New Constructs®

Diligence | Independence | Performance

BEST & WORST FUNDS

4/26/17

ETF & Mutual Fund Rankings: Mid Cap Growth Style

The Mid Cap Growth style ranks tenth out of the twelve fund styles as detailed in our 2Q17 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Mid Cap Growth style ranked eleventh. It gets our Dangerous rating, which is based on an aggregation of ratings of 9 ETFs and 354 mutual funds in the Mid Cap Growth style as of April 25, 2017. See a recap of our 1Q17 Style Ratings here.

Figure 1 ranks from best to worst all nine Mid Cap Growth ETFs and Figure 2 shows the five best and worst rated Mid Cap Growth mutual funds. Not all Mid Cap Growth style ETFs and mutual funds are created the same. The number of holdings varies widely (from 18 to 1678). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Mid Cap Growth 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

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Dangerous-or-worse Stocks**	**Predictive Rating**
Best ETFs (only 4)				
BFOR	34%	41%	11%	**Very Attractive**
MDYG	27%	44%	24%	**Neutral**
IVOG	27%	43%	24%	**Neutral**
IJK	27%	43%	25%	**Neutral**
Worst ETFs				
PXMG	21%	40%	33%	**Neutral**
FNY	21%	44%	29%	**Neutral**
DWAQ	29%	39%	27%	**Neutral**
JKH	14%	42%	39%	**Dangerous**
VOT	21%	35%	40%	**Dangerous**

* 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

Ticker	Allocation of Mutual Fund Holdings: Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best Mutual Funds				
ERSMX	28%	48%	15%	Attractive
EISMX	28%	45%	15%	Attractive
ERASX	28%	45%	15%	Attractive
MCMAX	45%	34%	17%	Attractive
RYBHX	29%	43%	21%	Attractive
Worst Mutual Funds				
PYSAX	6%	9%	64%	Very Dangerous
HSOAX	16%	29%	40%	Very Dangerous
TWNAX	15%	24%	33%	Very Dangerous
ALMAX	7%	29%	41%	Very Dangerous
FRSDX	14%	39%	42%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

Bright Rock Mid Cap Growth Fund (BQMGX), Papp Small & Mid Cap Growth Fund (PAPPX), and Virtus Mid Cap Core Fund (VIMCX) are excluded from the best mutual funds in Figure 2 because their total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

Barron's 400 ETF (BFOR) is the top-rated Mid Cap Growth ETF and Eaton Vance Atlanta Capital SMID-Cap Fund (ERSMX) is the top-rated Mid Cap Growth mutual fund. BFOR earns a Very Attractive rating and ERSMX earns an Attractive rating.

Vanguard Mid-Cap Growth ETF (VOT) is the worst rated Mid Cap Growth ETF and Dreyfus Mid-Cap Growth Fund (FRSDX) is the worst rated Mid Cap Growth mutual fund. VOT earns a Dangerous rating and FRSDX earns a Very Dangerous rating.

