



Investment Style Ratings for ETFs, Mutual Funds & Stocks

At the beginning of the fourth quarter of 2019, only the Large Cap Blend, Large Cap Value, and All Cap Blend styles earn Attractive-or-better ratings. Our style ratings are based on the normalized aggregation of our fund ratings for every ETF and mutual fund in each style. Our fund ratings are based on aggregations of the ratings of the stocks they hold. See last quarter's Style Ratings [here](#).

Investors looking for style funds that hold quality stocks should look no further than the Large Cap Value and Large Cap Blend styles. These styles house a large portion of the highest rated funds. Figures 4 through 7 provide more details. The primary driver behind an Attractive fund rating is good [portfolio management](#), or good stock picking, with low [total annual costs](#).

Attractive-or-better ratings do not always correlate with Attractive-or-better total annual costs. This fact underscores that (1) [cheap funds can dupe investors](#) and (2) investors should invest only in funds with good stocks and low fees.

Our [Robo-Analyst technology](#)¹ empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.² Only our research utilizes the superior data and earnings adjustments featured by the HBS & MIT Sloan paper, "[Core Earnings: New Data and Evidence](#)."

Get the best fundamental research

See Figures 4 through 13 for a detailed breakdown of ratings distributions by investment style. See our [ETF & mutual fund screener](#) for rankings, ratings and reports on 6800+ mutual funds and 400+ ETFs. Our fund rating methodology is detailed [here](#).

All of our reports on the best & worst ETFs and mutual funds in every investment style are available [here](#).

Figure 1: Ratings for All Investment Styles

| Style | Overall Rating |
|------------------|-------------------|
| Small Cap Growth | Very Unattractive |
| Mid Cap Growth | Unattractive |
| Small Cap Value | Unattractive |
| Mid Cap Value | Neutral |
| Small Cap Blend | Neutral |
| All Cap Growth | Neutral |
| Mid Cap Blend | Neutral |
| Large Cap Growth | Neutral |
| All Cap Value | Neutral |
| All Cap Blend | Attractive |
| Large Cap Value | Attractive |
| Large Cap Blend | Very Attractive |

Source: New Constructs, LLC and company filings

To earn an Attractive-or-better Predictive Rating, an ETF or mutual fund must have high-quality holdings and low costs. Only the top 30% of all ETFs and mutual funds earn our Attractive or better rating.

¹ Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).

