



Investment Style Ratings for ETFs, Mutual Funds & Stocks

At the beginning of the second quarter of 2021, only the Large Cap Value, Large Cap Blend, 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, Large Cap Blend, and All 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.

More reliable & [proprietary](#) fundamental data, proven in [The Journal of Financial Economics](#), drives our research. 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

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 ~7000 mutual funds and 800+ 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 Blend	Attractive
All Cap Value	Neutral
Large Cap Growth	Neutral
Mid Cap Blend	Neutral
Mid Cap Value	Neutral
All Cap Growth	Neutral
Small Cap Value	Neutral
Mid Cap Growth	Unattractive
Small Cap Blend	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.

[FlexShares Quality Dividend Index Fund](#) (QDF) is the top rated Large Cap Value fund. It gets our Very

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

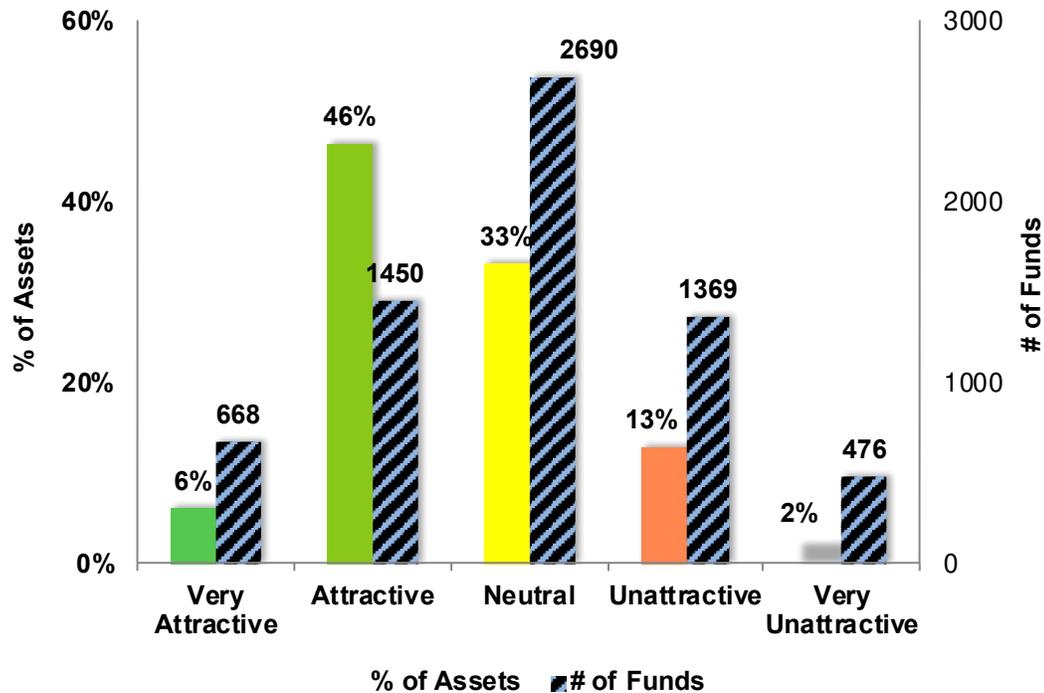
² See how our models and financial ratios are superior to Bloomberg and Capital IQ's (SPGI) analytics in the [detailed appendix of this paper](#).

Attractive rating by allocating over 61% 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 50% of its value to Unattractive-or-worse-rated stocks. Making matters worse, it charges investors total annual costs of 5.44%.

