# How “Expectations Investing” Gives You an Edge in 60 seconds

Too few investors have the tools to get the truth about stock valuations.

Math is math. It’s not supposed to be hard. Wall Street wants to keep you in the dark by making you think it is too hard so you keep trusting them.

We shine light into the dark corners of the market. We make it clear and easy.

How?

**Watch David Trainer Explain How Expectations Investing Provides an Edge**

We don’t use our reverse discounted cash flow (DCF) model to try and predict the future. Instead, we quantify the future that the stock price is predicting, aka expectations investing. When expectations are too high, a stock provides poor risk/reward. When expectations are too low, the exact opposite.

Get more details on how our reverse DCF model works here.

**Expectations Investing Applied**

Are you holding stocks with cash flow expectations that cannot be justified in even the most optimistic scenario? Or have you found real opportunities, such as stocks priced for permanent profit decline despite a strong underlying business poised for years of profit growth?

Our reverse DCF model provides unrivalled valuation insights across the 3,300+ stocks. We use it to deliver real alpha. Get the proof here.

Best of all, we built a tool that bundles our expectations investing analysis with an easy-to-understand stock rating system. Get the details.

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*Disclosure: David Trainer and Kyle Guske II 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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