Investment Style Ratings for ETFs, Mutual Funds & Stocks

At the beginning of the fourth quarter of 2018, only the Large Cap Value, Large Cap Blend, and All Cap Blend styles earn an Attractive-or-better rating. Our style ratings are based on the normalized aggregation of our fund ratings for every ETF and mutual fund in each style. Our fund ratings are based on aggregations of the ratings of the stocks they hold. See last quarter's Style Ratings here.

The Large Cap Blend and Large Cap Value styles house the most Attractive-or-better rated funds. Figures 4 through 7 provide more details. The primary driver behind an Attractive fund rating is good portfolio management, or good stock picking, with low total annual costs.

Attractive-or-better ratings do not always correlate with Attractive-or-better total annual costs. This fact underscores that (1) cheap funds can dupe investors and (2) investors should invest only in funds with good stocks and low fees.

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]

Get the best fundamental research

See Figures 4 through 13 for a detailed breakdown of ratings distributions by investment style. See our ETF & mutual fund screener for rankings, ratings and reports on 6800+ mutual funds and 400+ ETFs. Our fund rating methodology is detailed here.

All of our reports on the best & worst ETFs and mutual funds in every investment style are available here.

Figure 1: Ratings for All Investment Styles

Style	Overall Rating
Small Cap Growth	Very Unattractive
Small Cap Value	Unattractive
Small Cap Blend	Unattractive
Mid Cap Growth	Unattractive
Mid Cap Value	Unattractive
All Cap Growth	Neutral
Mid Cap Blend	Neutral
Large Cap Growth	Neutral
All Cap Value	Neutral
All Cap Blend	Attractive
Large Cap Blend	Attractive
Large Cap Value	Very Attractive

Source: New Constructs, LLC and company filings

To earn an Attractive-or-better Predictive Rating, an ETF or mutual fund must have high-quality holdings and low costs. Only the top 30% of all ETFs and mutual funds earn our Attractive or better rating.

ETF Series Aptus Fortified Value ETF (FTVA) is the top-rated Large Cap Value fund. It gets our Very Attractive

[1] Harvard Business School features the powerful impact of our research automation technology in the case New Constructs: Disrupting Fundamental Analysis with Robo-Analysts.

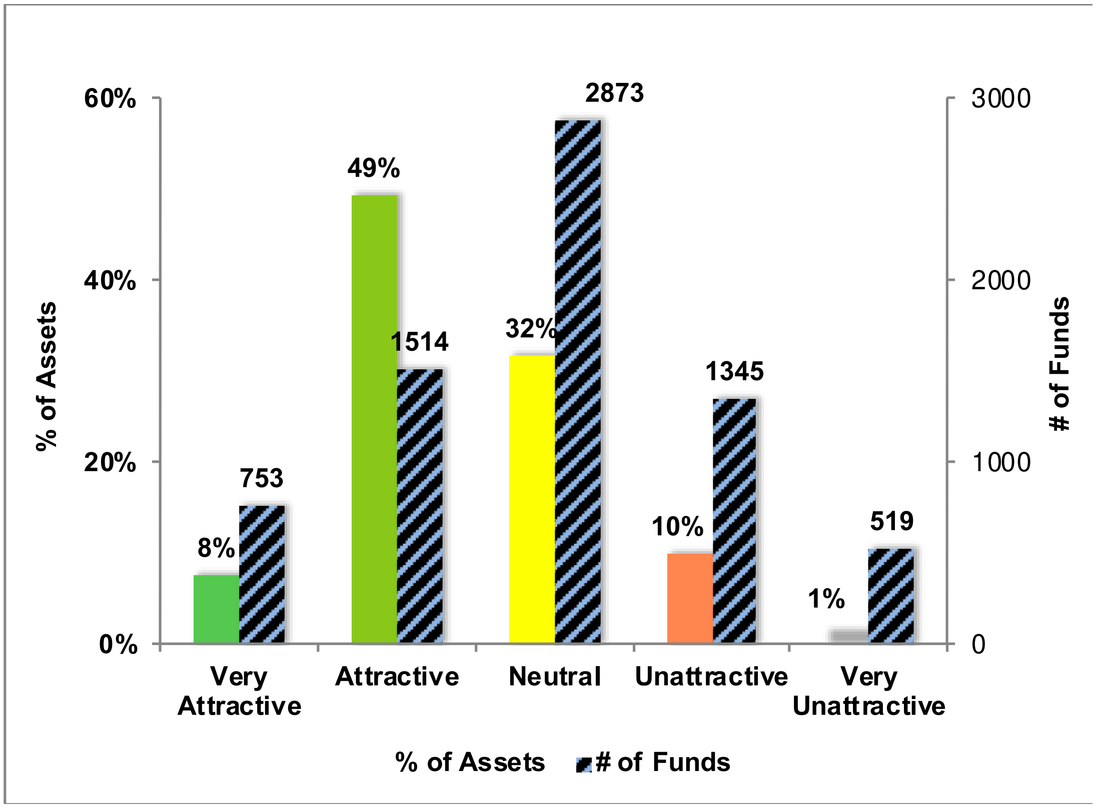
[2] Ernst & Young's recent white paper "Getting ROIC Right" proves the superiority of our holdings research and analytics.

