ETF & Mutual Fund Rankings: Large Cap Blend Style

The Large Cap Blend style ranks first out of the twelve fund styles as detailed in our 2Q18 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Large Cap Blend style ranked first as well. It gets our Very Attractive rating, which is based on an aggregation of ratings of 86 ETFs and 869 mutual funds in the Large Cap Blend style as of April 17, 2018. See a recap of our 1Q18 Style Ratings here.

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the style. Not all Large Cap Blend style ETFs and mutual funds are created the same. The number of holdings varies widely (from 8 to 1648). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Large Cap Blend style should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2.

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] We think advisors and investors focused on prudent investment decisions should include analysis of fund holdings in their research process for ETFs and mutual funds.

Figure 1: ETFs with the Best & Worst Ratings – Top 5

	Allocation of ETF Holdings			
Ticker	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	Predictive Rating
Best ETFs				
CLRG	40%	45%	14%	Very Attractive
FTCS	35%	61%	4%	Very Attractive
QUAL	31%	60%	9%	Very Attractive
JKD	27%	54%	19%	Very Attractive
EPS	34%	48%	17%	Very Attractive
Worst ETFs				
XUSA	15%	45%	27%	Neutral
SPXT	25%	42%	33%	Neutral
PWS	17%	35%	46%	Neutral
GVIP	18%	28%	48%	Unattractive
DUSA	19%	29%	41%	Unattractive

* Best ETFs exclude ETFs with TNAs less than $100 million for inadequate liquidity.

Sources: New Constructs, LLC and company filings

Pacer U.S. Cash Cows 100 ETF (COWZ) and State Street SPDR MSCI USA StrategicFactors ETF (QUS) are excluded from Figure 1 because their total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

[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] Ernst & Young's recent white paper "Getting ROIC Right" proves the superiority of our holdings research and analytics.

Figure 2: Mutual Funds with the Best & Worst Ratings – Top 5

	Allocation of Mutual Fund Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Unattractive-or-worse Stocks**	**Predictive Rating**
Best Mutual Funds				
FDGKX	38%	45%	16%	Very Attractive
FZADX	37%	46%	16%	Very Attractive
FDGFX	38%	45%	16%	Very Attractive
FDGIX	37%	46%	16%	Very Attractive
FDGCX	37%	46%	16%	Very Attractive
Worst Mutual Funds				
PVSCX	5%	34%	46%	Very Unattractive
PVSBX	5%	34%	46%	Very Unattractive
PVSMX	5%	34%	46%	Very Unattractive
PVSAX	5%	34%	46%	Very Unattractive
COREX	0%	2%	1%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Six mutual funds are excluded from Figure 2 because their total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

IndexIQ Chaikin U.S. Large Cap ETF (CLRG) is the top-rated Large Cap Blend ETF and Fidelity Dividend Growth Fund (FDGKX) is the top-rated Large Cap Blend mutual fund. Both earn a Very Attractive rating.

Davis Select U.S. Equity ETF (DUSA) is the worst rated Large Cap Blend ETF and Avondale Core Investment Fund (COREX) is the worst rated Large Cap Blend mutual fund. DUSA earns an Unattractive rating and COREX earns a Very Unattractive rating.

The Danger Within

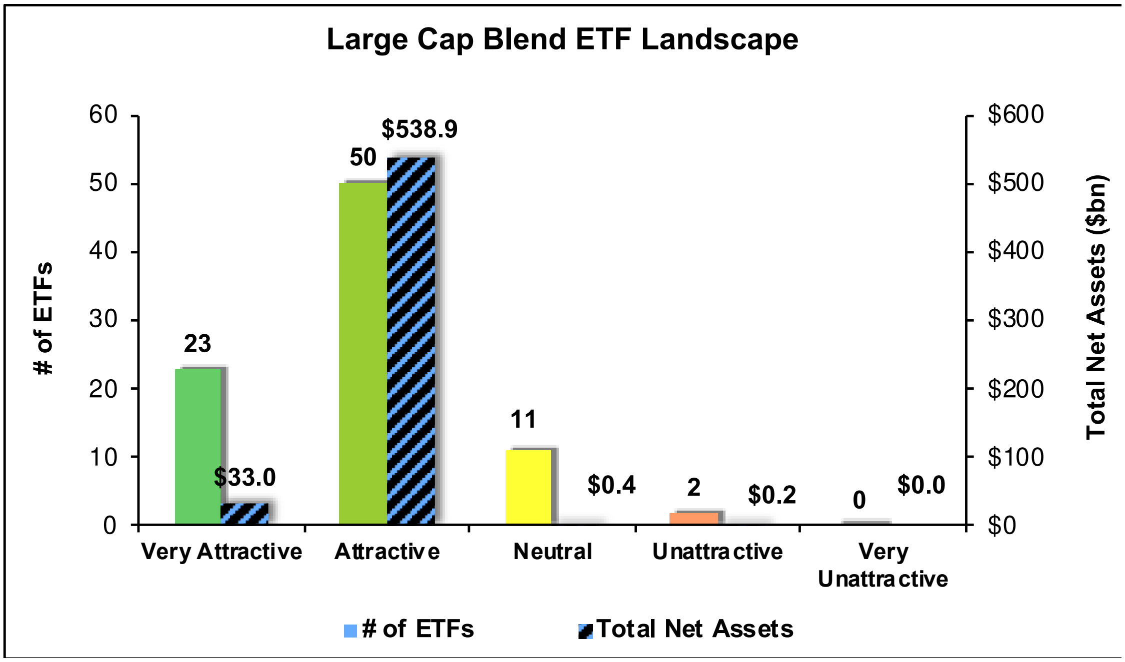
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's says on this matter.

