ETF & Mutual Fund Rankings: Large Cap Blend Style

The Large Cap Blend style ranks first out of the twelve fund styles as detailed in our 1Q17 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Large Cap Blend style ranked first as well. It gets our Attractive rating, which is based on an aggregation of ratings of 31 ETFs and 886 mutual funds in the Large Cap Blend style as of January 30, 2017. See a recap of our 4Q16 Style Ratings here.

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the style. Not all Large Cap Blend style ETFs and mutual funds are created the same. The number of holdings varies widely (from 16 to 1,383). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Large Cap Blend style should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2.

Here is our ETF and mutual fund rating methodology, which leverages our rigorous analysis of each fund's holdings. We think advisors and investors focused on prudent investment decisions should include analysis of fund holdings in their research process for ETFs and mutual funds.

Figure 1: ETFs with the Best & Worst Ratings – Top 5

Ticker	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best ETFs				
DLN	39%	37%	24%	**Very Attractive**
XLG	36%	35%	23%	**Very Attractive**
OEF	35%	36%	24%	**Very Attractive**
USMV	41%	43%	14%	**Very Attractive**
IWB	31%	36%	28%	**Very Attractive**
Worst ETFs				
PTLC	31%	36%	27%	**Attractive**
SYE	43%	17%	36%	**Attractive**
FMK	28%	42%	28%	**Attractive**
IBLN	27%	46%	34%	**Neutral**
EQAL	23%	37%	34%	**Neutral**

* Best ETFs exclude ETFs with TNAs less than $100 million for inadequate liquidity.

Sources: New Constructs, LLC and company filings

PowerShares S&P 500 Downside Hedged Portfolio (PHDG) is excluded from Figure 1 because its total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

Figure 2: Mutual Funds with the Best & Worst Ratings – Top 5

	Allocation of Mutual Fund Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Dangerous-or-worse Stocks**	**Predictive Rating**
Best Mutual Funds				
OALVX	44%	32%	18%	Very Attractive
OCLVX	44%	32%	18%	Very Attractive
PCINX	35%	31%	26%	Very Attractive
LMUSX	34%	35%	19%	Very Attractive
LMTIX	34%	35%	19%	Very Attractive
Worst Mutual Funds				
ICEFX	20%	33%	42%	Very Dangerous
UNCMX	20%	33%	42%	Very Dangerous
UNIBX	20%	33%	42%	Very Dangerous
WCEBX	20%	33%	42%	Very Dangerous
GPAFX	28%	32%	30%	Very Dangerous

* Best mutual funds exclude funds with TNAs less than $100 million for inadequate liquidity.

Sources: New Constructs, LLC and company filings

WisdomTree Large Cap Dividend Fund (DLN) is the top-rated Large Cap Blend ETF and Optimum Large Cap Value (OALVX) is the top-rated Large Cap Blend mutual fund. Both earn a Very Attractive rating.

PowerShares Russell 1000 Equal Weight Portfolio (EQAL) is the worst rated Large Cap Blend ETF and Victory RS Large Cap Alpha Fund (GPAFX) is the worst rated Large Cap Blend mutual fund. EQAL earns a Neutral rating and GPAFX earns a Very Dangerous rating

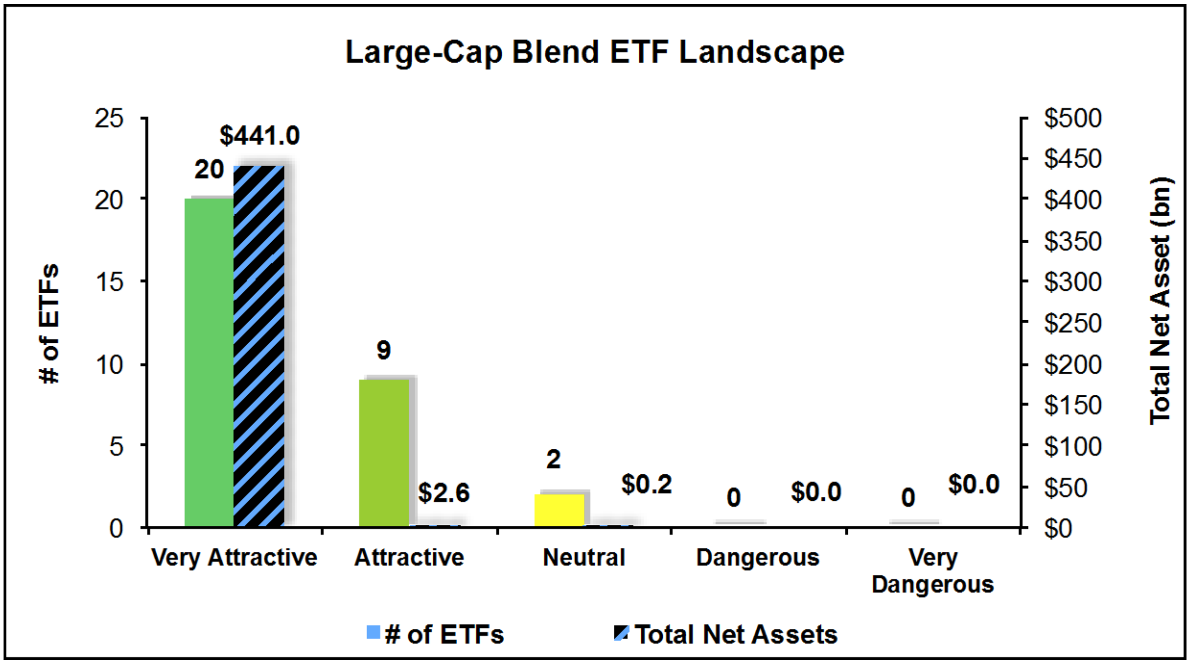
The Danger Within

Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's says on this matter.