² This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

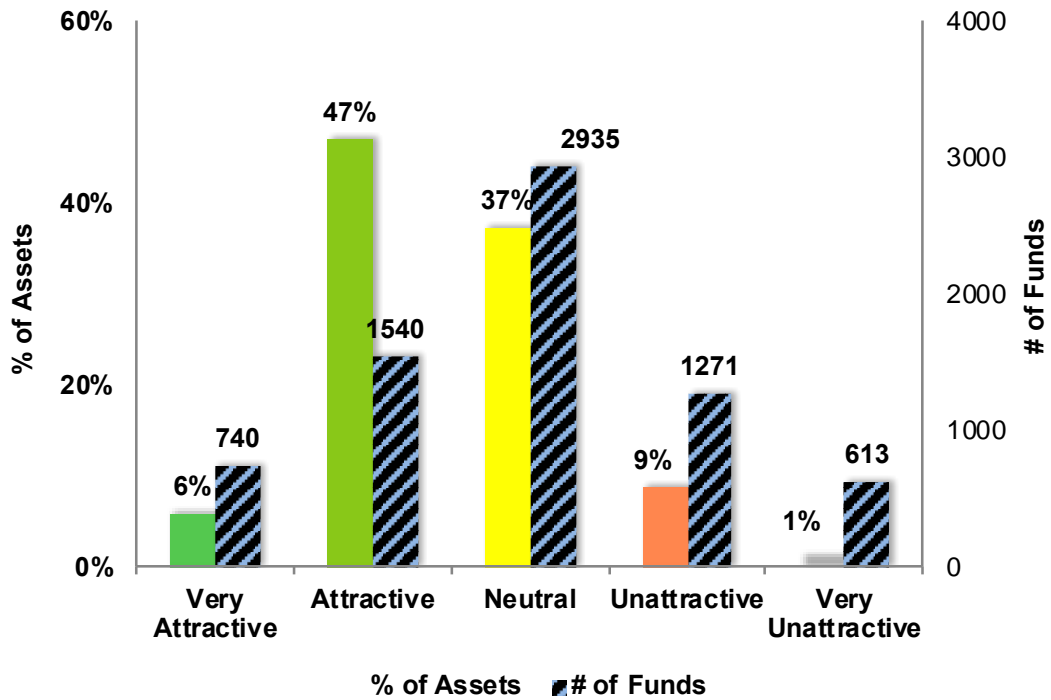


Invesco S&P 500 Quality ETF (SPHQ) is the top rated Large Cap Blend ETF or mutual fund. It gets our Very Attractive rating by allocating over 36% of its value to Attractive-or-better-rated stocks.

Dunham Small Cap Growth Fund (DADGX) is the worst rated Small Cap Growth fund. It gets our Very Unattractive rating by allocating over 62% of its value to Unattractive-or-worse-rated stocks. Making matters worse, it charges investors total annual costs of 5.71%.

Figure 2 shows the distribution of our Predictive Ratings for all investment style ETFs and mutual funds.

Figure 2: Distribution of ETFs & Mutual Funds (Assets and Count) by Predictive Rating



Source: New Constructs, LLC and company filings

Figure 3 offers additional details on the quality of the investment style funds. Note that the average total annual cost of Very Unattractive funds is over four times that of Very Attractive funds.

Figure 3: Predictive Rating Distribution Stats

| | Very Attractive | Attractive | Neutral | Unattractive | Very Unattractive |
|-------------------|-----------------|------------|---------|--------------|-------------------|
| # of ETFs & Funds | 740 | 1540 | 2935 | 1271 | 613 |
| % of ETFs & Funds | 10% | 22% | 41% | 18% | 9% |
| % of TNA | 6% | 47% | 37% | 9% | 1% |
| Avg TAC | 0.59% | 0.22% | 1.01% | 1.46% | 2.46% |

* Avg TAC = Weighted Average Total Annual Costs

Source: New Constructs, LLC and company filings

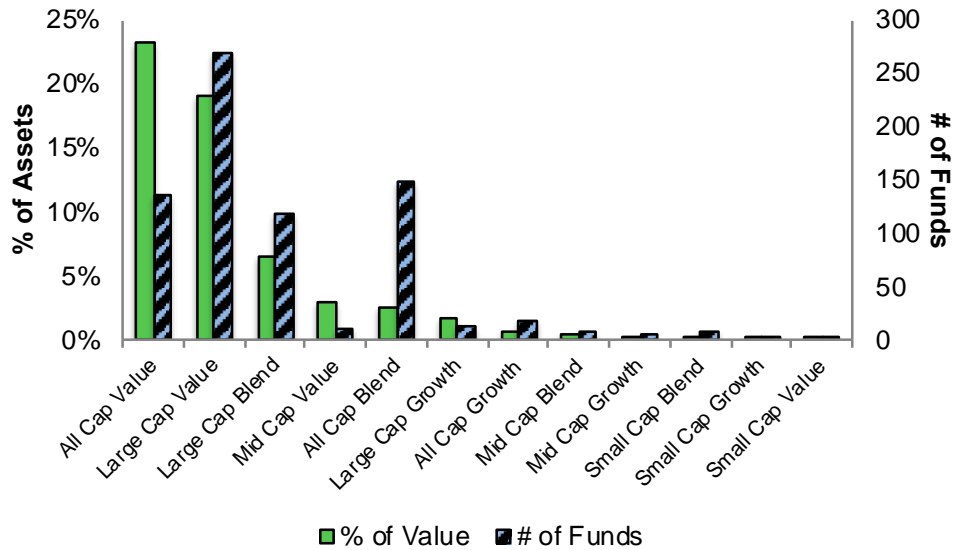
This table shows that only the best of the best funds get our Very Attractive Rating: they must hold good stocks AND have low costs. Investors deserve to have the best of both and we are here to give it to them.



