ETF & Mutual Fund Rankings: Large Cap Value Style

The Large Cap Value style ranks third out of the twelve fund styles as detailed in our 2Q17 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Large Cap Value style ranked third as well. It gets our Neutral rating, which is based on an aggregation of ratings of 47 ETFs and 918 mutual funds in the Large Cap Value style as of April 25, 2017. See a recap of our 1Q17 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 Value style ETFs and mutual funds are created the same. The number of holdings varies widely (from 20 to 884). This variation creates drastically different investment implications and, therefore, ratings.

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

Our robo-analyst technology empowers our unique 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

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Dangerous-or-worse Stocks**	**Predictive Rating**
Best ETFs				
FDL	40%	53%	7%	Very Attractive
RDIV	29%	57%	14%	Very Attractive
DTN	33%	42%	18%	Very Attractive
DTD	37%	44%	18%	Very Attractive
JKF	49%	35%	16%	Very Attractive
Worst ETFs				
DVY	19%	58%	22%	Neutral
PEY	25%	48%	27%	Neutral
WBIG	42%	35%	15%	Neutral
PXLV	33%	40%	27%	Neutral
SCHV	37%	43%	19%	Neutral

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

Sources: New Constructs, LLC and company filings

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				
CDIVX	33%	51%	12%	Very Attractive
LMMRX	36%	39%	13%	Very Attractive
LBRIX	36%	39%	13%	Very Attractive
LCBOX	36%	39%	13%	Very Attractive
SOPYX	36%	39%	13%	Very Attractive
Worst Mutual Funds				
NRIGX	9%	8%	66%	Very Dangerous
HCMNX	40%	33%	26%	Very Dangerous
HCMWX	40%	33%	26%	Very Dangerous
NRGUX	9%	8%	66%	Very Dangerous
NRGDX	9%	8%	66%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

FundVantage Quality Dividend Fund (QDVIX, QDVCX) is excluded from Figure 2 because its total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

First Trust Morningstar Dividend Leaders Index Fund (FDL) is the top-rated Large Cap Value ETF and Copeland Risk Managed Dividend Growth Fund (CDIVX) is the top-rated Large Cap Value mutual fund. Both earn a Very Attractive rating.

Schwab US Large-Cap Value ETF (SCHV) is the worst rated Large Cap Value ETF and Integrity Energized Dividend Fund (NRGDX) is the worst rated Large Cap Value mutual fund. SCHV earns a Neutral rating and NRGDX earns a Very Dangerous rating.

The Danger Within

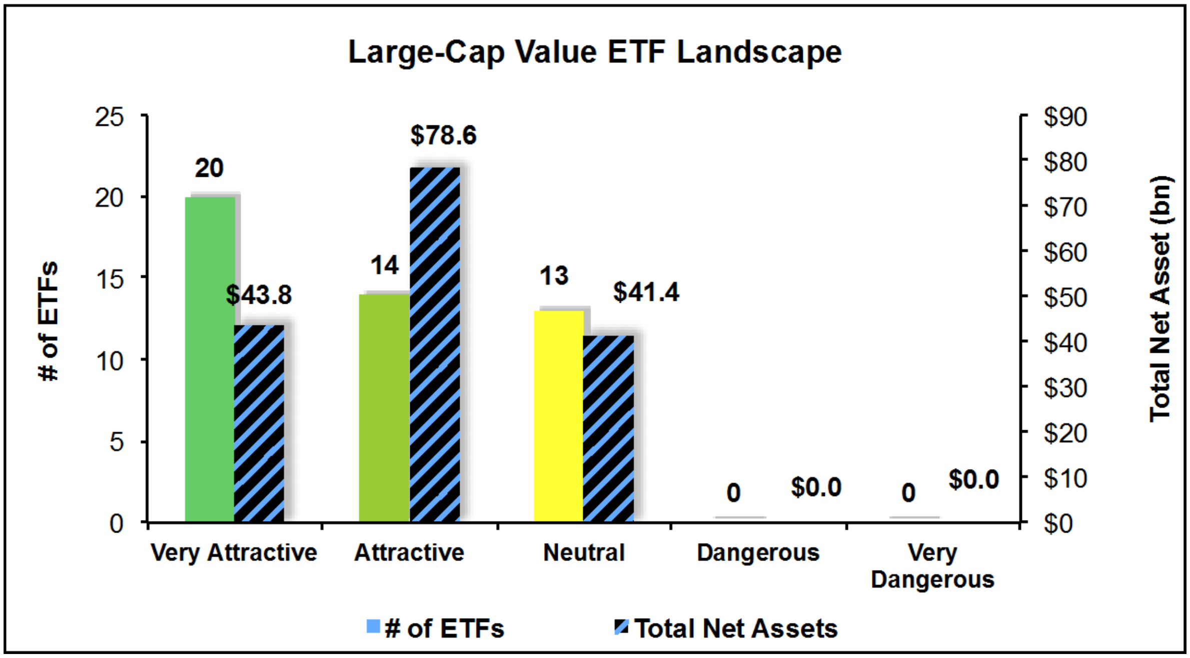
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

