



New Constructs®

Diligence | Independence | Performance

Technology:

To Save Time & Deliver More Insight

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Important Disclosure Information is contained on the last page of this report.
The recipient of this report is directed to read these disclosures.

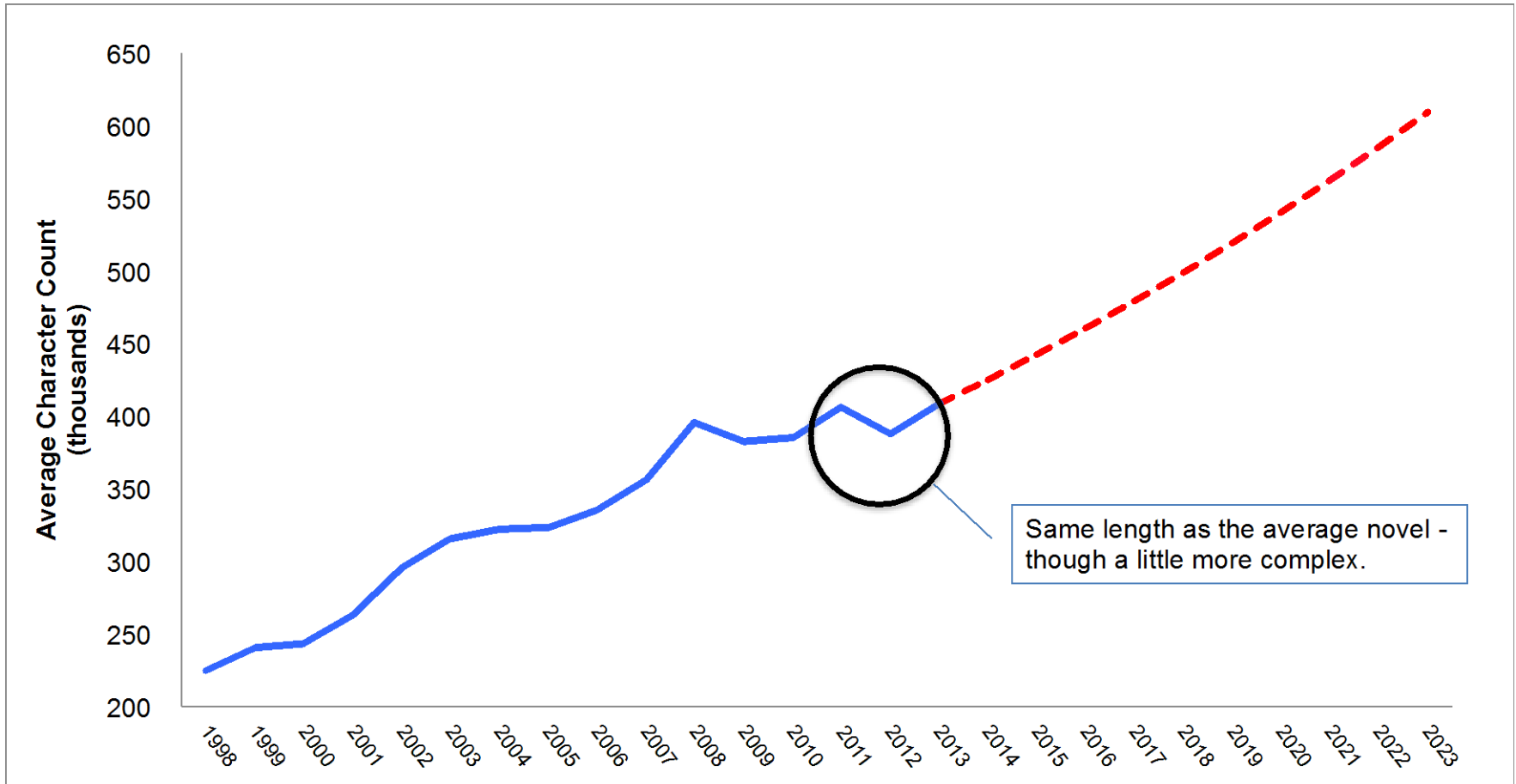
Wall Street's Big Secret

Stock Research/Recommendations Are Biased & Incomplete



Average Length of 10-Ks Is Quite Long

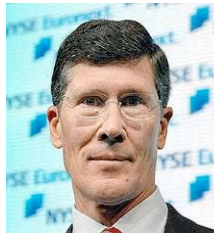
Keeping Up With Disclosures Is Nearly Impossible