Ratings by Investment Style

Figure 4 presents a mapping of Very Attractive funds by investment style. The chart shows the number of Very Attractive funds in each style and the percentage of assets allocated to Very Attractive-rated funds.

Figure 4: Very Attractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 5 presents the data charted in Figure 4.

Figure 5: Very Attractive ETFs & Mutual Funds by Investment Style

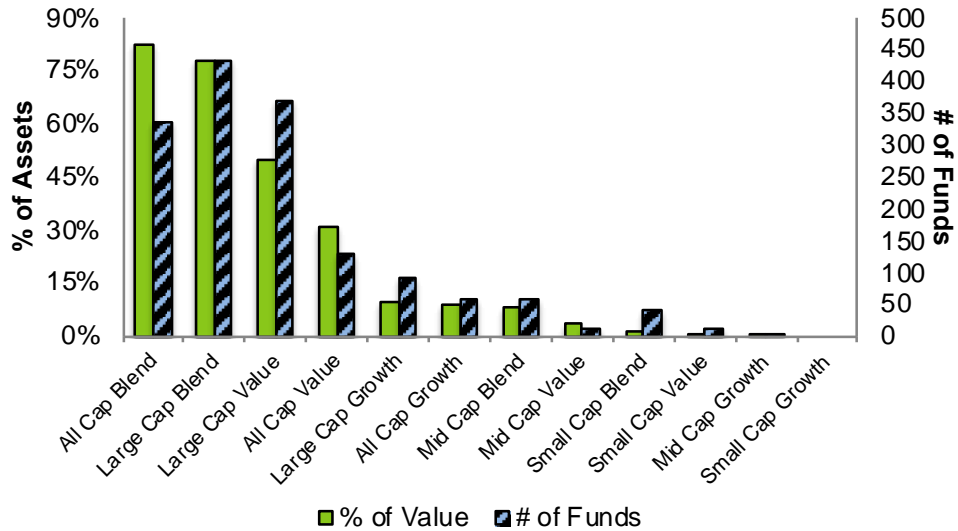
| Style | % of Style Assets | # of Very Attractive Funds | % of Very Attractive Funds in Style |
|------------------|-------------------|----------------------------|-------------------------------------|
| All Cap Value | 23% | 137 | 30% |
| Large Cap Value | 19% | 268 | 28% |
| Large Cap Blend | 7% | 119 | 16% |
| Mid Cap Value | 3% | 11 | 6% |
| All Cap Blend | 3% | 150 | 15% |
| Large Cap Growth | 2% | 13 | 2% |
| All Cap Growth | 1% | 18 | 3% |
| Mid Cap Blend | 0% | 8 | 2% |
| Mid Cap Growth | 0% | 5 | 1% |
| Small Cap Blend | 0% | 8 | 1% |
| Small Cap Growth | 0% | 2 | 0% |
| Small Cap Value | 0% | 1 | 0% |

Source: New Constructs, LLC and company filings



Figure 6 presents a mapping of Attractive funds by investment style. The chart shows the number of Attractive funds in each style and the percentage of assets allocated to Attractive-rated funds.

Figure 6: Attractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 7 presents the data charted in Figure 6.