rating by allocating over 60% of its value to Attractive-or-better-rated stocks.

BMO Small Cap Growth Fund (BSLAX) is the worst rated Small Cap Growth fund. It gets our Very Unattractive rating by allocating over 48% of its value to Unattractive-or-worse-rated stocks. Making matters worse, it charges investors total annual costs of 5.13%.

Figure 2 shows the distribution of our Predictive Ratings for all investment style ETFs and mutual funds.

Figure 2: Distribution of ETFs & Mutual Funds (Assets and Count) by Predictive Rating



Source: New Constructs, LLC and company filings

Figure 3 offers additional details on the quality of the investment style funds. Note that the average total annual cost of Very Unattractive funds is over four times that of Very Attractive funds.

Figure 3: Predictive Rating Distribution Stats

	Very Attractive	Attractive	Neutral	Unattractive	Very Unattractive
# of ETFs & Funds	753	1514	2873	1345	519
% of ETFs & Funds	11%	22%	41%	19%	7%
% of TNA	8%	49%	32%	10%	1%
Avg TAC	0.60%	0.22%	1.32%	1.02%	2.58%

* Avg TAC = Weighted Average Total Annual Costs

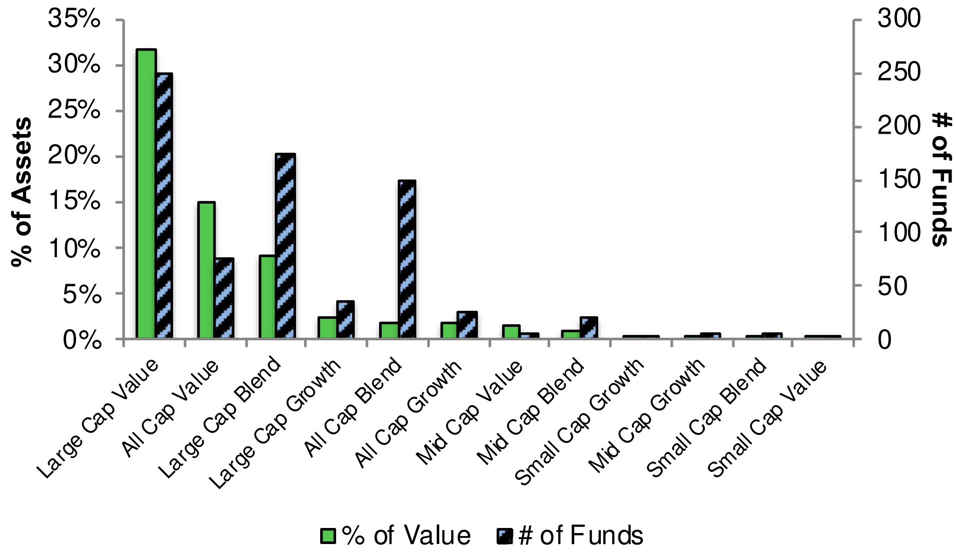
Source: New Constructs, LLC and company filings

This table shows that only the best of the best funds get our Very Attractive Rating: they must hold good stocks AND have low costs. Investors deserve to have the best of both and we are here to give it to them.