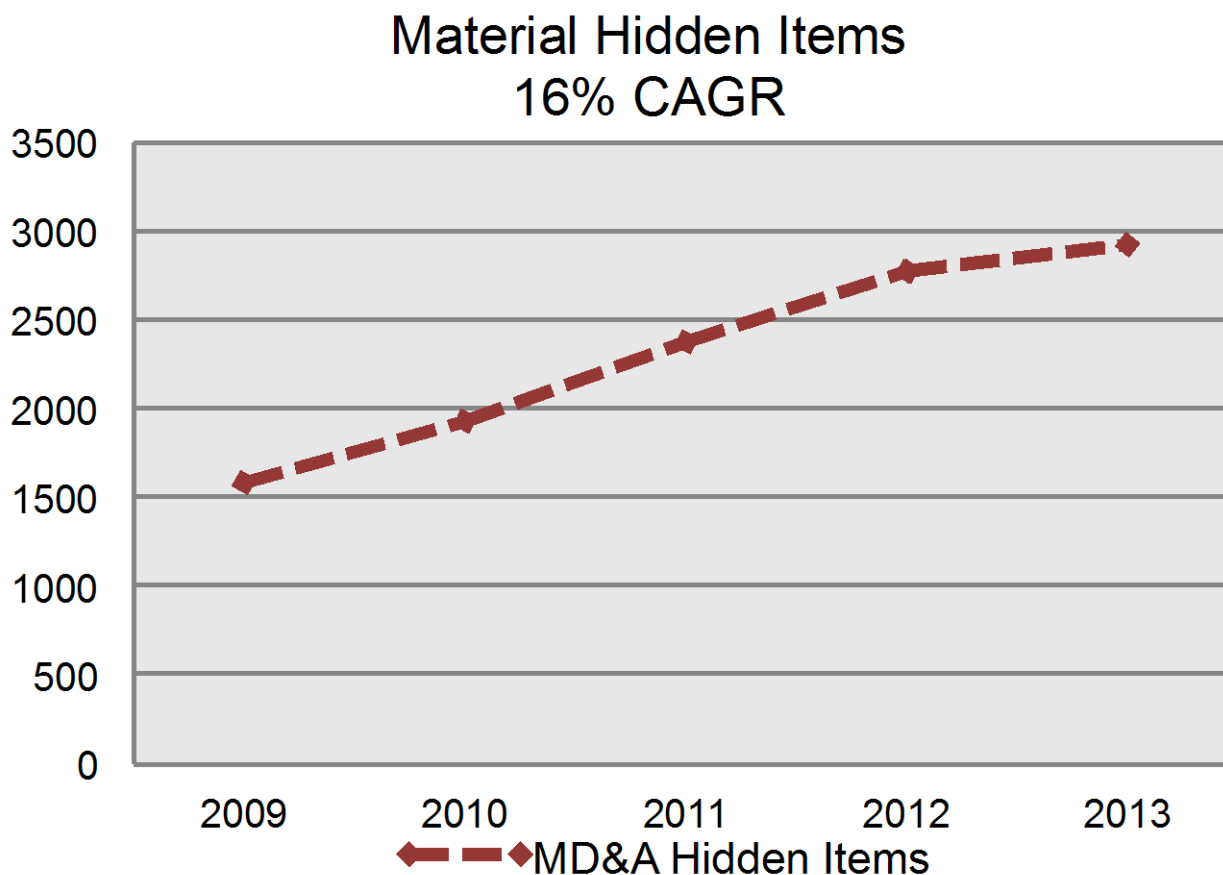
Disclosure Trends Are Not Your Friend

More Data, More Noise

- Filings have grown to **200+ pages**
(That's longer than the average novel.)
- Increasingly complex and time-consuming work
- Accounting rules are constantly changing