Figure 7: Attractive ETFs & Mutual Funds by Investment Style

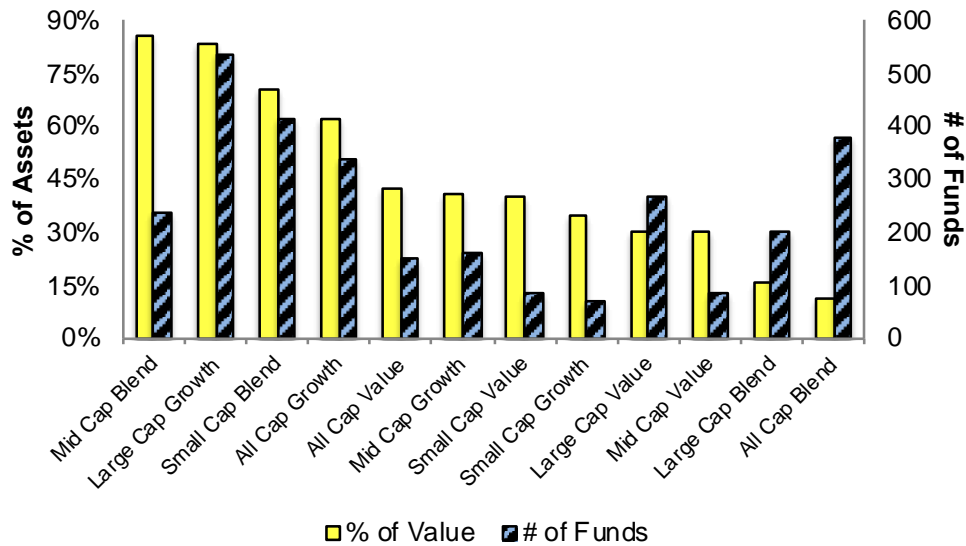
| Style | % of Style Assets | # of Attractive Funds | % of Attractive Funds in Style |
|------------------|-------------------|-----------------------|--------------------------------|
| All Cap Blend | 82% | 337 | 34% |
| Large Cap Blend | 78% | 434 | 57% |
| Large Cap Value | 50% | 372 | 39% |
| All Cap Value | 31% | 130 | 28% |
| Large Cap Growth | 9% | 91 | 13% |
| All Cap Growth | 9% | 57 | 10% |
| Mid Cap Blend | 8% | 57 | 14% |
| Mid Cap Value | 4% | 10 | 6% |
| Small Cap Blend | 2% | 40 | 5% |
| Small Cap Value | 0% | 10 | 4% |
| Mid Cap Growth | 0% | 2 | 1% |
| Small Cap Growth | 0% | 0 | 0% |

Source: New Constructs, LLC and company filings



Figure 8 presents a mapping of Neutral funds by investment style. The chart shows the number of Neutral funds in each style and the percentage of assets allocated to Neutral-rated funds.

Figure 8: Neutral ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 9 presents the data charted in Figure 8.

Figure 9: Neutral ETFs & Mutual Funds by Investment Style

| Style | % of Style Assets | # of Neutral Funds | % of Neutral Funds in Style |
|------------------|-------------------|--------------------|-----------------------------|
| Mid Cap Blend | 86% | 240 | 60% |
| Large Cap Growth | 84% | 534 | 74% |
| Small Cap Blend | 71% | 415 | 48% |
| All Cap Growth | 62% | 341 | 60% |
| All Cap Value | 43% | 150 | 32% |
| Mid Cap Growth | 41% | 162 | 41% |
| Small Cap Value | 41% | 86 | 37% |
| Small Cap Growth | 35% | 72 | 13% |
| Large Cap Value | 31% | 269 | 28% |
| Mid Cap Value | 31% | 86 | 48% |
| Large Cap Blend | 16% | 201 | 26% |
| All Cap Blend | 12% | 379 | 38% |

