



Free Stock Pick from our Most Attractive Stocks Model Portfolio for September 2025

AI remains one of the hottest themes in the market, and recent studies highlight an important trend: the rising value of precise small language models (SLMs). Unsurprisingly, when an AI is not trained on high-quality data, its performance suffers...dramatically.

Most large language models (LLMs), such as ChatGPT, rely heavily on the open internet for training, which is a source filled with noise, conflicting signals and inaccuracies. As a result, these LLMs handle a broad range of simple tasks reasonably well, but their performance declines sharply when faced with expert-level tasks.

In contrast, SLMs trained on focused, high-quality, domain-specific data consistently outperform larger models on specialized tasks. As this trend becomes more widely recognized, AI developers, from startups to multinational enterprises, are racing to develop and train the best SLMs.

This trend is exactly why we partnered with Google Cloud to pioneer the first AI agent that produces truly reliable results. This AI Agent for investing leverages years of expertise and proprietary high-quality data to deliver real alpha.

To give you a glimpse into the research derived from our AI Agent, we are sharing a free stock pick from our Most Attractive Stocks Model Portfolio. This Model Portfolio leverages our superior fundamental data to identify the best stocks in the market, i.e. the stocks that are not only undervalued but also possess strong fundamentals.

This pick comes with a concise summary, not a full Long Idea report. The summary provides insight into the rigor of our research and approach to picking stocks. Whether you're a subscriber or not, we think it is important, especially in today's volatile market environment, that you're able to see our research on stocks. We're proud to share our work, and we want to help investors when they need it most.

Keep an eye out for the [free pick](#) from our Most Dangerous Stocks Model Portfolio, which will be published this week as well!

We hope you enjoy this research. Feel free to share with friends and colleagues!

We update this Model Portfolio monthly. The latest [Most Attractive](#) and [Most Dangerous](#) stocks Model Portfolios were updated and published for clients on September 4, 2025.

Free Most Attractive Stocks Pick: Federated Hermes Inc. (FHI)

Federated Hermes (FHI: \$53/share) has grown revenue and net operating profit after tax ([NOPAT](#)) by 7% and 9% compounded annually since 2014, respectively. Federated Hermes' NOPAT margin increased from 19% in 2014 to 22% in the trailing-twelve months (TTM), while its [invested capital turns](#) rose from 0.7 to 0.9 over the same time. Rising NOPAT margins and invested capital turns drive Federated Hermes' return on invested capital ([ROIC](#)) from 14% in 2014 to 19% in the TTM.

**Figure 1: Federated Hermes' Revenue and NOPAT Since 2014**

Sources: New Constructs, LLC and company filings

FHI Is Undervalued

At its current price of \$53/share, FHI has a price-to-economic book value ([PEBV](#)) ratio of 0.9. This ratio means the market expects Federated Hermes' NOPAT to permanently decline by 10% from TTM levels. This expectation seems overly pessimistic for a company that has grown NOPAT by 6% compounded annually over the last five years and 9% compounded annually over the last ten years.

Even if Federated Hermes' NOPAT margin falls to 20% (compared to 22% in the TTM) and the company grows revenue by 3% (below ten-year CAGR of 7%) compounded annually through 2034, the stock would be worth \$66/share today – a 25% upside. In this scenario, Federated Hermes' NOPAT would grow just 3% compounded annually through 2034. [Contact us for the math behind this reverse DCF scenario.](#)

Should Federated Hermes grow profits more in line with historical levels, the stock has even more upside.

Critical Details Found in Financial Filings by Our [Robo-Analyst Technology](#)

Below are specifics on the adjustments we made based on Robo-Analyst findings in Federated Hermes' 10-K and 10-Q:

Income Statement: we made over \$100 million in adjustments, with a net effect of removing under \$70 million in [non-operating expense](#). Professional members can see all adjustments made to the company's income statement on the GAAP Reconciliation tab on the Ratings page on our website.

Balance Sheet: we made just under \$200 million in adjustments to calculate invested capital with a net increase of just under \$150 million. One of the most notable adjustments was for [asset write downs](#). Professional members can see all adjustments made to the company's balance sheet on the GAAP Reconciliation tab on the Ratings page on our website.

Valuation: we made just under \$800 million in adjustments, all of which decreased shareholder value. Apart from [total debt](#), the most notable adjustment was for [deferred tax liabilities](#). Professional members can see all adjustments to the company's valuation on the GAAP Reconciliation tab on the Ratings page on our website.

This article was originally published on [September 12, 2025](#).

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