The Danger Within

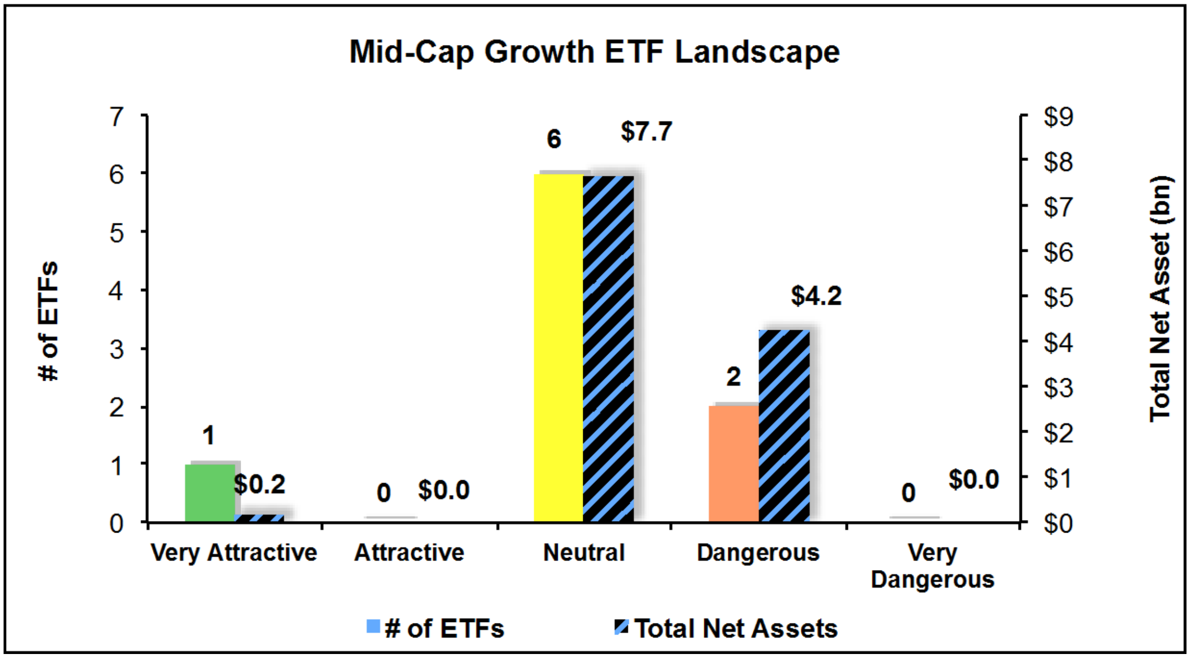
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

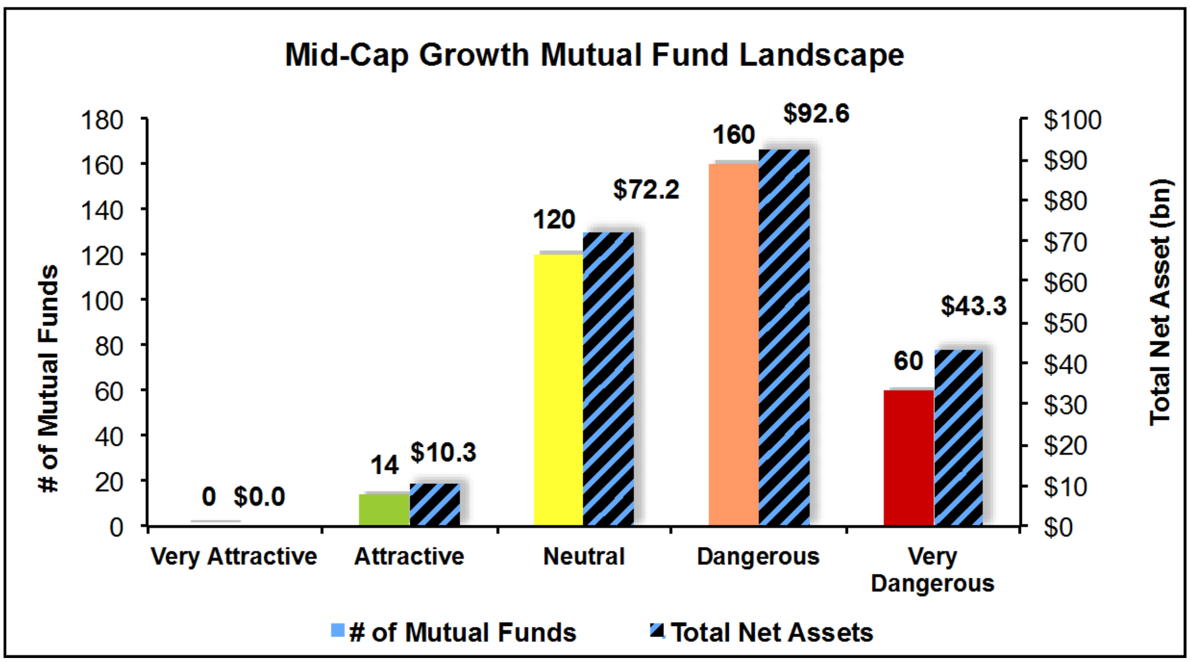
Figures 3 and 4 show the rating landscape of all Mid Cap Growth ETFs and mutual funds.

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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