Ratings by Investment Style

Figure 4 presents a mapping of Very Attractive funds by investment style. The chart shows the number of Very Attractive funds in each style and the percentage of assets allocated to Very Attractive-rated funds.

Figure 4: Very Attractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 5 presents the data charted in Figure 4.

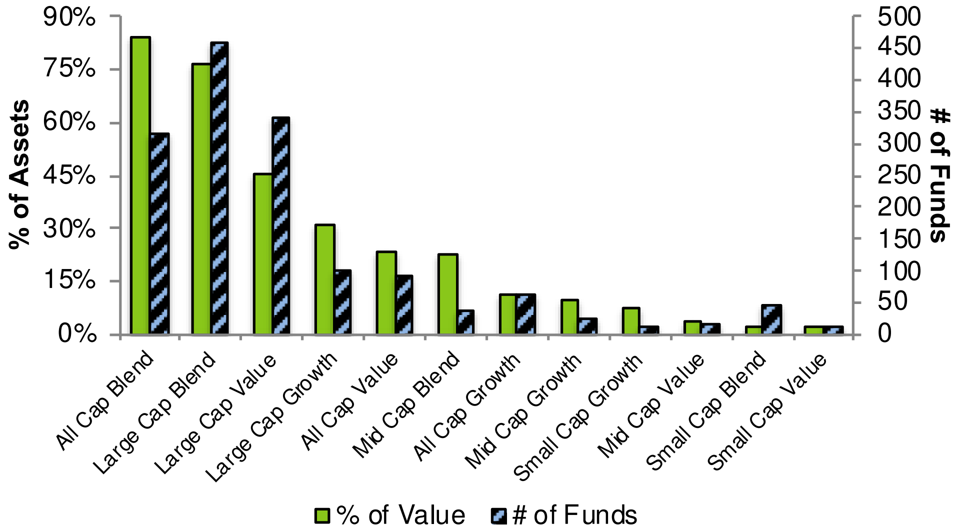
Figure 5: Very Attractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Very Attractive Funds	% of Very Attractive Funds in Style
Large Cap Value	32%	248	25%
All Cap Value	15%	77	19%
Large Cap Blend	9%	174	20%
Large Cap Growth	2%	36	5%
All Cap Blend	2%	149	16%
All Cap Growth	2%	25	4%
Mid Cap Value	2%	5	3%
Mid Cap Blend	1%	20	5%
Small Cap Growth	0%	2	0%
Mid Cap Growth	0%	7	2%
Small Cap Blend	0%	7	1%
Small Cap Value	0%	3	1%

Source: New Constructs, LLC and company filings

Figure 6 presents a mapping of Attractive funds by investment style. The chart shows the number of Attractive funds in each style and the percentage of assets allocated to Attractive-rated funds.

Figure 6: Attractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 7 presents the data charted in Figure 6.

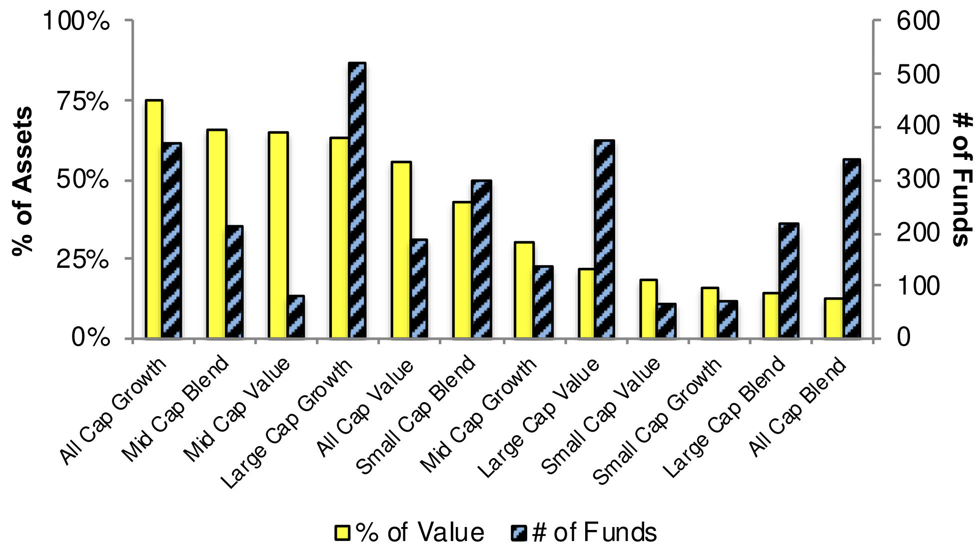
Figure 7: Attractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Attractive Funds	% of Attractive Funds in Style
All Cap Blend	84%	314	35%
Large Cap Blend	77%	460	52%
Large Cap Value	46%	339	34%
Large Cap Growth	31%	102	14%
All Cap Value	24%	92	23%
Mid Cap Blend	23%	36	9%
All Cap Growth	11%	61	11%
Mid Cap Growth	10%	25	7%
Small Cap Growth	7%	13	3%
Mid Cap Value	4%	17	9%
Small Cap Blend	2%	44	5%
Small Cap Value	2%	11	4%

