

### AGTHX - Dangerous Rating

Growth Fund of America, Inc



★★☆☆☆	<b>Predictive Rating</b>	Dangerous
★★★☆☆	<b>Portfolio Management</b>	Neutral
★★☆☆☆	<b>Total Annual Costs</b>	Dangerous

- [Predictive Ratings](#) are based on aggregating our stock ratings on each of the fund's holdings and all of the fund's expenses.
- Stock-picking ([Portfolio Management](#)) and fund expenses ([Total Annual Costs](#)) drive fund performance.

#### Investment Recommendation

- We recommend investors avoid AGTHX.
- We expect the fund to continue underperforming the market.
- AGTHX's Portfolio Management rating does not justify its high Total Annual Costs.

#### Fund Rankings

- 37th percentile of the 7000+ equity funds we cover.
- 624 out of 710 Large Cap Growth funds.
- All 23 ETFs in the same category rank better.
- See rankings for all US equity funds on our free [fund screener](#).

#### Portfolio Management Rating Details

- AGTHX receives our Neutral rating because it overweights Neutral-or-worse-rated stocks.
- IWF, AGTHX's benchmark, receives our Neutral rating and holds better stocks than the fund.
- Our fund analytics are based on aggregating our models and ratings for each fund's holdings.
- Our [top-ranked](#) stock ratings leverage key data from the financial footnotes for unrivaled research quality.

#### Portfolio Management Rating Breakdown

##### Business Strength

★★★★☆	Quality of Earnings	Attractive
★★★★★	Return on Invested Capital (ROIC)	19.31%

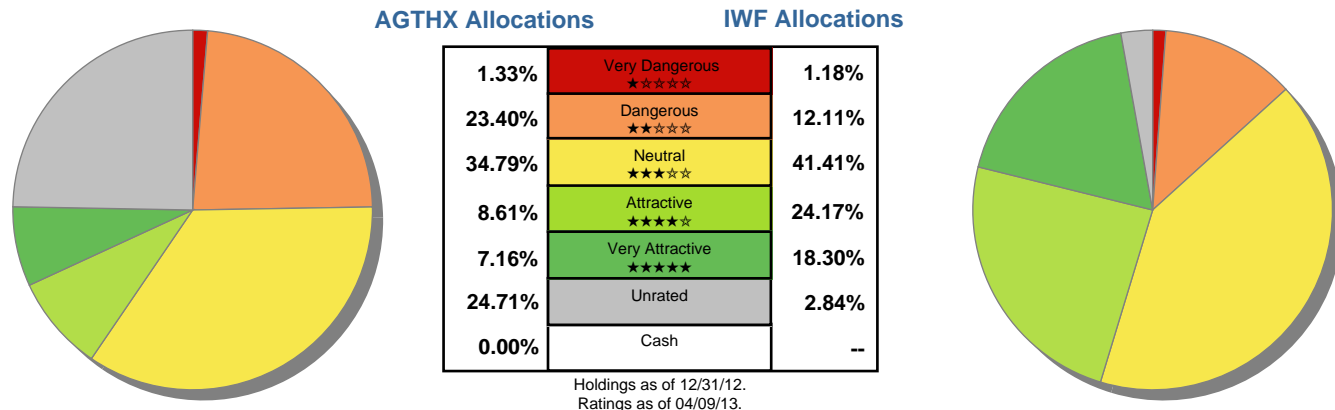
##### Valuation

★★★☆☆	Free Cash Flow Yield	0.13%
★★☆☆☆	Price to Economic Book Value	2.90
★★☆☆☆	Market-Implied Duration of Growth	28 year(s)

##### Fund Asset Allocation

★★★★★	Cash Allocation	0.00% cash
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#### Stock and Cash Rating Allocations vs Benchmark - iShares Russell 1000 Growth (IWF)



#### Active Management Commentary

- AGTHX allocates 24.73% of its value to Dangerous-or-worse-rated stocks while IWF allocates 13.29%.
- AGTHX allocates 15.77% of its value to Attractive-or-better-rated stocks while IWF allocates 42.47%.
- Investors should expect funds with higher Total Annual Costs to allocate more value to Attractive and Very Attractive Stocks and less to Dangerous and Very Dangerous stocks than alternative funds with lower costs.
- Active portfolio management of AGTHX does not add value versus its ETF benchmark IWF.

