Featured Stock from the Bloomberg New Constructs 500 Index for October 2025

Our goal at New Constructs is to level the playing field for all investors. We seek the truth, in company filings, footnotes, and MD&A, and we deliver it to our clients at scale.

Through these efforts, we've gathered unrivaled experience in endowing machines with the subject matter expertise to perform like human experts. The result?

An AI Agent for investing that generates insights and signals that produce novel alpha. Core Earnings, which is a much cleaner and more accurate earnings metric, is one such signal.

This paper from the Harvard Business School and MIT Sloan professors empirically proves the idiosyncratic alpha in our proprietary measure of Core Earnings.

The Bloomberg New Constructs 500 Total Return Index (B500NCT:IND) offers real-time proof of the alpha that Core Earnings generates. The index beat the S&P 500 by over 32% over the last five years, rising 126% while the S&P 500 was up 94%. Provided by Bloomberg, this index takes the top 500 stocks by market cap and weights stocks based on Earnings Capture[1] instead of weighting each stock by market cap.

So, the companies whose Core Earnings exceed GAAP earnings by the most get the largest weightings. We like to call this index the "Enhanced S&P 500 Index."

The companies with the highest profits deserve larger allocations, and the results of this strategy speak for themselves.

Below, we share one of the stocks in the Bloomberg New Constructs 500 Index along with a brief overview of why it deserves a larger weighting (by Core Earnings) than it earns through market cap alone.

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 500 Total Return Index: Eli Lilly & Company (LLY)

Eli Lilly (LLY: $845/share) is currently 1.2% of the S&P 500, but it is 2.2% of the Bloomberg New Constructs 500 Total Return Index. Why the discrepancy? Core Earnings power.

Eli Lilly has the 24th highest Earnings Capture (4.3%) among the S&P 500 companies. A higher Earnings Capture means a larger weighting in this index.

The company has the 15th highest trailing-twelve months (TTM) Core Earnings of all S&P 500 companies.

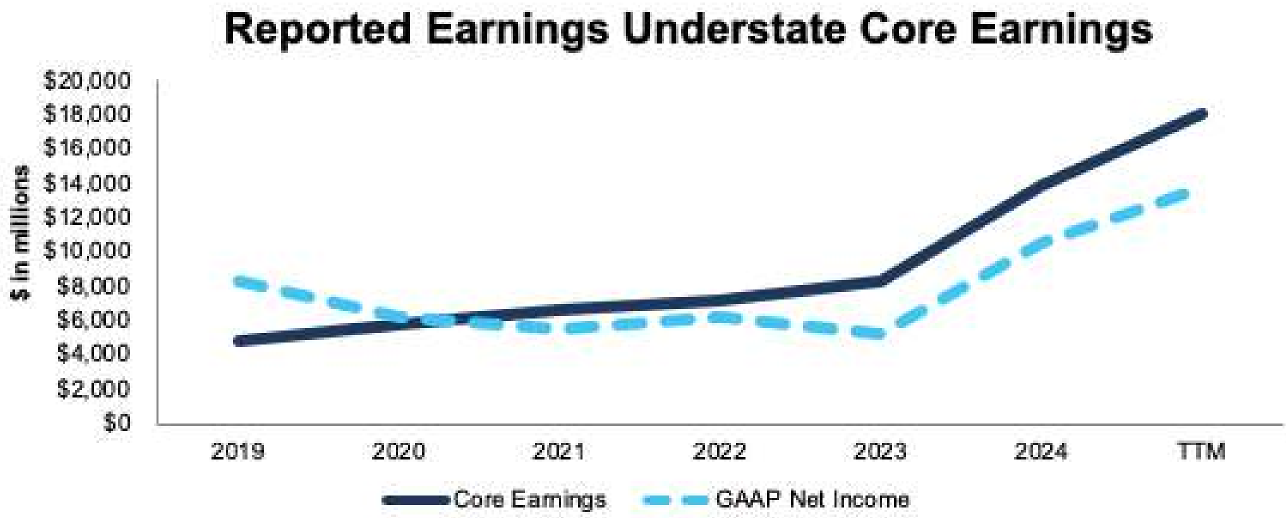
Importantly, Eli Lilly has grown Core Earnings faster than reported earnings (GAAP Net Income) in recent years. Per Figure 1, Eli Lilly's Core Earnings grew from $4.8 billion in 2019 to $18.1 billion in the TTM, or 20% compounded annually. The company's GAAP Net Income increased from $8.3 billion to $13.8 billion over the same time, or 18% compounded annually.

