



Investment Style Ratings for ETFs, Mutual Funds & Stocks

At the beginning of the fourth quarter of 2020, only the Large Cap Value, Large Cap Blend, and All Cap Value 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, Large Cap Blend, and All Cap Value 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](#)."

[Learn more about 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
Large Cap Value	Very Attractive
Large Cap Blend	Attractive
All Cap Value	Attractive
All Cap Blend	Neutral
Mid Cap Value	Neutral
Large Cap Growth	Neutral
Mid Cap Blend	Neutral
Small Cap Value	Neutral
All Cap Growth	Neutral
Small Cap Blend	Unattractive
Mid Cap Growth	Unattractive
Small Cap Growth	Very Unattractive

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.

Ariel Investment Global Fund (AGLYX) is the top rated Large Cap Value fund. It gets our Very Attractive rating by

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 Compare our analytics on a mega cap company to Bloomberg and Capital IQ's (SPGI) analytics in the [detailed appendix of this paper](#).

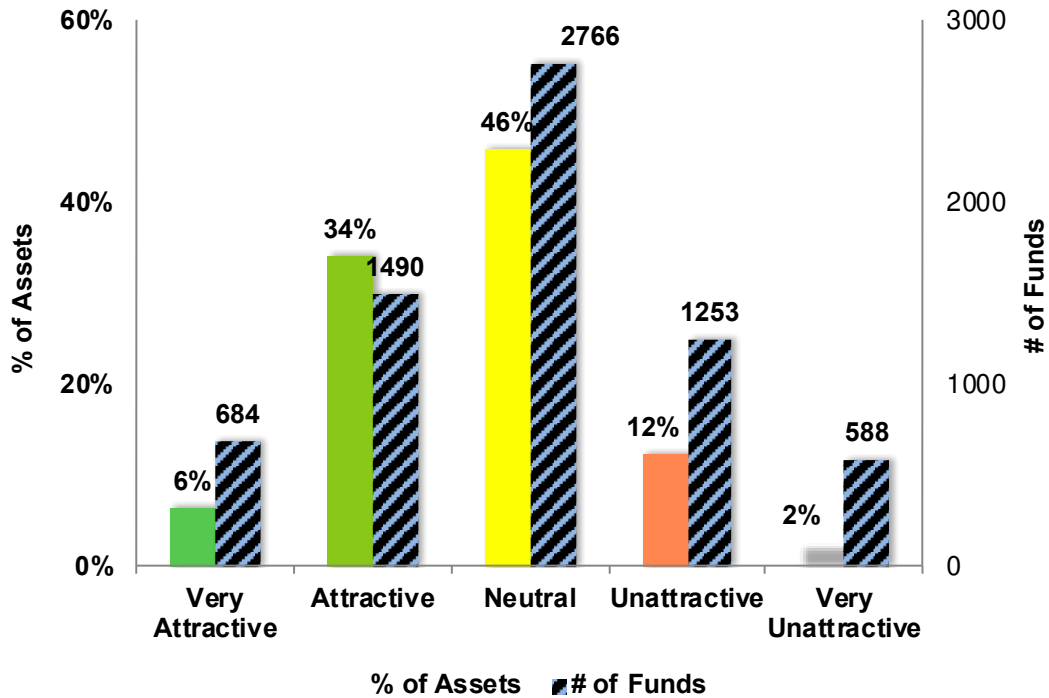


allocating over 38% of its value to Attractive-or-better-rated stocks.

Dunham Small Cap Growth Fund (DADGX) is the worst rated Small Cap Growth fund. It gets our Very Unattractive rating by allocating over 53% of its value to Unattractive-or-worse-rated stocks. Making matters worse, it charges investors total annual costs of 5.55%.

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 almost four times that of Very Attractive funds.