Source: New Constructs, LLC and company filings

Figure 8 presents a mapping of Neutral funds by investment style. The chart shows the number of Neutral funds in each style and the percentage of assets allocated to Neutral-rated funds.

Figure 8: Neutral ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 9 presents the data charted in Figure 8.

Figure 9: Neutral ETFs & Mutual Funds by Investment Style

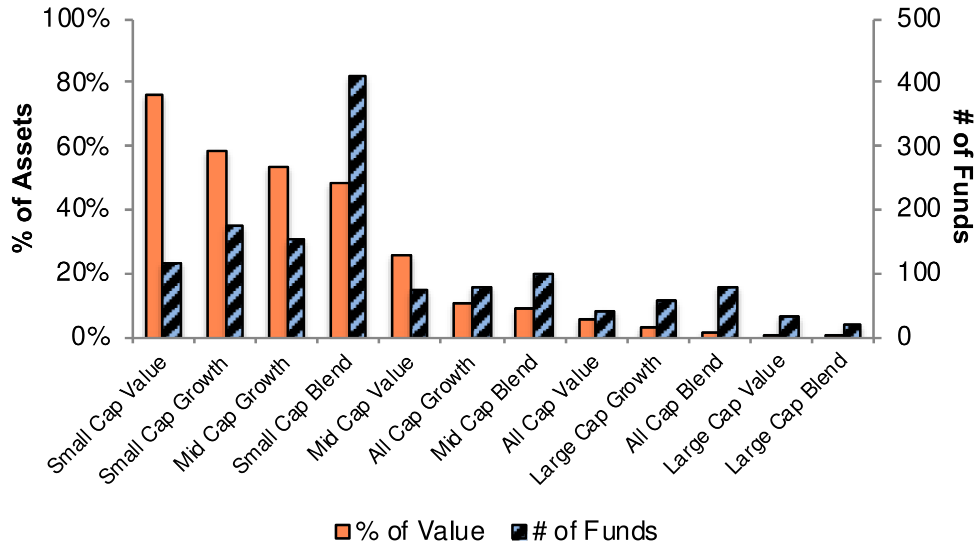
Style	% of Style Assets	# of Neutral Funds	% of Neutral Funds in Style
All Cap Growth	75%	368	66%
Mid Cap Blend	66%	213	52%
Mid Cap Value	65%	80	42%
Large Cap Growth	64%	519	72%
All Cap Value	56%	188	46%
Small Cap Blend	43%	299	34%
Mid Cap Growth	30%	136	37%
Large Cap Value	22%	376	38%
Small Cap Value	19%	68	28%
Small Cap Growth	16%	69	16%
Large Cap Blend	14%	220	25%
All Cap Blend	13%	337	37%

Source: New Constructs, LLC and company filings

Figure 10 presents a mapping of Unattractive funds by investment style. The chart shows the number of Unattractive funds in each style and the percentage of assets allocated to Unattractive-rated funds.

The landscape of style ETFs and mutual funds is littered with Unattractive funds. Investors in Small Cap Value have put over 76% of their assets in Unattractive-rated funds.

Figure 10: Unattractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 11 presents the data charted in Figure 10.