More Needles, Bigger Haystacks



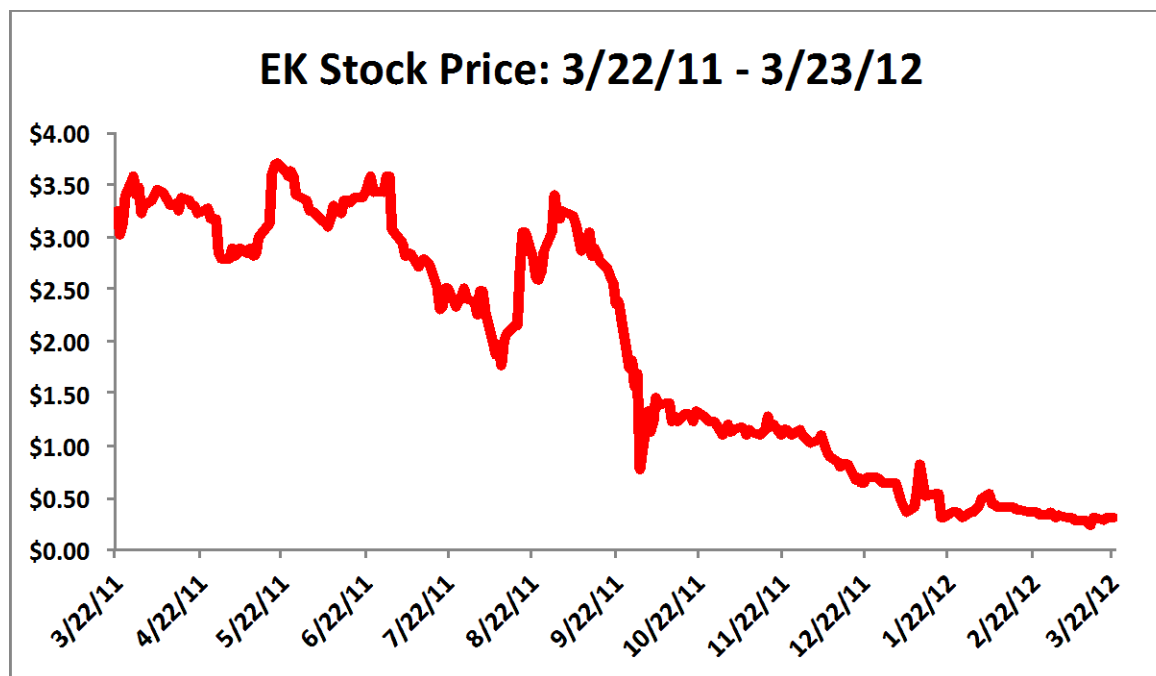
Items found only in the MD&A (e.g. gains, charges, deferred items, etc) that distort income statement results are rising rapidly.

Early Indicator for Bankruptcy

Report on Eastman Kodak (EKDKQ.PK) on [3/21/2011](#)

2010 10-K Revealed Abnormal Pension Assumptions

1. 2.2% of revs from pension, abnormally high return on plan asset assumption 8.7%
2. Underfunded by \$2.6bn or 3x the market cap at the time
3. Valuation implied 10% CAGR in NOPAT for 11 years
4. Down 90% while S&P 500 was down ~3%, no longer under coverage



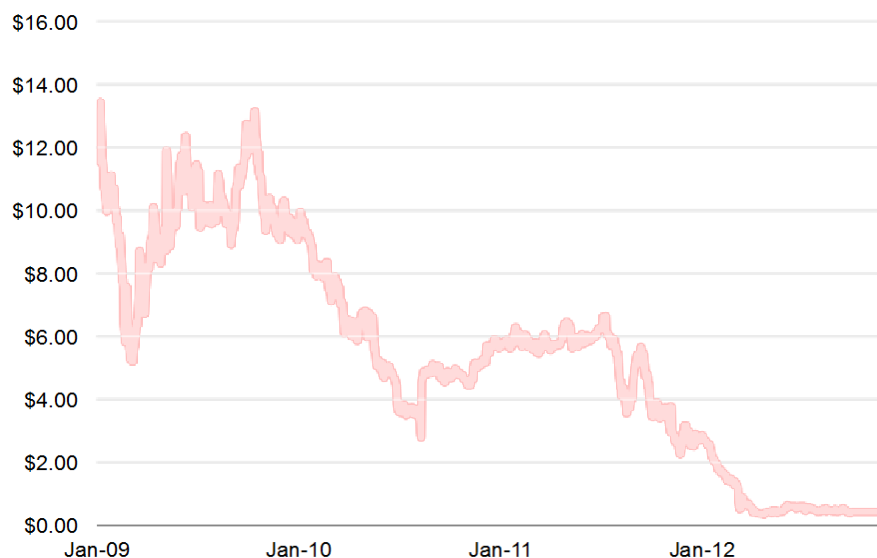
*This graph was created based on information collected and analyzed by New Constructs, LLC. New Constructs regularly gathers information from over 3,000 companies' 10Ks, including the Notes to the Financial Statements and MD&A.

