ETF & Mutual Fund Rankings: Large Cap Growth Style

The Large Cap Growth style ranks fifth out of the twelve fund styles as detailed in our 3Q17 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Large Cap Growth style ranked fourth. It gets our Neutral rating, which is based on an aggregation of ratings of 17 ETFs and 655 mutual funds in the Large Cap Growth style as of July 25, 2017. See a recap of our 2Q17 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 Growth style ETFs and mutual funds are created the same. The number of holdings varies widely (from 20 to 1149). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Large 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 – Top 5

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Unattractive-or-worse Stocks**	**Predictive Rating**
Best ETFs				
QQQ	34%	40%	26%	**Attractive**
PWB	33%	45%	20%	**Attractive**
IWF	28%	49%	22%	**Attractive**
IWY	33%	51%	16%	**Attractive**
IVW	28%	51%	21%	**Attractive**
Worst ETFs				
SCHG	29%	44%	26%	**Attractive**
URTH	22%	30%	19%	**Attractive**
MTUM	25%	53%	21%	**Attractive**
PXLG	27%	41%	31%	**Neutral**
JKE	28%	43%	29%	**Neutral**

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

Sources: New Constructs, LLC and company filings

State Street SPDR MSCI World Strategic Factors ETF (QWLD) 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

Ticker	Allocation of Mutual Fund Holdings: Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	Predictive Rating
Best Mutual Funds				
PPIIX	33%	47%	1%	Very Attractive
APGYX	31%	52%	7%	Very Attractive
CIEYX	28%	57%	9%	Very Attractive
CEYIX	28%	57%	9%	Very Attractive
ALLIX	31%	52%	7%	Very Attractive
Worst Mutual Funds				
TSNAX	16%	37%	46%	Very Unattractive
OTPIX	16%	18%	11%	Very Unattractive
PLACX	13%	24%	20%	Very Unattractive
IALAX	14%	33%	46%	Very Unattractive
IACBX	14%	33%	46%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Archer Dividend Growth Fund (ARDGX) is excluded from Figure 2 because its total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

PowerShares QQQ Trust (QQQ) is the top-rated Large Cap Growth ETF and Principal Funds Large Cap Growth Fund II (PPIIX) is the top-rated Large Cap Growth mutual fund. QQQ earns an Attractive rating and PPIIX earns a Very Attractive rating.

iShares Morningstar Large Cap Growth ETF (JKE) is the worst rated Large Cap Growth ETF and Transamerica Capital Growth (IACBX) is the worst rated Large Cap Growth mutual fund. JKE earns a Neutral rating and IACBX earns a Very Unattractive rating.

The Danger Within

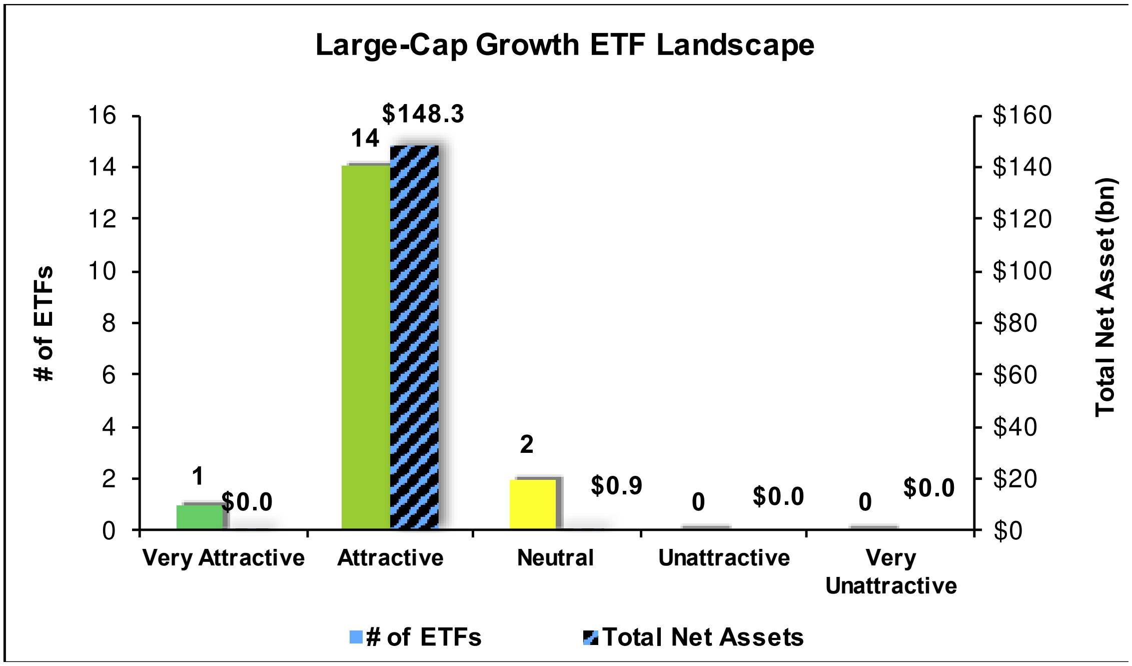
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

