



How to Find the Best Style Mutual Funds

With an ever-growing list of similar-sounding mutual funds to choose from, finding the best is an increasingly difficult task. How can investors change the game to shift the odds in their favor?

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

Don't Trust Mutual Fund Labels

There are at least 855 different All Cap Value mutual funds and at least 5,505 mutual funds across twelve styles. Do investors need 459+ choices on average per style? How different can the mutual funds be?

Those 855 All Cap Value mutual funds are very different. With anywhere from 12 to 859 holdings, many of these All Cap Value mutual funds have drastically different portfolios with differing risk profiles and performance outlooks.

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](#).

Avoiding Analysis Paralysis

We think the large number of style mutual funds hurts investors more than it helps. Manually conducting a deep analysis for every fund is simply not a realistic option, exposing investors to insufficient analysis and missing profitable opportunities. Analyzing mutual funds, 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, there can be as many as 859 stocks or 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. More [reliable](#) & [proprietary](#) fundamental data, proven in [The Journal of Financial Economics](#), drives our research and analysis of fund holdings and provides investors with a [new source of alpha](#). Figure 1 shows our top rated mutual fund for each style.

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](#).

**Figure 1: The Best Mutual Fund in Each Style**

Ticker	Name	Investment Style	Assets (\$mm)
SGIGX	Steward Global Equity Income Fund	All Cap Blend	\$376
MRFOX	Marshfield Concentrated Opportunity Fund	All Cap Growth	\$819
HILGX	Hennessy Cornerstone Large Growth Fund	All Cap Value	\$158
NUESX	Northern Funds U.S. Quality ESG Fund	Large Cap Blend	\$456
DPRIX	BNY Mellon Worldwide Growth Fund	Large Cap Growth	\$1,186
GCEYX	AB Global Core Equity Portfolio	Large Cap Value	\$2,871
VSEQX	Vanguard Strategic Equity Fund	Mid Cap Blend	\$8,416
KNPYX	Kinetics Paradigm Fund	Mid Cap Growth	\$826
HNMVX	Harbor Mid Cap Value Fund	Mid Cap Value	\$297
RVVHX	Royce Small-Cap Value Fund	Small Cap Blend	\$127
VSCRX	Virtus KAR Small-Cap Core Fund	Small Cap Growth	\$2,135
RSEIX	Royce Small-Cap Special Equity Fund	Small Cap Value	\$768

* 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, Royce Small-Cap Special Equity Fund (RSEIX) ranks first overall, Harbor Mid Cap Value Fund (HNMVX) ranks second, and Hennessy Cornerstone Large Growth Fund (HILGX) ranks third. BNY Mellon Worldwide Growth Fund (DPRIX) 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 – FEES = 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.

Royce Small-Cap Special Equity Fund (RSEIX) is not only the top-rated Small Cap Blend mutual fund but is also the overall top-rated style mutual fund out of the 5,505 style mutual funds that we cover.

The worst mutual fund in Figure 1 is BNY Mellon Worldwide Growth Fund (DPRIX), which gets an Attractive rating.

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

Questions on this report or others? Join our [Society of Intelligent Investors](#) and connect with us directly.



It's Official: We Deliver 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. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

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

Ernst & Young 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 Harvard Business School. 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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