Early Indicator for Fraud

Dynegy (DYN) Fraud Case 2012 – Defrauding Creditors

1. Asset transfer in subsidiaries found to be fraudulent
2. Benefited activist investor Carl Icahn, with two board representatives at DYN
3. New Constructs rating before fraud charges: Very Dangerous
4. Write-Downs in 3-yrs prior to fraud: 16 charges totaling \$3.85bn (346% net assets)

DYN - stock price

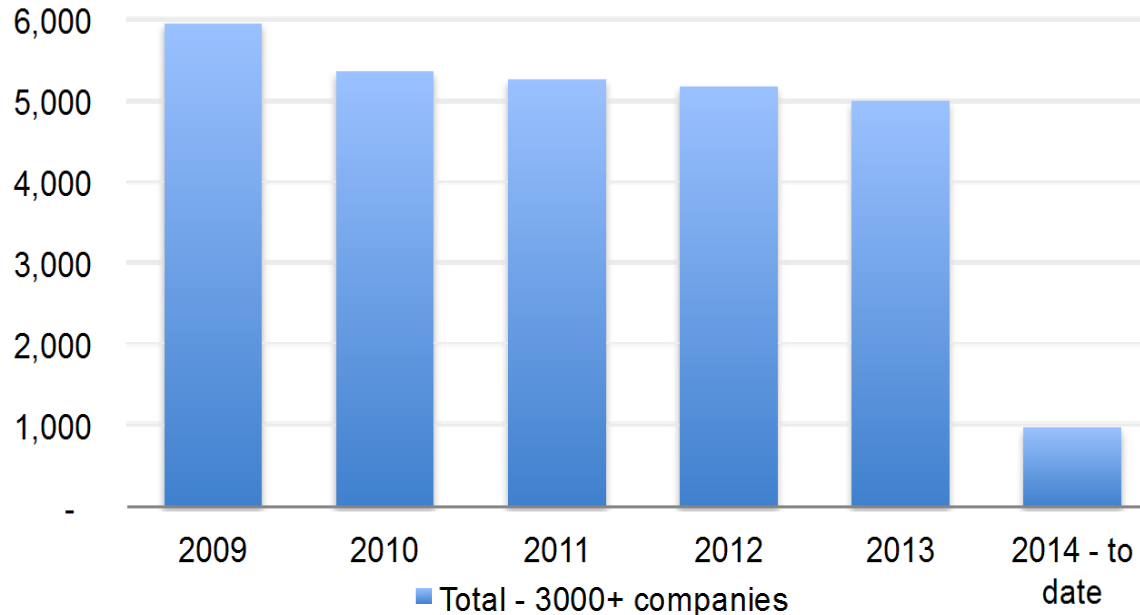


Large Asset Write-Downs – A Red Flag

27,764

Over the last 5+ Years, we found 27,764 write-downs.

of Write-Downs



Value Proposition

We find it. You benefit.

1. Best fundamental data in the business
2. Best earnings quality and valuation models
3. Best protection from devils in details of SEC filings
 - Led by top **accounting & finance expertise** leveraging the best technology

What Do We Mean by “Independent and Unbiased”?

We Provide A True Investor Perspective

No banking, advisory or Wall Street ties – none

- Access our raw data via **Marked-up filings**: [download a sample](#).

Unadulterated expertise in accounting, finance and SEC filings.

What We Do For You

Coverage	3000+ Stocks	400+ ETFs	7000+ Mutual Funds
	Updated Daily	Updated Daily	Updated Daily
Protection	Ratings & Reports	Ratings & Reports	Ratings & Reports
	Screeners	Screeners	Screeners
Idea Generation	Monthly Newsletter	Qrtly Newsletter	Qrtly Newsletter
	Pick of the Week	Pick of the Week	Pick of the Week
Monitoring	Portfolio Reviews	Portfolio Reviews	Portfolio Reviews
	Alerts	Alerts	Alerts
Access	Web/mobile	Web/mobile	Web/mobile
	Email	Email	Email
	Custom data/reports	Custom data/reports	Custom data/reports

Portfolio Tracking & Alerts

My Dashboard [My Portfolio](#) Ratings Screeners [Blog](#)

Add up to 50 tickers at a time to your portfolio.