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	668	1450	2690	1369	476
% of ETFs & Funds	10%	22%	40%	21%	7%
% of TNA	6%	46%	33%	13%	2%
Avg TAC	0.48%	0.21%	1.00%	1.16%	1.93%

* Avg TAC = Weighted Average Total Annual Costs

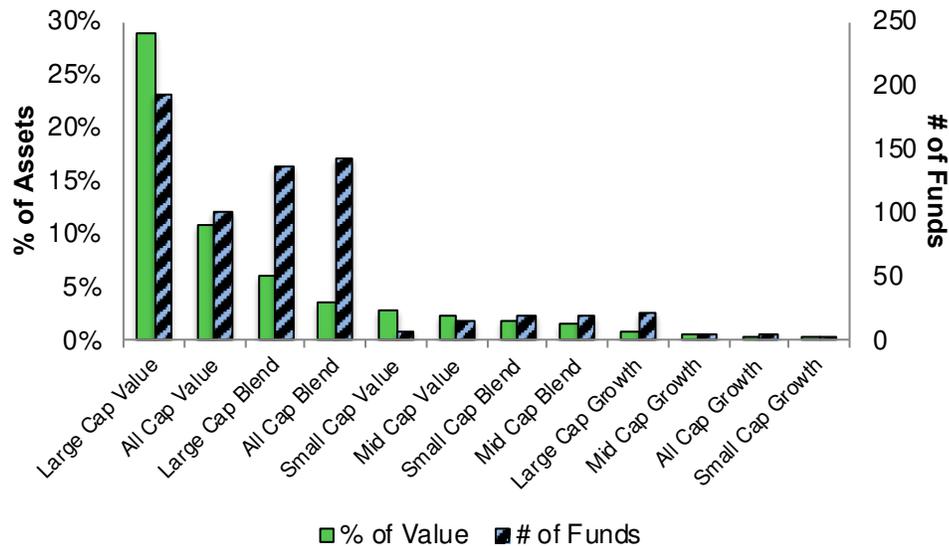
Source: New Constructs, LLC and company filings

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.

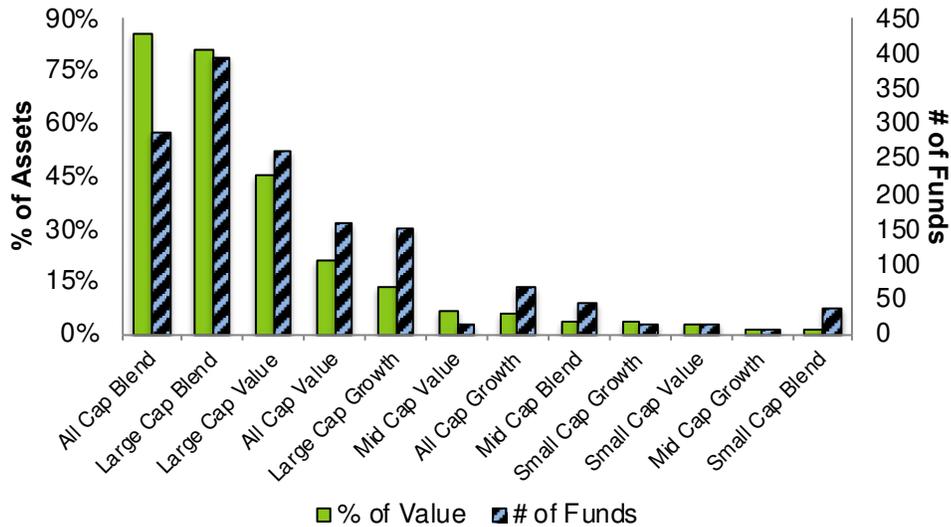
Figure 5: Very Attractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Very Attractive Funds	% of Very Attractive Funds in Style
Large Cap Value	29%	194	25%
All Cap Value	11%	102	16%
Large Cap Blend	6%	136	18%
All Cap Blend	4%	142	16%
Small Cap Value	3%	7	3%
Mid Cap Value	2%	15	9%
Small Cap Blend	2%	19	2%
Mid Cap Blend	1%	20	6%
Large Cap Growth	1%	22	3%
Mid Cap Growth	1%	5	1%
All Cap Growth	0%	5	1%
Small Cap Growth	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.