Figure 3: Predictive Rating Distribution Stats

	Very Attractive	Attractive	Neutral	Unattractive	Very Unattractive
# of ETFs & Funds	684	1490	2766	1253	588
% of ETFs & Funds	10%	22%	41%	18%	9%
% of TNA	6%	34%	46%	12%	2%
Avg TAC	0.56%	0.27%	0.70%	1.41%	2.10%

* Avg TAC = Weighted Average Total Annual Costs

Source: New Constructs, LLC and company filings

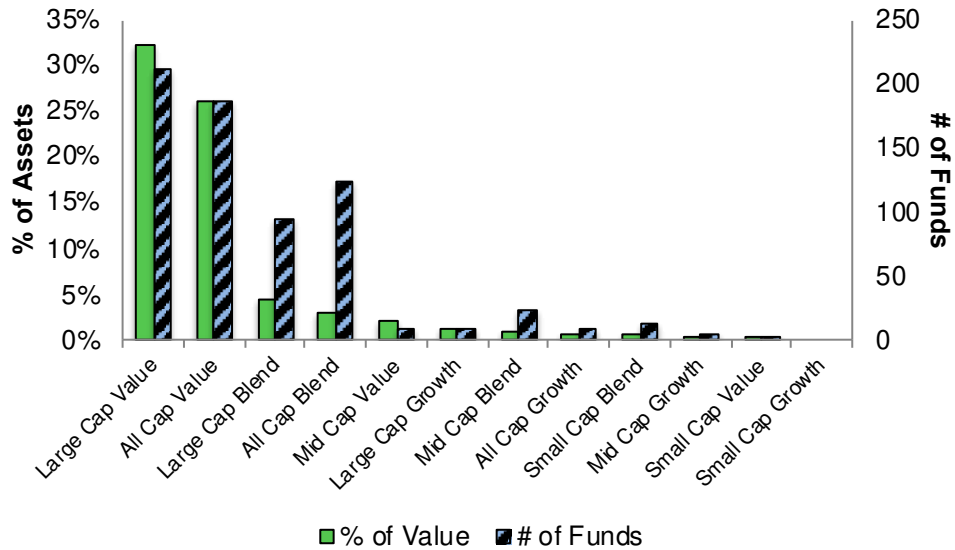
This table shows that only the best of the best funds get our Very Attractive Rating: they must hold good stocks AND have low costs. Investors deserve to have the best of both and we are here to give it to them.



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

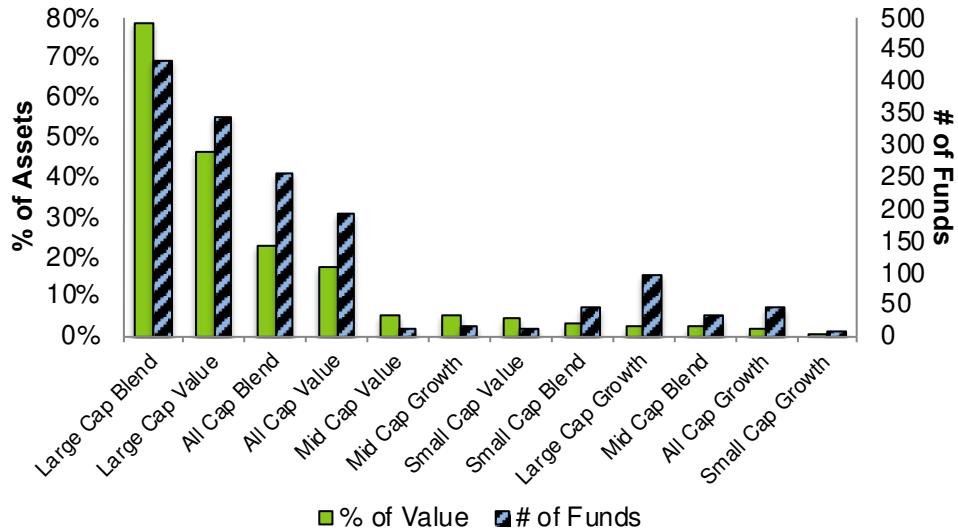
Style	% of Style Assets	# of Very Attractive Funds	% of Very Attractive Funds in Style
Large Cap Value	32%	212	26%
All Cap Value	26%	186	31%
Large Cap Blend	5%	94	13%
All Cap Blend	3%	123	14%
Mid Cap Value	2%	9	6%
Large Cap Growth	1%	9	1%
Mid Cap Blend	1%	23	6%
All Cap Growth	1%	8	2%
Small Cap Blend	1%	14	2%
Mid Cap Growth	0%	5	1%
Small Cap Value	0%	1	1%
Small Cap Growth	0%	0	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

