



How to Find the Best Style Mutual Funds

Finding the best mutual funds is an increasingly difficult task in a world with so many to choose from. How can you pick with so many choices available?

[Learn more about the best fundamental research](#)

Don't Trust Mutual Fund Labels

There are at least 795 different Large Cap Growth mutual funds and at least 6,313 mutual funds across twelve styles. Do investors need 526+ choices on average per style? How different can the mutual funds be?

Those 795 Large Cap Growth mutual funds are very different. With anywhere from 19 to 693 holdings, many of these Large Cap Growth mutual funds have drastically different portfolios, creating drastically different investment implications.

The same is true for the mutual funds in any other style, as each offers a very different mix of good and bad stocks. Large Cap Value ranks first for stock selection. Small Cap Growth ranks last. Details on the [Best & Worst mutual funds in each style are here](#).

How to Avoid Paralysis by Analysis

We think the large number of Large Cap Growth (or any other) style mutual funds hurts investors more than it helps because too many options can be paralyzing. It is simply not possible for the majority of investors to properly assess the quality of so many mutual funds. Analyzing mutual funds, done with the proper diligence¹, is far more difficult than analyzing stocks because it means analyzing all the stocks within each mutual fund. As stated above, that can be as many as 693 stocks, and sometimes even more, for one mutual fund.

Anyone focused on [fulfilling the fiduciary duty of care](#) recognizes that analyzing the holdings² of a mutual fund is critical to finding the best mutual fund. The [best fundamental data](#) in the world, proven in [The Journal of Financial Economics](#), drives our research and analysis of fund holdings. Figure 1 shows our top rated mutual fund for each style.

Figure 1: The Best Mutual Fund in Each Style

Ticker	Name	Investment Style	Assets (\$mm)
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¹ Three independent studies from respected institutions prove the superiority of our data, models, and ratings. Learn more [here](#).

² Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).



HNDDX	Horizon Active Dividend Fund	All Cap Blend	\$117
LSIFX	ClearBridge Aggressive Growth Fund	All Cap Growth	\$6,958
SGMAX	SEI Institutional Global Managed Volatility Fund	All Cap Value	\$2,906
VECRX	Virtus KAR Equity Income Fund	Large Cap Blend	\$136
DUSLX	DFA Investment Dimensions U.S. Large Cap Growth	Large Cap Growth	\$2,698
AGLYX	Ariel Investment Global Fund	Large Cap Value	\$140
BTMFX	Boston Trust Mid Cap Fund	Mid Cap Blend	\$140
TMPIX	Touchstone Mid Cap Fund	Mid Cap Growth	\$4,633
FIDFX	Fidelity Advisor Mid Cap Value Fund	Mid Cap Value	\$1,246
RVVHX	Royce Small Cap Value Fund	Small Cap Blend	\$122
FSSFY	Fidelity Advisor Series Small Cap Fund	Small Cap Growth	\$497
DASCX	Dean Small Cap Value Fund	Small Cap Value	\$150

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

Sources: New Constructs, LLC and company filings

Amongst the mutual funds in Figure 1, SEI Institutional Global Managed Volatility Fund (SGMAX) ranks first overall, Ariel Investment Global Fund (AGLYX) ranks second, and Horizon Active Dividend Fund (HNDDX) ranks third. Fidelity Advisor Series Small Cap Fund (FSSFY) ranks last.

How to Avoid “The Danger Within”

Why do you need to know the holdings of mutual funds before you buy?

You need to be sure you do not buy a fund that might blow up. Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. No matter how cheap, if it holds bad stocks, the mutual fund's performance will be bad. Don't just take my word for it, see [what Barron's says](#) on this matter.

PERFORMANCE OF FUND'S 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.

If Only Investors Could Find Funds Rated by Their Holdings

Our [mutual fund ratings](#) leverage our [stock coverage](#). We rate mutual funds based on the aggregated ratings of the stocks each mutual fund holds.

SEI Institutional Global Managed Volatility Fund (SGMAX) is not only the top-rated All Cap Value mutual fund but is also the overall top-ranked style mutual fund out of the 6,313 style mutual funds that we cover.

The worst mutual fund in Figure 1 is Fidelity Advisor Series Small Cap Fund (FSSFY), which gets a Neutral rating. One would think mutual fund providers could do better for this style.

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

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It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Below, we present three different papers from both the public and private sectors that prove the superiority of our proprietary fundamental data, earnings models, investment ratings, and research for stocks, bonds, ETFs, and mutual funds.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves the superiority of our [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by *IBSPI Adjustments*, *OIADP Adjustments*, or *OPE Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our [NOPAT](#), [Invested Capital](#), and [ROIC](#) research on four mega-cap companies in “[Getting ROIC right: how an accurate view of ROIC can drive improved shareholder value](#)”.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [the New Constructs method] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

See the [Appendix](#) for direct comparison of our analysis of DOW’s 2015 results to Capital IQ and Bloomberg.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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