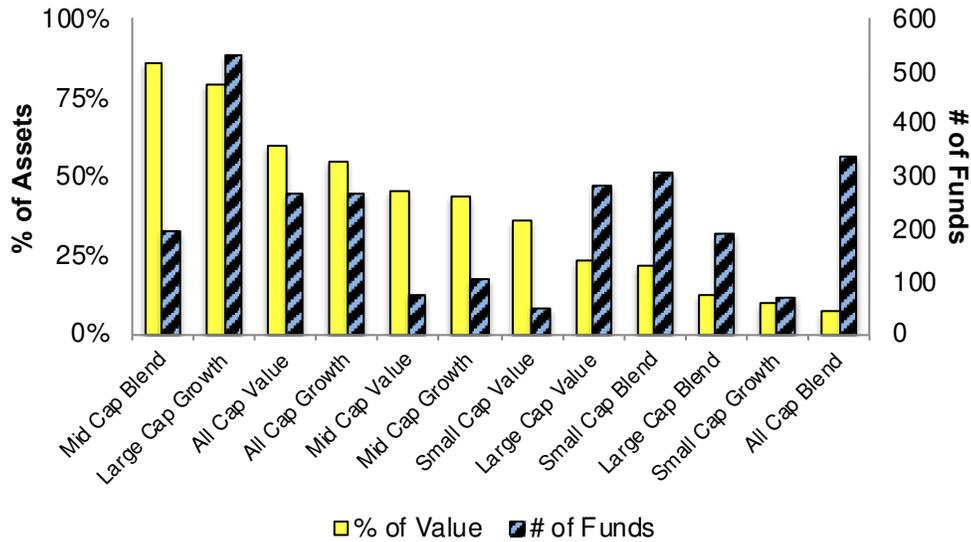
Figure 7: Attractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Attractive Funds	% of Attractive Funds in Style
All Cap Blend	85%	289	33%
Large Cap Blend	81%	393	53%
Large Cap Value	46%	262	34%
All Cap Value	21%	157	25%
Large Cap Growth	13%	151	19%
Mid Cap Value	7%	13	8%
All Cap Growth	6%	68	14%
Mid Cap Blend	4%	46	13%
Small Cap Growth	3%	13	3%
Small Cap Value	3%	15	7%
Mid Cap Growth	1%	7	2%
Small Cap Blend	1%	36	4%

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%	196	57%
Large Cap Growth	79%	532	68%
All Cap Value	60%	269	43%
All Cap Growth	55%	269	54%
Mid Cap Value	46%	74	44%
Mid Cap Growth	43%	106	31%
Small Cap Value	36%	50	24%
Large Cap Value	24%	282	36%
Small Cap Blend	22%	309	39%
Large Cap Blend	13%	192	26%
Small Cap Growth	10%	72	15%
All Cap Blend	8%	339	39%

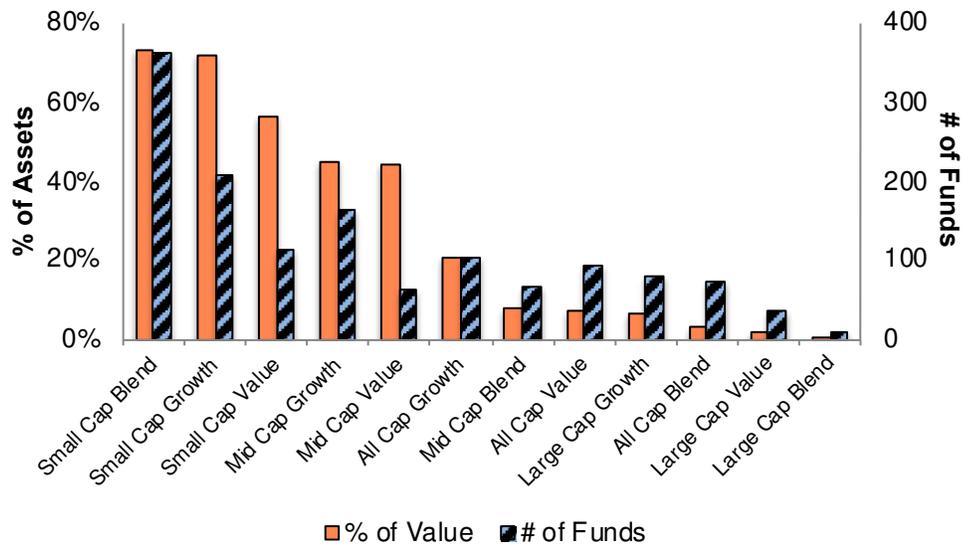
Source: New Constructs, LLC and company filings