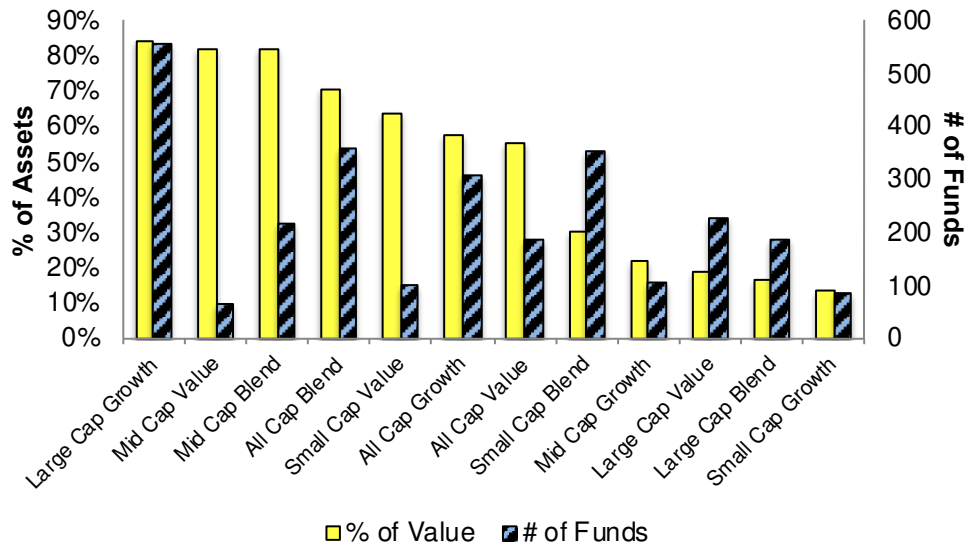
Style	% of Style Assets	# of Attractive Funds	% of Attractive Funds in Style
Large Cap Blend	79%	432	60%
Large Cap Value	47%	343	42%
All Cap Blend	23%	255	29%
All Cap Value	17%	194	32%
Mid Cap Value	5%	13	9%
Mid Cap Growth	5%	14	4%
Small Cap Value	4%	13	7%
Small Cap Blend	3%	47	6%
Large Cap Growth	3%	98	13%
Mid Cap Blend	2%	31	8%
All Cap Growth	2%	44	8%
Small Cap Growth	0%	6	1%

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
Large Cap Growth	85%	559	73%
Mid Cap Value	82%	67	46%
Mid Cap Blend	82%	220	60%
All Cap Blend	71%	359	41%
Small Cap Value	64%	100	52%
All Cap Growth	58%	310	59%
All Cap Value	56%	189	31%
Small Cap Blend	31%	353	42%
Mid Cap Growth	22%	107	27%
Large Cap Value	19%	230	28%
Large Cap Blend	17%	185	26%
Small Cap Growth	14%	87	16%

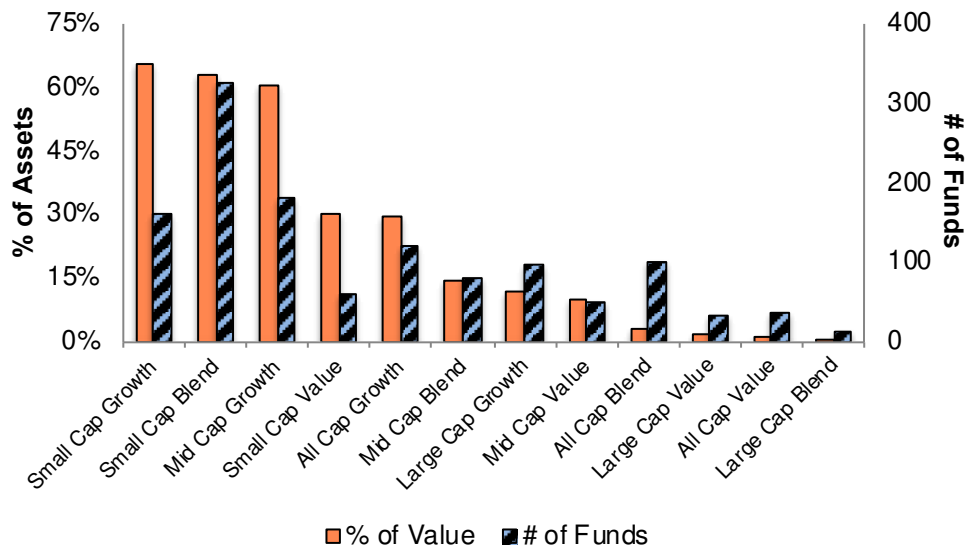
Source: New Constructs, LLC and company filings