PERFORMANCE OF HOLDINGs = PERFORMANCE OF FUND

Analyzing each holding within funds is no small task. Our robo-analyst technology enables us to perform this diligence with scale and provide the research needed to fulfill the fiduciary duty of care. More of the biggest names in the financial industry (see At BlackRock, Machines Are Rising Over Managers to Pick Stocks) are now embracing technology to leverage machines in the investment research process. Technology may be the only solution to the dual mandate for research: cut costs and fulfill the fiduciary duty of care. Investors, clients, advisors and analysts deserve the latest in technology to get the diligence required to make prudent investment decisions.

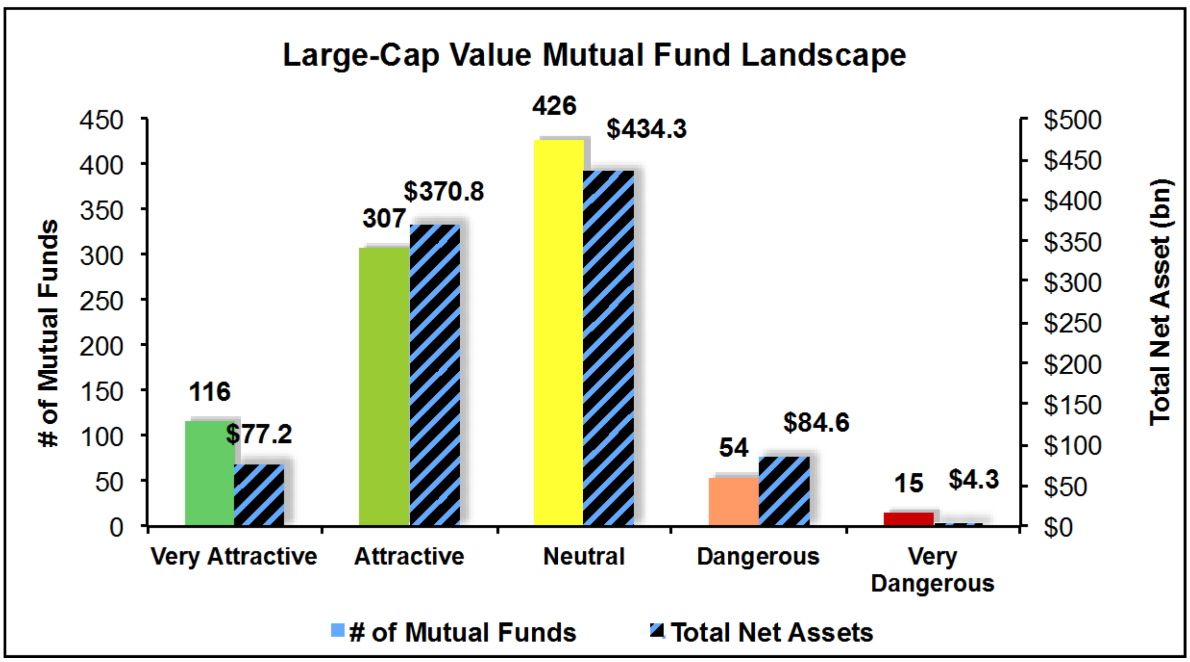
Figures 3 and 4 show the rating landscape of all Large Cap Value ETFs and mutual funds.

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 and Kyle Guske II receive no compensation to write about any specific stock, style, or theme.

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Ratings & screeners on 3000 stocks, 450 ETFs and 7000 mutual funds help you make prudent investment decisions.

New Constructs leverages the latest in machine learning to analyze structured and unstructured financial data with unrivaled speed and accuracy. The firm's forensic accounting experts work alongside engineers to develop proprietary NLP libraries and financial models. Our investment ratings are based on the best fundamental data in the business for stocks, ETFs and mutual funds. Clients include many of the top hedge funds, mutual funds and wealth management firms. David Trainer, the firm's CEO, is regularly featured in the media as a thought leader on the fiduciary duty of care, earnings quality, valuation and investment strategy.

To fulfill the Duty of Care, research should be:

1. **Comprehensive** - All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including footnotes and the management discussion & analysis (MD&A).
2. **Un-conflicted** - Clients deserve unbiased research.
3. **Transparent** - Advisors should be able to show how the analysis was performed and the data behind it.
4. **Relevant** - Empirical evidence must provide tangible, quantifiable correlation to stock, ETF or mutual fund performance.

Value Investing 2.0: Diligence Matters: Technology is Key to Value Investing With Scale

Accounting data is only the beginning of fundamental research. It must be translated into economic earnings to truly understand profitability and valuation. This translation requires deep analysis of footnotes and the MD&A, a process that our robo-analyst technology empowers us to perform for thousands of stocks, ETFs and mutual funds.

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