PERFORMANCE OF HOLDINGs = PERFORMANCE OF FUND

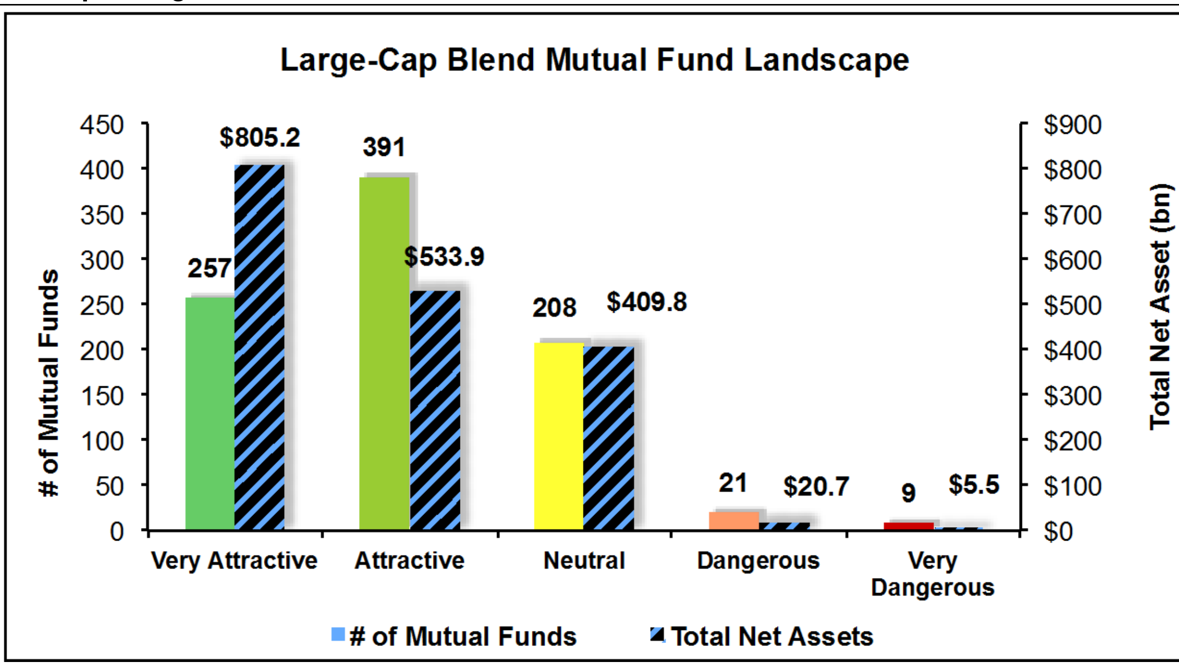
Figures 3 and 4 show the rating landscape of all Large Cap Blend ETFs and mutual funds.

Figure 3: Separating the Best ETFs From the Worst Funds



Sources: New Constructs, LLC and company filings

Figure 4: Separating the Best Mutual Funds From the Worst Funds



Sources: New Constructs, LLC and company filings

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

New Constructs® – Profile

How New Constructs Creates Value for Clients

We find it. You benefit. Cutting-edge technology enables us to scale our forensic accounting expertise across 3000+ stocks. We shine a light in the dark corners of SEC filings so our clients can make safer, more informed decisions.
Our stock rating methodology instantly informs you of the quality of the business and the fairness of the stock's valuation. We do the diligence on earnings quality and valuation so you don't have to.

In-depth risk/reward analysis underpins our ratings. Our rating methodology grades every stock, ETF, and mutual fund according to what we believe are the 5 most important criteria for assessing the quality of an equity. Each grade reflects the balance of potential risk and reward of buying that equity. Our analysis results in the 5 ratings described below. Very Attractive and Attractive correspond to a "Buy" rating, Very Dangerous and Dangerous correspond to a "Sell" rating, while Neutral corresponds to a "Hold" rating.

QUESTION: Why shouldn't fund research be as good as stock research? Why should fund investors rely on backward-looking price trends?
ANSWER: They should not.

Don't judge a fund by its cover. Take a look inside at its holdings and understand the quality of earnings and valuation of the stocks it holds. We enable you to choose the best fund based on its stock-picking merits so you do not have to rely solely on backward-looking technical metrics.

The drivers of our forward-looking fund ratings are Portfolio Management (i.e. the aggregated ratings of its holdings) and Total Annual Costs. The Total Annual Costs Rating (details here) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all fund investors.

Our Philosophy About Research

Accounting data is not designed for equity investors, but for debt investors. Accounting data must be translated into economic earnings to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. Economic earnings are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

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