2020 provides a clear inflection point in Earnings Distortion, as shown in Figure 2. In 2020, Eli Lilly's Earnings Distortion totaled $441 million, which means GAAP net income overstated Core Earnings by $441 million.

In the TTM ended 2Q25, Eli Lilly's Earnings Distortion is -$4.3 billion, which means GAAP net income understates Core Earnings by that amount. In other words, Eli Lilly is more profitable than investors relying on GAAP net income realize.

[1] Earnings Capture equals Core Earnings minus GAAP earnings, divided by the company's total assets. Note that Earnings Distortion equals GAAP Earnings or Street Earning minus Core Earnings, so high Earnings Distortion is bad.

Figure 1: Eli Lilly's Core Earnings vs. GAAP Net Income Since 2019

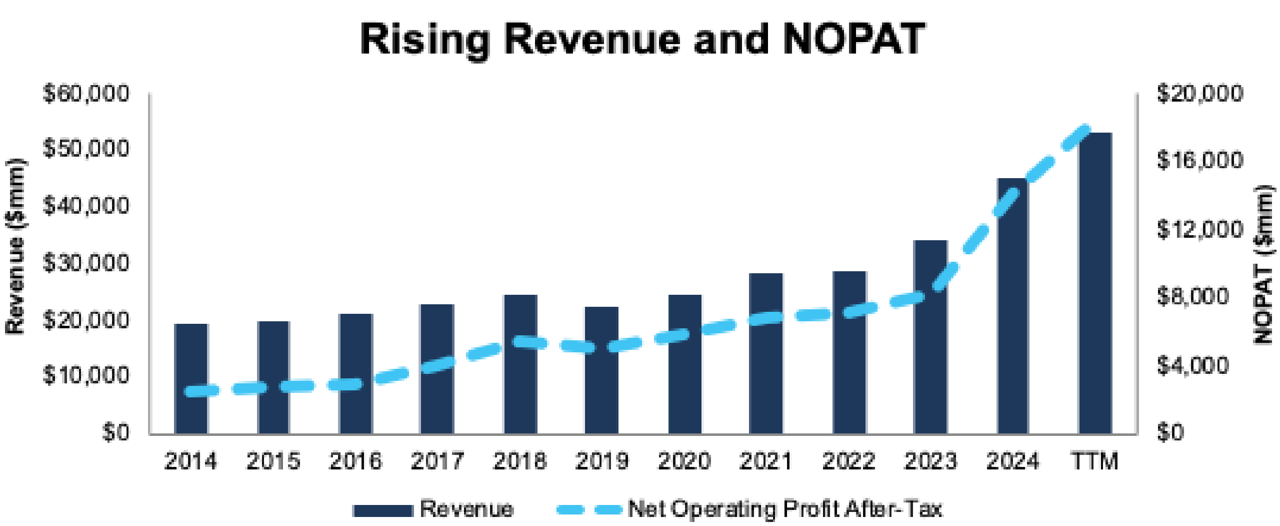


Sources: New Constructs, LLC and company filings

Not only does Eli Lilly generate the top-tier Core Earnings, the company has consistently grown its revenue, net operating profit after tax (NOPAT), and return on invested capital (ROIC).

Eli Lilly has grown revenue and NOPAT by 10% and 21% compounded annually over the last decade, respectively. Eli Lilly's NOPAT margin increased from 13% in 2014 to 35% in the TTM while its invested capital turns rose from 0.7 to 0.8 over the same time. Rising NOPAT margins and invested capital turns drive Eli Lilly's ROIC from 9% in 2014 to 26% in the TTM.