Portfolio: My Portfolio (default) » Edit » Alerts Add Ticker(s): Add

Ticker ▲	Name	Type	Sector / Category	Price ¹	Mkt Val / AUM ²	Overall Rating	Report / Details	ROIC	FCF Yield	Price to EBV	GAP	Analyst Notes ³	Remove
AAPL	Apple Inc.	Stock	Information Technology	\$118.90	\$697,329	Attractive		177%	6%	1.1	> 100		✖
ABCO	The Advisory Board Company	Stock	Industrials	\$47.33	\$1,704	Dangerous		5%	-8%	6.5	> 100	Upgraded: Jan 22 Most Dangerous	✖
AIG	American International Group, Inc.	Stock	Financials	\$49.26	\$68,960	Attractive		6%	15%	0.8	< 1	Upgraded: Jan 16	✖
AMZN	Amazon.com Inc.	Stock	Consumer Discretionary	\$311.78	\$144,356	Dangerous		1%	-4%	-16.1	> 100	Upgraded: Jan 22	✖
BA	The Boeing Company	Stock	Industrials	\$147.78	\$105,357	Attractive		14%	6%	1.7	19	Poor Disclosure	✖
BBH	Van Eck Market Vectors Biotech ETF	ETF	Health Care	\$123.37	\$727	Neutral		16%	-1%	5.3	55		✖
BCSIX	Brown Capital Management Mutual Funds: Brown Capital Management Small	Mutual Fund	Small Cap Growth	\$70.01	\$2,634	Neutral		19%	0%	4.8	79		✖
BFAM	Bright Horizons Family Solutions, Inc.	Stock	Consumer Discretionary	\$49.16	\$3,238	Very Dangerous		6%	-3%	25.2	79		✖
CI	CIGNA Corporation	Stock	Health Care	\$109.62	\$28,674	Very Attractive		16%	4%	1.0	2	Most Attractive	✖
CRM	salesforce.com Inc.	Stock	Information Technology	\$58.10	\$36,661	Dangerous		-2%	-4%	-8.6	> 100	Upgraded: Jan 22 Most Dangerous	✖

Detailed Ratings, Models and Reports

Ratings for Apple Inc. (AAPL) based on closing stock price on Jan 29, 2015: \$118.90.					
Overall Risk/Reward Rating	Quality of Earnings		Valuation		
	Economic vs Reported EPS	Return on Invested Capital (ROIC)	FCF Yield	Price-to-EBV Ratio	Growth Appreciation Period (GAP)
Very Dangerous	Misleading Trend	Bottom Quintile	<-5%	>3.5 or -1<0	>50
Dangerous	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

Actual Values					
AAPL	\$6.14 vs. \$6.45	177%	6.3%	1.1	101
S&P 500 (SPY)	Positive EE	21%	3.7%	2.1	29
Russell 2000 (IWM)	Neutral EE	8%	-1.1%	4.8	62

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[Company Model](#)
[Download Report](#)

Click here for a [sample report](#).

Screeners

My Dashboard My Portfolio Ratings **Screeners** Blog

Stocks ETFs and Mutual Funds Custom Data

Select criteria:

Price <input type="text" value=""/> > = < \$ <input type="text"/>	Sector <input type="checkbox"/> Consumer Staples <input type="checkbox"/> Health Care <input type="checkbox"/> Materials <input type="checkbox"/> Financials <input type="checkbox"/> Information Technology <input type="checkbox"/> Industrials <input type="checkbox"/> Consumer Discretionary <input type="checkbox"/> Utilities <input type="checkbox"/> Energy <input type="checkbox"/> Telecom Services	Index <input type="checkbox"/> S&P 500 <input type="checkbox"/> Russell 1000 <input type="checkbox"/> Russell 2000 <input type="checkbox"/> Russell 3000
Market Value <input type="text" value=""/> > = < \$ <input type="text"/> MM		

