



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?

Don't Trust Mutual Fund Labels

There are at least 904 different Large Cap Value mutual funds and at least 6391 mutual funds across all styles. Do investors need that many choices? How different can the mutual funds be?

Those 904 Large Cap Value mutual funds are very different. With anywhere from 17 to 1003 holdings, many of these Large Cap Value 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. Small Cap Blend ranks last. Details on the [Best & Worst mutual funds in each style are here.](#)

A Recipe for Paralysis By Analysis

We firmly believe mutual funds for a given style should not all be that different. We think the large number of Large Cap Value (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 diligence, 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 1003 stocks, and sometimes even more, for one mutual fund.

Any investor worth his salt recognizes that analyzing the holdings of a mutual fund is critical to finding the best mutual fund. Figure 1 shows our top rated mutual fund for each style.

Figure 1: The Best Mutual Fund in Each Style

Ticker	Name	Sector	Assets (\$mm)
JNVIX	Jensen Quality Value Fund	All Cap Blend	\$33
DPUIX	Strategic Funds: Dreyfus U.S. Equity Fund	All Cap Growth	\$712
LSVMX	Advisors' Inner Circle LSV U.S. Managed Volatility	All Cap Value	\$21
BRLIX	Bridgeway Blue Chip 35 Index Fund	Large Cap Blend	\$672
CEYIX	Calvert Equity Portfolio	Large Cap Growth	\$2,884
EHUIX	Eaton Vance Hexavest U.S. Equity	Large Cap Value	\$2
TMPIX	Touchstone Mid Cap Fund	Mid Cap Blend	\$704
FAGKX	Fidelity Mt Vernon Street Trust Growth Strategies	Mid Cap Growth	\$3,144
NWWQX	Nationwide Herndon Mid Cap Value	Mid Cap Value	\$5
WAMFX	Walden Mid Cap	Small Cap Blend	\$35
VSCRX	Virtus Small Cap Core Fund	Small Cap Growth	\$345
RSEIX	Royce Special Equity Fund	Small Cap Value	\$2,518

Sources: New Constructs, LLC and company filings

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.

PERFORMANCE OF FUND'S HOLDINGS = PERFORMANCE OF FUND

If Only Investors Could Find Funds Rated by Their Holdings

New Constructs covers over 3000 stocks and is known for the due diligence we do for each stock we cover. Accordingly, our coverage of mutual funds leverages the diligence we do on each stock by rating mutual funds based on the aggregated ratings of the stocks each mutual fund holds.

Bridgeway Blue Chip 35 Index Fund (BRLIX) is the top-rated Large Cap Blend mutual fund and the overall best fund of the 6391 style mutual funds that we cover.

The worst mutual fund in Figure 1 is Royce Special Equity Fund (RSEIX), which gets our Neutral rating. One would think mutual fund providers could do better for this style.

Max Lee contributed to this post.

Disclosure: David Trainer and Max Lee receive no compensation to write about any specific stock, style, or theme.



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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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