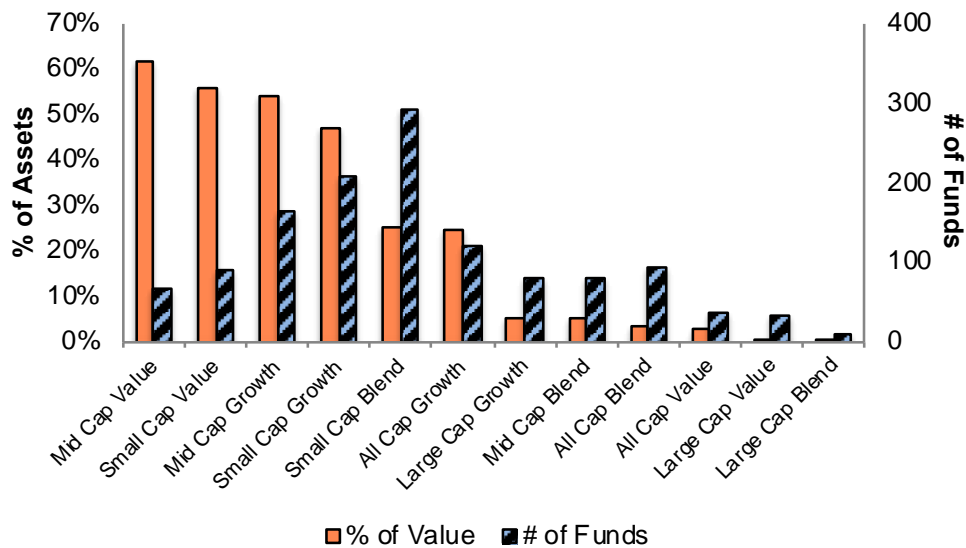
Source: New Constructs, LLC and company filings



Figure 10 presents a mapping of Unattractive funds by investment style. The chart shows the number of Unattractive funds in each style and the percentage of assets allocated to Unattractive-rated funds.

The landscape of style ETFs and mutual funds is littered with Unattractive funds. Investors in Mid Cap Value have put over 62% of their assets in Unattractive-rated funds.

Figure 10: Unattractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 11 presents the data charted in Figure 10.

Figure 11: Unattractive ETFs & Mutual Funds by Investment Style

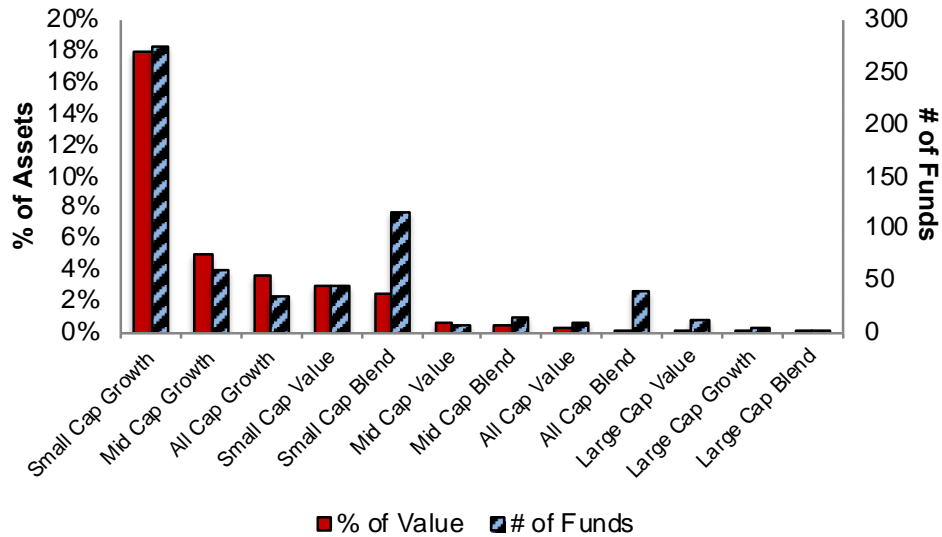
| Style | % of Style Assets | # of Unattractive Funds | % of Unattractive Funds in Style |
|------------------|-------------------|-------------------------|----------------------------------|
| Mid Cap Value | 62% | 65 | 36% |
| Small Cap Value | 56% | 90 | 39% |
| Mid Cap Growth | 54% | 165 | 42% |
| Small Cap Growth | 47% | 208 | 37% |
| Small Cap Blend | 25% | 292 | 34% |
| All Cap Growth | 24% | 120 | 21% |
| Large Cap Growth | 5% | 81 | 11% |
| Mid Cap Blend | 5% | 80 | 20% |
| All Cap Blend | 3% | 92 | 9% |
| All Cap Value | 3% | 36 | 8% |
| Large Cap Value | 1% | 33 | 3% |
| Large Cap Blend | 0% | 9 | 1% |

Source: New Constructs, LLC and company filings



Figure 12 presents a mapping of Very Unattractive funds by investment style. The chart shows the number of Very Unattractive funds in each style and the percentage of assets allocated to Very Unattractive-rated funds.

