True Fund Costs: All Cap Growth Style

This report focuses on providing investors the true costs incurred when investing in All Cap Growth ETFs and mutual funds. A key component of our fund ratings, Total Annual Cost (TAC) accounts for all the costs borne by investors, including transaction costs and many other fees. Expense ratios often drastically understate the total cost of a fund.

Figure 1 shows the mutual funds in the All Cap Growth style whose expense ratios understate their TACs by the most.

Figure 1: Funds With Most Misleading Expense Ratios

Ticker	Name	Total Annual Costs (TAC)	Expense Ratio	Difference Between TAC & Expense Ratio
Mutual Funds: Most Misleading Expense Ratios				
SGFFX	Sparrow Growth Fund	7.16%	2.41%	**4.75%**
LGLAX	Lord Abbett Growth Leaders Fund	4.13%	0.85%	**3.28%**
TWMTX	Transamerica US Growth Fund	4.10%	0.86%	**3.24%**
SENAX	Wells Fargo Advantage Enterprise Fund	4.00%	1.18%	**2.82%**
DDDAX	Northern Lights 13D Activist Fund	4.57%	1.75%	**2.82%**

Source: New Constructs, LLC and company filings

There are no ETFs in the All Cap Growth style. Sparrow Growth Fund (SGFFX) has the most misleading expense ratio amongst mutual funds in the style as its expense ratio is 4.75 percentage points lower than its actual Total Annual Costs.

4.75 percentage points is a large difference. Over just ten years, 4.75% compounds to 59%. I think most investors would like to know about such a large additional cost before they put their money into SGFFX.

The key takeaway for fund investors here is that they should focus on the Total Annual Cost of funds rather than just the expense ratios, which can significantly understate the costs of being in a fund.

The average TAC for mutual funds is 2.01%. We recommend investors focus on funds with TACs that are below this average. See our ETF and mutual fund screener to get the TACs on 7200+ ETFs and mutual funds. I strongly recommend that investors avoid funds that charge far above-average TACs as it will be extremely difficult for these funds to consistently earn returns above a less-expensive benchmark.

Figure 2 shows the number of mutual funds with TACs above the average and below the average.

Figure 2: Number of Funds With Above and Below Average Total Annual Costs (TACs)

Mutual Funds With Below Average TACs	Mutual Funds With Above Average TACs
303	198

Source: New Constructs, LLC and company filings

We provide predictive fund ratings for 7200+ ETFs and mutual funds according to the quality of each fund's holdings (Portfolio Management Rating), its costs (Total Annual Costs Rating), and the fund's rank relative to every other ETF and mutual fund.

Our Best & Worst ETFs and Mutual Funds: All Cap Growth Style report reveals our predictive ratings on the best and worst funds in the style.

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

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