PERFORMANCE OF 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.

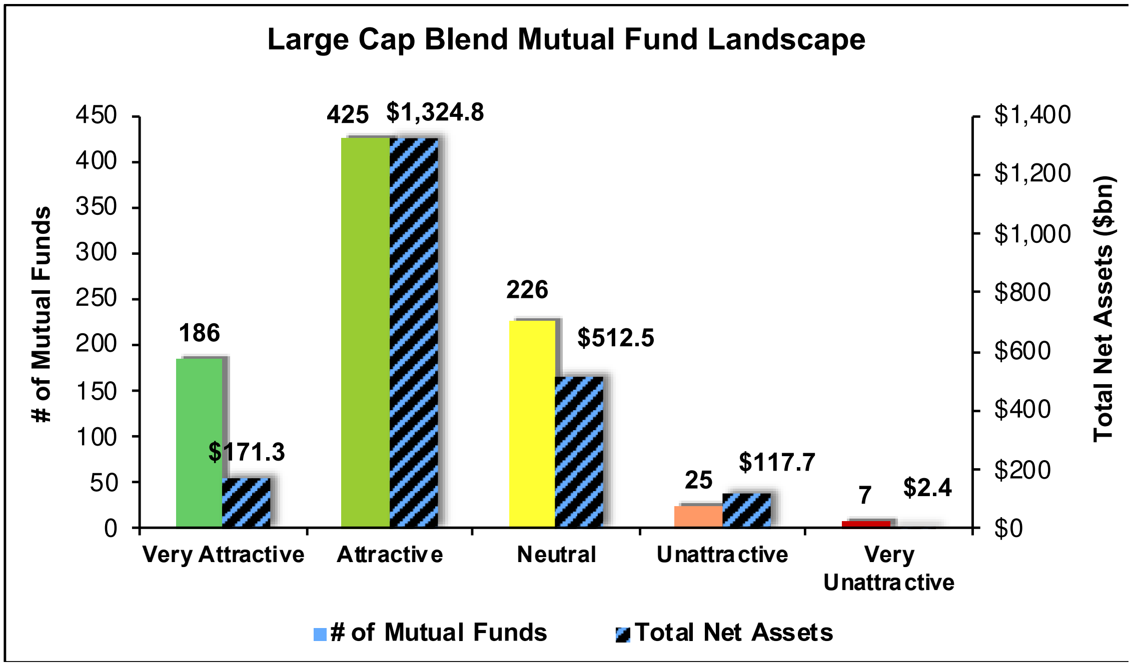
Figures 3 and 4 show the rating landscape of all Large Cap Blend ETFs and mutual funds.

Figure 3: Separating the Best ETFs From the Worst Funds



Sources: New Constructs, LLC and company filings

Figure 4: Separating the Best Mutual Funds from the Worst Funds



Sources: New Constructs, LLC and company filings

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

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New Constructs leverages the latest in machine learning to analyze structured and unstructured financial data with unrivaled speed and accuracy. The firm's forensic accounting experts work alongside engineers to develop proprietary NLP libraries and financial models. Our investment ratings are based on the best fundamental data in the business for stocks, ETFs and mutual funds. Clients include many of the top hedge funds, mutual funds and wealth management firms. David Trainer, the firm's CEO, is regularly featured in the media as a thought leader on the fiduciary duty of care, earnings quality, valuation and investment strategy.

To fulfill the Duty of Care, research should be:

1. **Comprehensive** - All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including footnotes and the management discussion & analysis (MD&A).
2. **Un-conflicted** - Clients deserve unbiased research.
3. **Transparent** - Advisors should be able to show how the analysis was performed and the data behind it.
4. **Relevant** - Empirical evidence must provide tangible, quantifiable correlation to stock, ETF or mutual fund performance.

Value Investing 2.0: Diligence Matters: Technology is Key to Value Investing With Scale

Accounting data is only the beginning of fundamental research. It must be translated into economic earnings to truly understand profitability and valuation. This translation requires deep analysis of footnotes and the MD&A, a process that our robo-analyst technology empowers us to perform for thousands of stocks, ETFs and mutual funds.

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