Figure 12: Very Unattractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 13 presents the data charted in Figure 12.

Figure 13: Very Unattractive ETFs & Mutual Funds by Investment Style

| Style | % of Style Assets | # of Very Unattractive Funds | % of Very Unattractive Funds in Style |
|------------------|-------------------|------------------------------|---------------------------------------|
| Small Cap Growth | 18% | 273 | 49% |
| Mid Cap Growth | 5% | 59 | 15% |
| All Cap Growth | 4% | 35 | 6% |
| Small Cap Value | 3% | 44 | 19% |
| Small Cap Blend | 2% | 114 | 13% |
| Mid Cap Value | 1% | 7 | 4% |
| Mid Cap Blend | 0% | 14 | 4% |
| All Cap Value | 0% | 10 | 2% |
| All Cap Blend | 0% | 40 | 4% |
| Large Cap Value | 0% | 12 | 1% |
| Large Cap Growth | 0% | 3 | 0% |
| Large Cap Blend | 0% | 2 | 0% |

Source: New Constructs, LLC and company filings

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

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Appendix: Predictive Fund Rating System

New Constructs' [Predictive fund Ratings](#) enable smarter investing by assessing the key drivers of future fund performance. We start by analyzing every funds' holdings based on New Constructs' stock ratings, which are regularly featured as among the [best by Barron's](#). Next, we measure and rank the all-in fund expenses. Finally, we rank the fund compared to all other funds to identify the best and worst funds in the market.

Intuitively, there are two drivers for future fund performance.

1. Stock-picking ([Portfolio Management Rating](#)) and
2. Fund expenses ([Total Annual Costs Rating](#))

Our Predictive Fund Rating is based on these drivers and the fund's ranking:

1. Top 10% = Very Attractive Rating
2. Next 20% = Attractive Rating
3. Next 40% = Neutral Rating
4. Next 20% = Unattractive Rating
5. Bottom 10% = Very Unattractive Rating

The figure below details the criteria that drive our Predictive Rating system for funds. The two drivers of our predictive ratings system are Portfolio Management and Total Annual Costs. The Portfolio Management ratings (detail [here](#)) is the same as our Stock Rating (detail [here](#)) except that we incorporate Asset Allocation (details [here](#)). The Total Annual Costs Ratings (details [here](#)) captures the all-in costs of being in a fund over a 3-year holding period, the average period for all mutual funds.

| Predictive Rating | Portfolio Management Rating | | | | | Cash Allocation | Total Annual Costs |
|--------------------------|-----------------------------|----------------------------|-----------|------------------------------|-----------------------------------|-----------------|--------------------|
| | Business Strength | | Valuation | | | | |
| | Quality of Earnings | Return on Invested Capital | FCF Yield | Price to Economic Book Value | Market-Implied Duration of Growth | | |
| Very Unattractive | Misleading Trend | Bottom Quintile | < -5% | >3.5 or -1<0 | > 50 | > 20% | > 4 % |
| Unattractive | False Positive | 4th Quintile | -5% < -1% | 2.4<3.5 or <-1 | 20 < 50 | 8% < 20% | 2% < 4% |
| Neutral | Neutral EE | 3rd Quintile | -1% < 3% | 1.6 < 2.4 | 10 < 20 | 2.5% < 8% | 1% < 2% |
| Attractive | Positive EE | 2nd Quintile | 3% < 10% | 1.1 < 1.6 | 3 < 10 | 1% < 2.5% | 0.5% < 1% |
| Very Attractive | Rising EE | Top Quintile | > 10% | 0 < 1.1 | 0 < 3 | <1% | < 0.5% |



New Constructs® - Research to Fulfill the Fiduciary Duty of Care

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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