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 Blend have put over 73% 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.

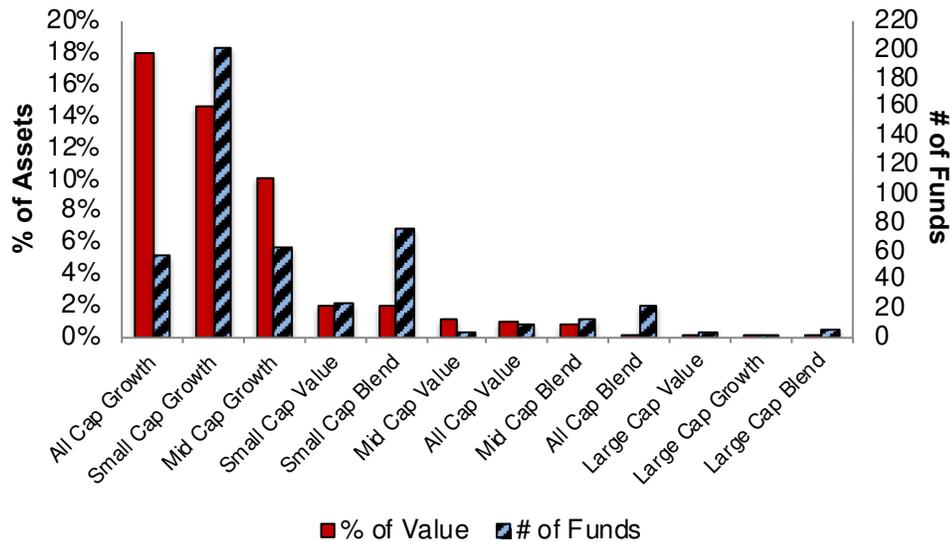
Figure 11: Unattractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Unattractive Funds	% of Unattractive Funds in Style
Small Cap Blend	73%	362	45%
Small Cap Growth	72%	208	42%
Small Cap Value	56%	114	55%
Mid Cap Growth	45%	164	48%
Mid Cap Value	44%	62	37%
All Cap Growth	21%	103	21%
Mid Cap Blend	8%	66	19%
All Cap Value	7%	93	15%
Large Cap Growth	7%	79	10%
All Cap Blend	3%	73	8%
Large Cap Value	2%	35	5%
Large Cap Blend	1%	10	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
All Cap Growth	18%	57	11%
Small Cap Growth	15%	201	41%
Mid Cap Growth	10%	63	18%
Small Cap Value	2%	23	11%
Small Cap Blend	2%	75	9%
Mid Cap Value	1%	4	2%
All Cap Value	1%	9	1%
Mid Cap Blend	1%	13	4%
All Cap Blend	0%	21	2%
Large Cap Value	0%	3	0%
Large Cap Growth	0%	2	0%
Large Cap Blend	0%	5	1%

Source: New Constructs, LLC and company filings

This article originally published on [April 20, 2021](#).



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%

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. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome these flaws and apply [reliable](#) fundamental data in their research.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms’ data collection processes to provide superior [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 *S&P Global’s (SPGI) 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 ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

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 [as New Constructs does] 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.

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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