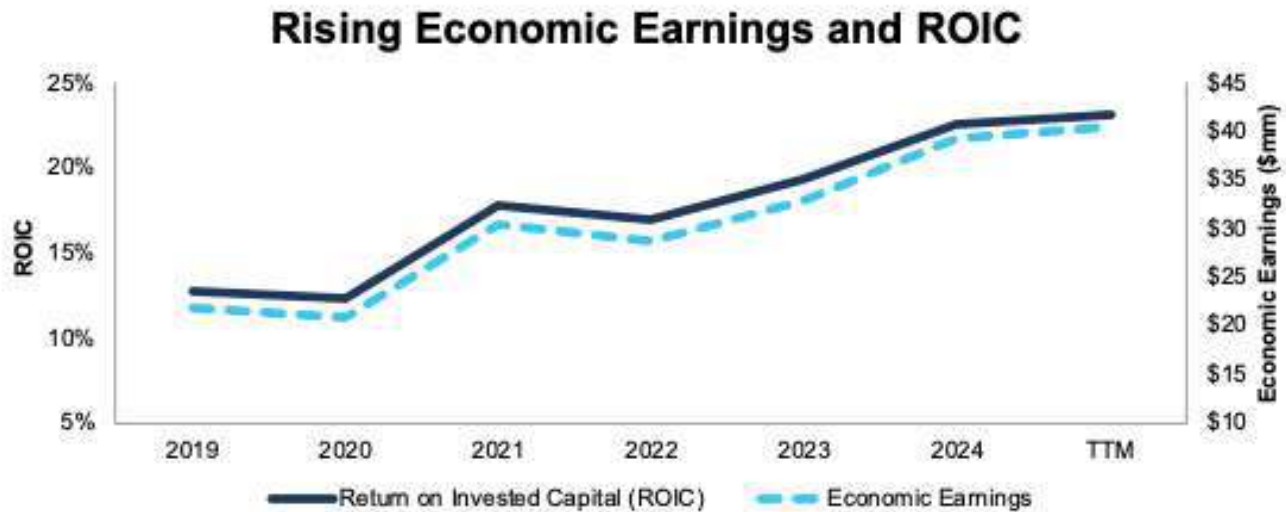
Risk/Reward Rating ?	Quality of Earnings ?		Valuation ?		
	Economic vs Reported EPS ?	ROIC ?	2 yr Avg FCF (excl cash) Yield ?	Price to EBV ?	Market-Implied GAP ?
Very Unattractive	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or < 0	> 50
Unattractive	False Positive	4th Quintile	-5% < -1%	2.4 < 3.5 or < -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 and company filings

### Quality of Earnings Analysis

Ituran Location and Control earns a Very Attractive rating for the Economic vs. Reported Earnings metric and a Very Attractive top-quintile return on invested capital ([ROIC](#)).

We like to see companies grow their [economic earnings](#), the true cash flows of a business, and Ituran Location and Control increased its economic earnings from \$22 million in 2019 to \$40 million in the TTM. See Figure 2.

**Figure 2: Ituran Location and Control's Economic Earnings and ROIC: 2014 – TTM**

Sources: New Constructs, LLC and company filings

### ITRN Is Undervalued

Ituran Location and Control has a 2-year average FCF (excl. cash) yield between 3% and 10%, which earns an Attractive rating. Additionally, the stock has a price-to-economic book value ([PEBV](#)) ratio lower than 1.1, and a market-implied growth appreciation period (GAP) of less than three years, both of which earn Very Attractive ratings.

More specifically, at its current price of \$39/share, ITRN has a PEBV ratio of 0.8. This ratio means the market expects Ituran Location and Control's NOPAT to permanently decline by 20% from TTM levels. This expectation seems overly pessimistic for a company that has grown NOPAT by 11% compounded annually over the last five years and 6% compounded annually over the last ten years.

The low expectations baked into Ituran Location and Control's stock price, along with strong quality of earnings, drive its Very Attractive Overall Stock Rating.

### Background on our Stock Ratings

Five criteria drive our stock ratings. We divide those criteria into two categories: quality of earnings and valuation.