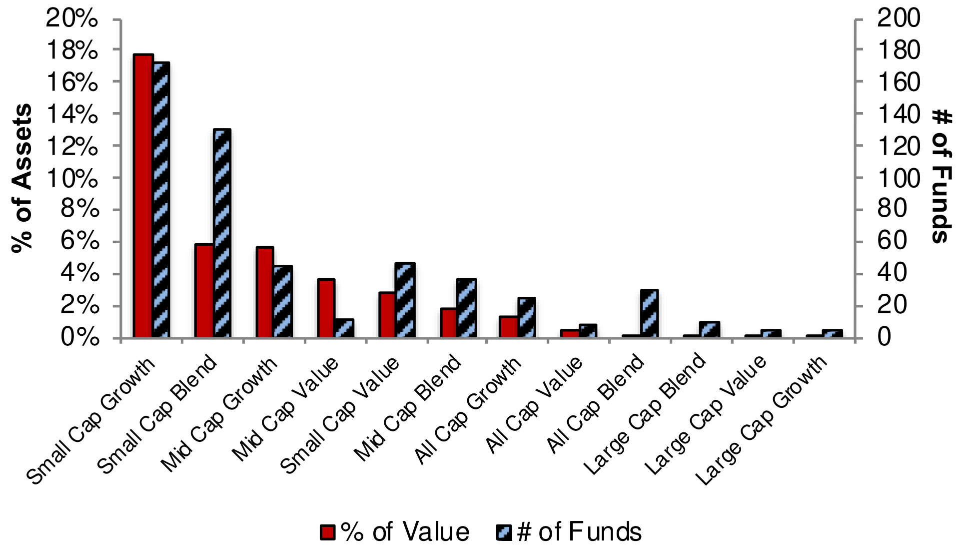
Figure 11: Unattractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Unattractive Funds	% of Unattractive Funds in Style
Small Cap Value	76%	117	48%
Small Cap Growth	59%	177	41%
Mid Cap Growth	54%	152	42%
Small Cap Blend	49%	411	46%
Mid Cap Value	25%	76	40%
All Cap Growth	11%	78	14%
Mid Cap Blend	9%	101	25%
All Cap Value	5%	42	10%
Large Cap Growth	3%	59	8%
All Cap Blend	1%	80	9%
Large Cap Value	1%	34	3%
Large Cap Blend	0%	18	2%

Source: New Constructs, LLC and company filings

Figure 12 presents a mapping of Very Unattractive funds by investment style. The chart shows the number of Very Unattractive funds in each style and the percentage of assets allocated to Very Unattractive-rated funds.

Figure 12: Very Unattractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 13 presents the data charted in Figure 12.

Figure 13: Very Unattractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Very Unattractive Funds	% of Very Unattractive Funds in Style
Small Cap Growth	18%	172	40%
Small Cap Blend	6%	130	15%
Mid Cap Growth	6%	44	12%
Mid Cap Value	4%	12	6%
Small Cap Value	3%	46	19%
Mid Cap Blend	2%	36	9%
All Cap Growth	1%	24	4%
All Cap Value	1%	8	2%
All Cap Blend	0%	29	3%
Large Cap Blend	0%	9	1%
Large Cap Value	0%	5	0%
Large Cap Growth	0%	4	1%

Source: 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, sector or theme.

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Appendix: Predictive 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 funds' holdings 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 fund expenses. Finally, we rank the fund compared to all other funds to identify the best and worst funds in the market.

Intuitively, there are two drivers for future fund performance.

1. Stock-picking (Portfolio Management Rating) and
2. Fund expenses (Total Annual Costs Rating)

Our Predictive Fund Rating is based on these drivers and the fund's ranking:

1. Top 10% = Very Attractive Rating
2. Next 20% = Attractive Rating
3. Next 40% = Neutral Rating
4. Next 20% = Unattractive Rating
5. Bottom 10% = Very Unattractive Rating

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

Predictive Rating	Portfolio Management Rating						Total Annual Costs
	Business Strength		Valuation			Cash Allocation	
	Quality of Earnings	Return on Invested Capital	FCF Yield	Price to Economic Book Value	Market-Implied Duration of Growth		
Very Unattractive	Misleading Trend	Bottom Quintile	< -5%	>3.5 or -1<0	> 50	> 20%	> 4 %
Unattractive	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%

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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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