ETF & Mutual Fund Rankings: Large Cap Value Style

The Large Cap Value style ranks first out of the twelve fund styles as detailed in our 3Q18 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Large Cap Value style ranked third. It gets our Very Attractive rating, which is based on an aggregation of ratings of 67 ETFs and 932 mutual funds in the Large Cap Value style as of July 18, 2018. See a recap of our 2Q18 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 Value style ETFs and mutual funds are created the same. The number of holdings varies widely (from 18 to 908). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Large Cap Value 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				
PWV	56%	34%	10%	**Very Attractive**
VLUE	34%	40%	25%	**Very Attractive**
FDRR	33%	42%	18%	**Very Attractive**
RDVY	48%	44%	8%	**Very Attractive**
SYLD	39%	41%	16%	**Very Attractive**
Worst ETFs				
PEY	16%	54%	30%	**Neutral**
VAMO	43%	44%	59%	**Neutral**
SPYD	19%	41%	40%	**Neutral**
XSHD	14%	30%	43%	**Neutral**
RDIV	12%	51%	37%	**Neutral**

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

Sources: New Constructs, LLC and company filings

Aptus Fortified Value ETF (FTVA) and American Century STOXX U.S. Quality Value ETF (VALQ) 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				
LMBGX	42%	47%	9%	Very Attractive
LMBEX	42%	47%	9%	Very Attractive
LMBHX	42%	47%	9%	Very Attractive
LMBBX	42%	47%	9%	Very Attractive
LBISX	41%	43%	13%	Very Attractive
Worst Mutual Funds				
TWADX	28%	35%	35%	Very Unattractive
NRIGX	3%	25%	55%	Very Unattractive
NRGUX	3%	25%	55%	Very Unattractive
DMCAX	8%	45%	39%	Very Unattractive
NRGDX	3%	25%	55%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Invesco Dynamic Large Cap Value ETF (PWV) is the top-rated Large Cap Value ETF and Brandywine Global Dynamic U.S. Large Cap Value Fund (LMBGX) is the top-rated Large Cap Value mutual fund. Both earn a Very Attractive rating.

Oppenheimer S&P Ultra Dividend Revenue ETF (RDIV) is the worst rated Large Cap Value ETF and Integrity Energized Dividend Fund (NRGDX) is the worst rated Large Cap Value mutual fund. RDIV earns a Neural rating and NRGDX earns a Very Unattractive rating.

The Danger Within

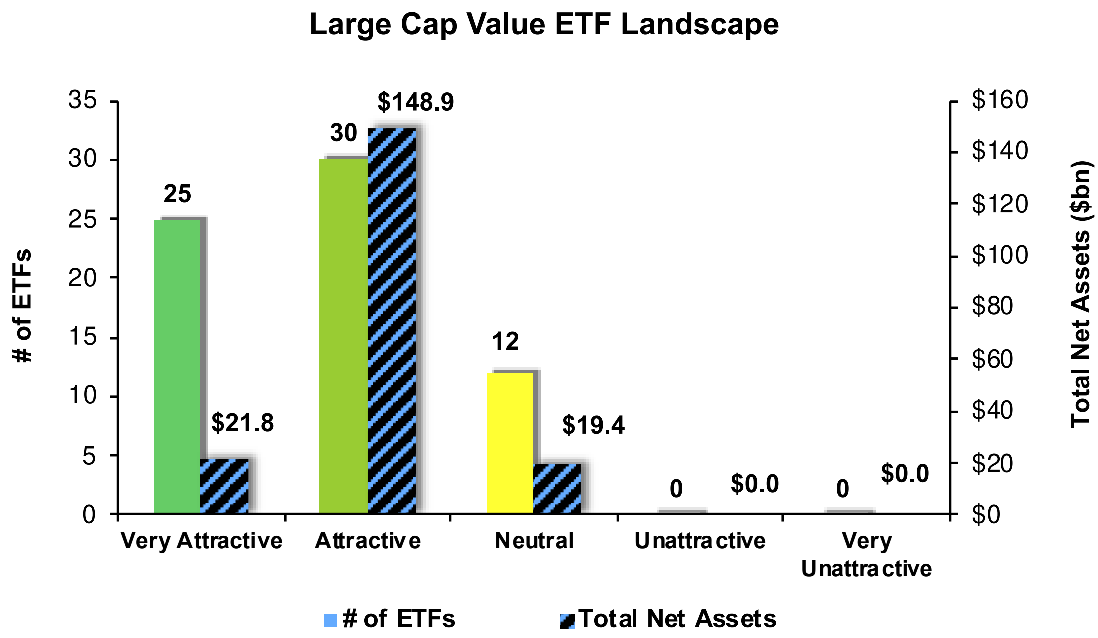
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

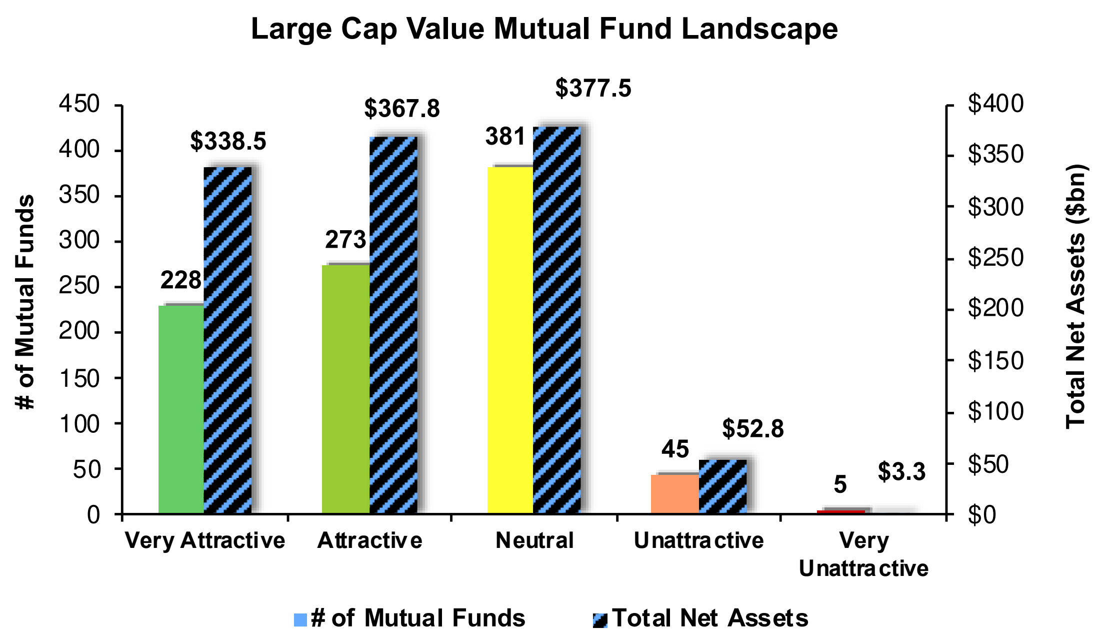
Figures 3 and 4 show the rating landscape of all Large Cap Value ETFs and mutual funds.

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, Kyle Guske II, and Sam McBride receive no compensation to write about any specific stock, style, or theme.

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Ratings & screeners on 3000 stocks, 450 ETFs and 7000 mutual funds help you make prudent investment decisions.

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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