▼ Less

Overall Rating <input type="checkbox"/> Very Attractive <input type="checkbox"/> Attractive <input type="checkbox"/> Neutral <input type="checkbox"/> Dangerous <input type="checkbox"/> Very Dangerous	ROIC <input type="text" value=""/> > = < <input type="text"/> %	FCF Yield <input type="text" value=""/> > = < <input type="text"/> %
	GAP <input type="text" value=""/> > = < <input type="text"/>	Price to EBV <input type="text" value=""/> > = < <input type="text"/>

☐ Positive Results Only

Filter

Ticker	Name	Sector	Price ¹	Market Value (MM)	Overall Rating	ROIC	Free Cash Flow Yield	Price to EBV	GAP	Analyst Notes ²	Add To Portfolio + Add All
SLM	SLM Corporation	Financials	\$9.11	\$3,905	Very Attractive	16.0%	242.2%	0.44	< 1	Large Divestiture	+
ENZN	Enzon Pharmaceuticals, Inc.	Health Care	\$1.00	\$44	Very Attractive	27.4%	157.3%	0.13	< 1		+
AGX	Argan Inc.	Industrials	\$32.13	\$460	Very Attractive	-	115.1%	0.67	< 1		+

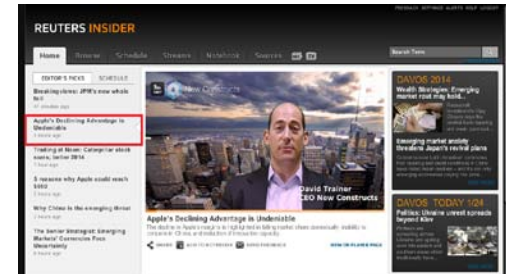
Clients Are Increasingly Sophisticated & Wary

- Millennials do not trust the stock market.
- They know they need protection.
- Constant media coverage reminds them.



Also featured in:

- ♦ Wall Street Journal
- ♦ The Week
- ♦ Barron's Online
- ♦ Greenwichtime.com
- ♦ Fortune Magazine
- ♦ Business Week



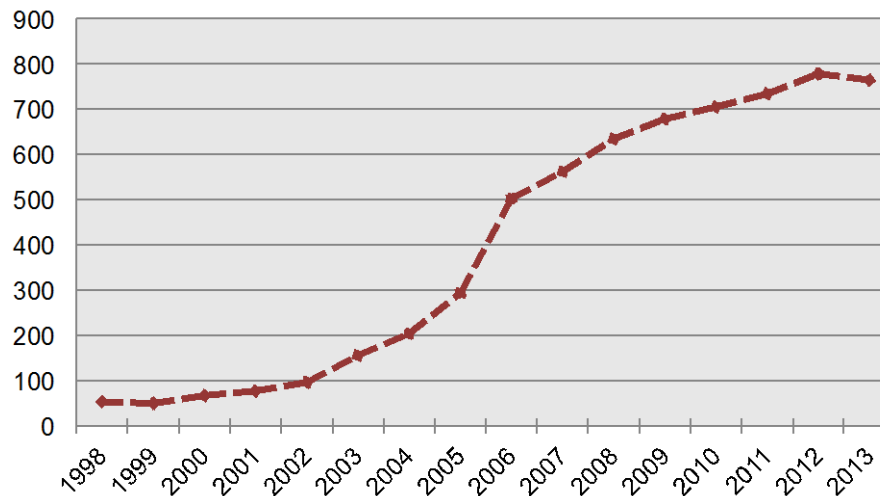
Is Anyone Paying Attention?

Flagging Missing Required Disclosures

6,353

Over the last 16 Years, we found 6353 filings that omitted disclosing the assumptions used to calculate Fair Value of the Employee Stock Options granted that year.

Filings With No ESO Assumptions



Overview/Background

Independent Proprietary Research & Diligence

New Constructs, LLC

- Founded July 2002
- Top-rated research by [Barron's](#)
- Deep, financial accounting expertise
- Patented research technology
- Footnotes expertise is a competitive advantage
- Integrated ratings for 3000 stocks, 400 ETFs and 7000 mutual funds

David Trainer:

Former auditor with Arthur Andersen and equity analyst at Credit-Suisse, Mr. Trainer is the CEO of New Constructs, LLC. He leverages his accounting and finance expertise with proprietary technology that gleans insights from over 70,000 10-K filings.