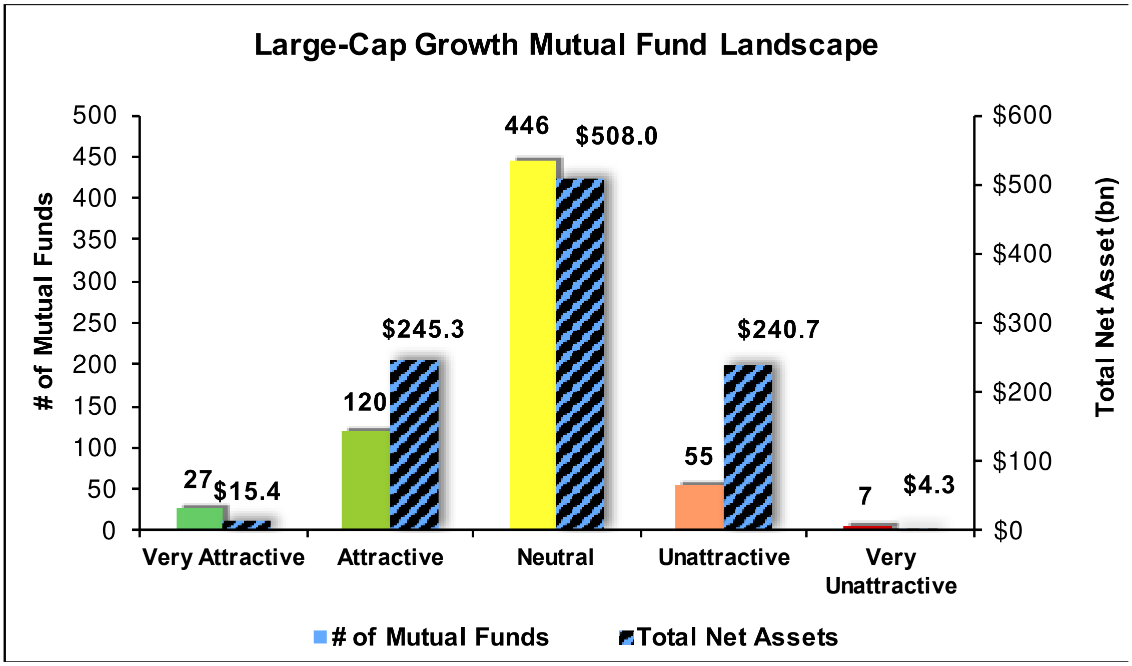
Figures 3 and 4 show the rating landscape of all Large Cap Growth ETFs and mutual funds.

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

This article originally published on July 26, 2017.

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

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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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