#### Return - Annual

Year to Date	8.01%
1 Year	15.66%
3 Year	9.37%
5 Year	3.80%
Inception	13.52%

#### Top 5 Holdings

Amazon.com Inc
Gilead Sciences Inc
Google Inc
Home Depot Inc
Oracle Corp

#### Key Mutual Fund Statistics

AMZN	Net Assets(mm)	\$119,692.90	Category	Large Cap Growth
GILD	NAV	\$37.10	Mgmt Co	American Funds
GOOG	Benchmark	IWF	Manager	Team Managed
HD	# of Holdings	272	Tenure	
ORCL	Initial Min	\$250	Inception	11/01/58

## Total Annual Costs Rating and Ranking

Rating	Total Annual Costs	Fund Universe % Rank	Category Rank
★★★☆☆	3.03%	24.93%	538 of 710

This rating reflects all expenses, loads, fees, and transaction costs in a single value that is comparable across all funds.

## Reported Costs vs Benchmark: as of 11/01/12

	AGTHX	Benchmark: IWF
Front-End Load	5.75%	--
Expense Ratio	0.71%	0.20%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--

## Total Annual Costs Breakdown

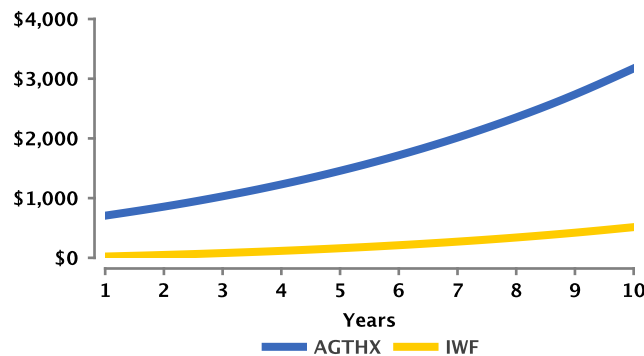
All Cost Types	Annualized Values	
	AGTHX	Benchmark: IWF
Front-End Load	2.19%	--
Expense Ratio	0.80%	0.22%
Back-End Load	0.00%	--
Redemption Fee	0.00%	--
Transaction Costs	0.04%	--
<b>Total Annual Costs</b>	<b>3.03%</b>	<b>0.22%</b>

- To justify its higher Total Annual Costs, AGTHX must outperform its ETF benchmark before all costs by 2.81% annually over 3 years or 1.26% annually over 10 years.
- This analysis assumes a 3-year holding period, the average for all funds.
- Transaction costs are estimated using the fund's annual portfolio turnover ratio of 18%.

Data from Lipper, a Thomson Reuters Company, and New Constructs, LLC.

## Accumulated Total Costs vs Benchmark

Accumulated Total Costs represent the dollar value of costs investors incur during a 10-yr holding period. Assumes a \$10,000 investment and a 10% annual return for the fund and its benchmark.



- 3-year Accumulated Total Costs are \$1,030.63 for AGTHX and \$79.70 for IWF. 10-year Accumulated Total Costs are \$3,172.65 for AGTHX and \$514.10 for IWF.

## Overview of Our Predictive Mutual 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 fund holding 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 costs of investing in a fund.

Intuitively, there are two drivers of future fund performance.

- 1) New stock-picking ([Portfolio Management Rating](#)) and
- 2) Fund expenses ([Total Annual Costs Rating](#)) drive investment performance

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

Predictive Rating	Portfolio Management Rating						Total Annual Costs Rating
	Business Strength		Valuation			Asset Allocation	
	Quality of Earnings	Return on Invested Capital	FCF Yield	Price to Econ Book Value	Mkt-Imp Duration of Growth	Cash %	
Very Dangerous ★☆☆☆☆	Misleading Trend	Bottom Quintile	< -5%	> 3.5 or -1 < 0	> 50	> 20%	> 4%
Dangerous ★★☆☆☆	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® - Profile

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting, advisory and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies.

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1. **Superior Recommendations** - Our [stock-picks](#) consistently outperform. See our track record in our [stock-picking accolades](#) and [Proof Is In Performance](#) reports.
2. **More Accurate Research** - Our [patented Research Platform](#) for [reversing accounting distortions](#) and [discounted cash flow analysis](#) leverages better data to deliver smarter research.
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Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

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