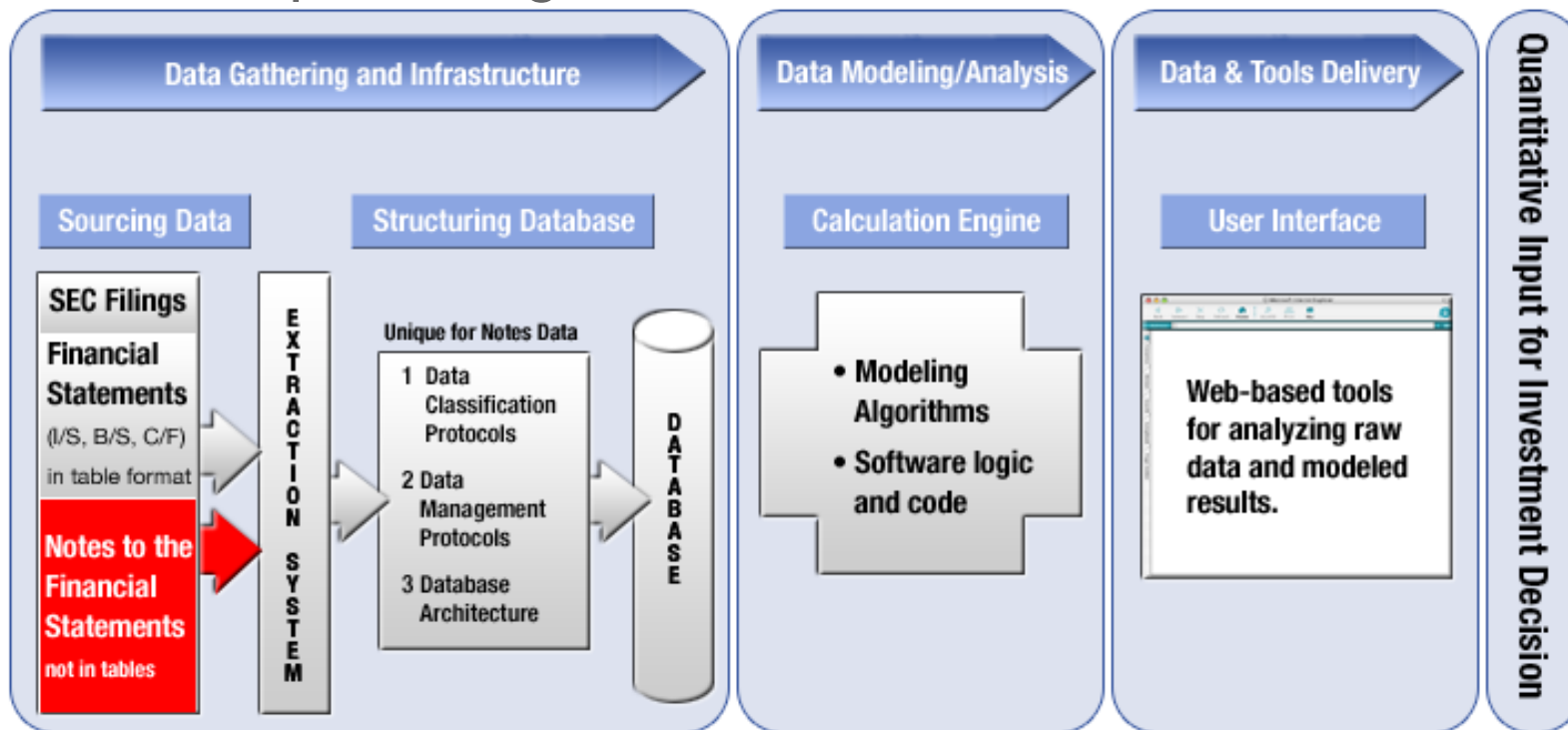
Mr. Trainer also serves on FASB's [Investor Advisory Committee](#), where he helps shape new and existing accounting rules. He has also advised the Senate Banking Committee and the subcommittee for Securities, Insurance and Investments.

He is a Wall Street veteran and corporate finance expert.

He is author of [Modern Tools for Valuation](#) (Wiley Finance 2010).

Proprietary Research Platform

Focus: Exploit Insights from Footnotes on 3000+ Stocks



Source: Novo Capital Management, LLC

Gathering and analyzing data from the *Notes to the Financial Statements* is key to better analysis and understanding of:

1. Profitability and
2. Valuation.

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