#### Quality of earnings criteria:

1. Economic vs. Reported EPS: compares both the level and trend of [Economic Earnings](#), the true cash flows of the business, vs. reported earnings.
2. Return on Invested Capital ([ROIC](#)): measures how much profit a company generates for every dollar invested in the company.

#### Valuation criteria:

1. [2-year Average Free Cash Flow \(excluding cash\) Yield](#): measures the true cash yield of a company.
2. [Price to Economic Book Value](#): measures the growth expectations implied by the company's stock price.
3. [Market-Implied Growth Appreciation Period \(GAP\)](#): measures the number of years of future profit growth required to justify the current valuation of the stock.

Stocks that get an overall Very Attractive rating are poised to outperform in any market.

### Real-Time Proof of Superior Stock Ratings

The strong outperformance of the Very Attractive Stocks Index proves the superiority of our Stock Ratings. BNCVA1T outperformed the S&P 500 by 68% over the last 5 years, rising 162% compared to the S&P 500 rising 94%. See Figure 3.



**Figure 3: Very Attractive-Rated Stocks Strongly Outperform the S&P 500 Over the Last Five Years**

## Bloomberg New Constructs Ratings VA-1 Total Return Index

BNCVA1T:IND  
(USD) · Market open

The Very Attractive Stocks Index beats the S&P 500 by 68% over the last 5 years.

3,211.73 ▲ 10.78 +0.34%

As of 9:52 AM EDT 07/16/25.

**Summary** Related News Index Info

1D 1M 6M YTD 1Y 5Y

Q SPX:IND

■ BNCVA1T:IND +161.79% ■ SPX:IND +94.12% ×



Sources: [Bloomberg](#) as of July 11, 2025

Note: Past performance is no guarantee of future results.

Wondering how the index has done more recently? See Figure 4 for details on the strong outperformance of the Very Attractive Stocks Index in the first half of 2025. BNCVA1T was up 7.3% while the S&P 500 was up 6.8%.



Figure 4: Very Attractive-Rated Stocks Strongly Outperform the S&P 500 in 1H25

## Bloomberg New Constructs Ratings VA-1 Total Return Index

BNCVA1T:IND  
(USD) · Market closed

The Very Attractive Stocks Index beats the S&P 500 by 0.5% in 1H2025.

3,291.32 ▲6.94 +0.21%

As of 4:15 PM EDT 07/03/25.

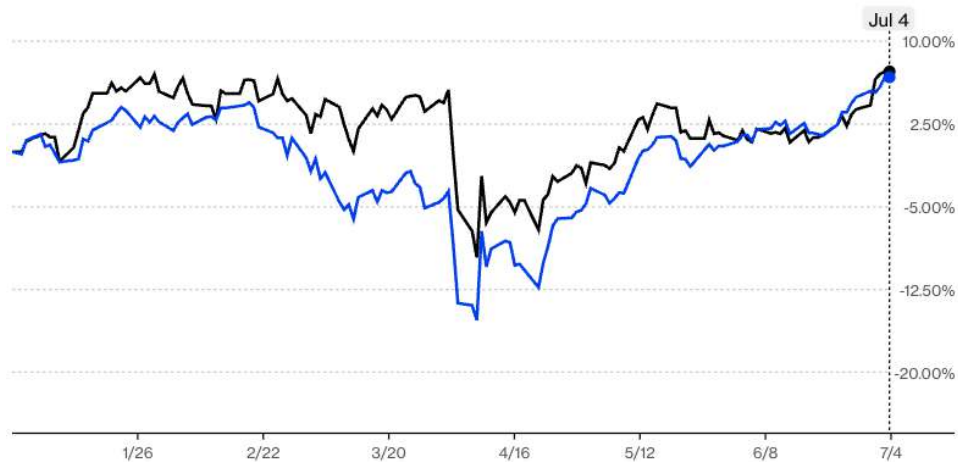
✓  
Following

Summary Related News Index Info

1D 1M 6M YTD 1Y 5Y

Q SPX:IND

■ BNCVA1T:IND +7.27% ■ SPX:IND +6.76% ×



Sources: [Bloomberg](#) as of July 4, 2025

Note: Past performance is no guarantee of future results.

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

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## ***It's Official: We Deliver the Best Fundamental Data in the World***

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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.

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