Figure 2: Eli Lilly's Revenue and NOPAT Since 2014



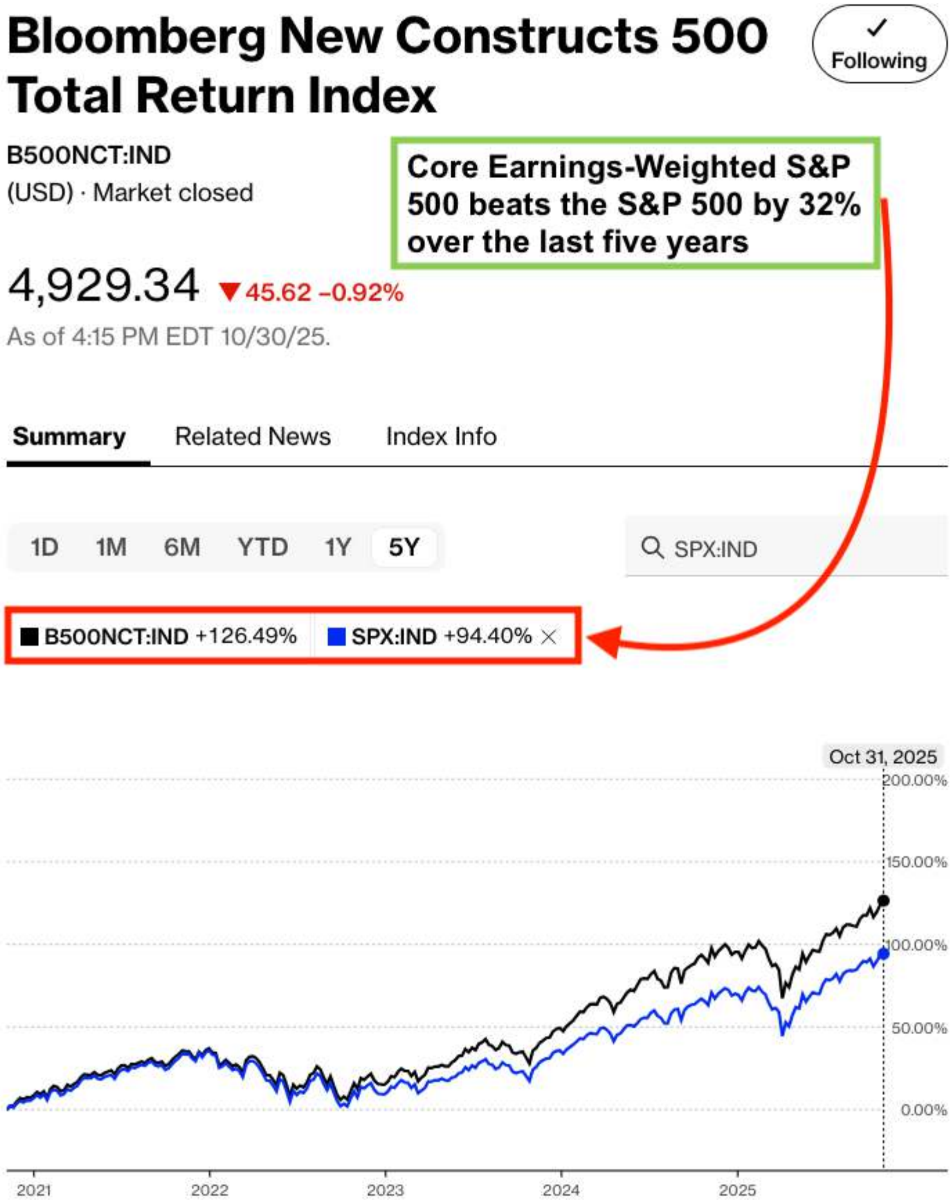
Sources: New Constructs, LLC and company filings

Real-Time Proof of the Alpha in our Superior Earnings Metric

As noted above, you don't have to take our word that Core Earnings, and allocating to stocks based on Core Earnings, drives novel alpha. The outperformance of the Bloomberg New Constructs 500 Index demonstrates real-time alpha.

Per Figure 3, the Bloomberg New Constructs 500 Total Return Index (ticker: B500NCT:IND) beat the S&P 500 by over 32% over the last five years, rising 126% while the S&P 500 was up 94%.

Figure 3: Bloomberg New Constructs 500 Index Strongly Outperforms the S&P 500 Over the Last 5 Years



Sources: Bloomberg as of October 31, 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 outperformance of the Bloomberg New Constructs 500 Total Return Index in the first half of 2025. B500NCT:IND was up 18% while the S&P 500 was up 16%.

Figure 4: Bloomberg New Constructs 500 Index Strongly Outperforms the S&P 500 YTD

Sources: [Bloomberg]() as of October 30, 2025
Note: Past performance is no guarantee of future results.

This article was originally published on [October 31, 2025]().

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

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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