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 Small Cap Growth have put over 65% 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

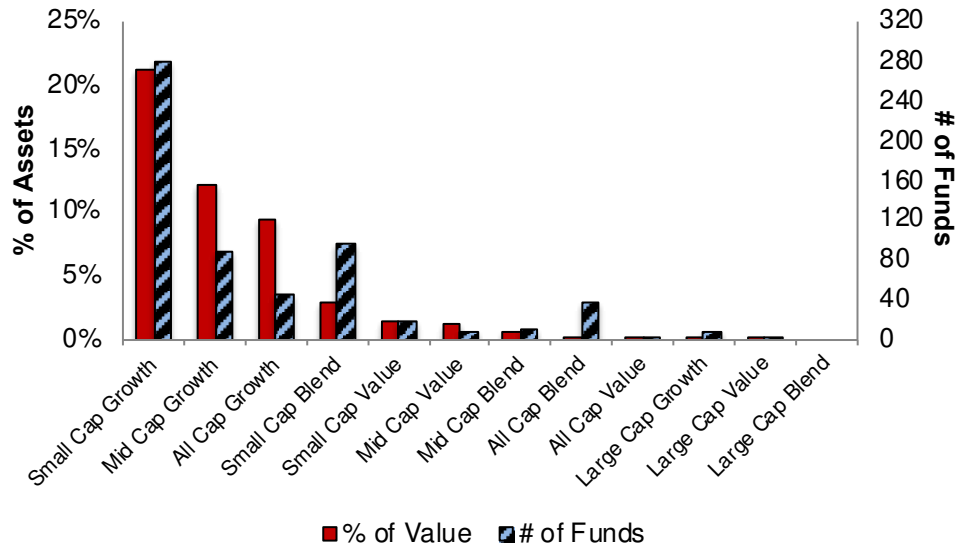
Style	% of Style Assets	# of Unattractive Funds	% of Unattractive Funds in Style
Small Cap Growth	65%	161	30%
Small Cap Blend	63%	324	39%
Mid Cap Growth	60%	179	46%
Small Cap Value	30%	61	31%
All Cap Growth	30%	120	23%
Mid Cap Blend	14%	81	22%
Large Cap Growth	11%	96	13%
Mid Cap Value	10%	48	33%
All Cap Blend	3%	101	12%
Large Cap Value	2%	32	4%
All Cap Value	1%	37	6%
Large Cap Blend	0%	13	2%

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	21%	279	52%
Mid Cap Growth	12%	87	22%
All Cap Growth	9%	44	8%
Small Cap Blend	3%	95	11%
Small Cap Value	1%	19	10%
Mid Cap Value	1%	8	6%
Mid Cap Blend	1%	11	3%
All Cap Blend	0%	36	4%
All Cap Value	0%	2	0%
Large Cap Growth	0%	6	1%
Large Cap Value	0%	1	0%
Large Cap Blend	0%	0	0%

Source: New Constructs, LLC and company filings

This article originally published on [October 19, 2020](#).

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

Follow us on [Twitter](#), [Facebook](#), [LinkedIn](#), and [StockTwits](#) for real-time alerts on all our research.

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						Total Annual Costs
	Business Strength		Valuation			Cash Allocation	
	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%



Footnotes adjustments matter. We are the ONLY source.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

[HBS & MIT Sloan research](#) reveals that:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies ([featured by Harvard Business School](#)), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, [Core Earnings: New Data and Evidence](#), shows how our superior data drives uniquely comprehensive and independent debt and equity research.

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

[Learn more.](#)

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

“...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications.” – page 20

Pick better stocks:

“Trading strategies that exploit cross-sectional differences in firms’ transitory earnings produce abnormal returns of 7-to-10% per year.” – Abstract

Avoid losses from using other firms’ data:

“...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat...” – page 14

Build better models:

“Core Earnings [calculated using New Constructs’ novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts.” – page 4

Exploit market inefficiencies:

“These results ... suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures.” – page 26

Fulfill fiduciary duties:

“An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A.” – page 33-34



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