ETF & Mutual Fund Rankings: Large Cap Growth Style

The Large Cap Growth style ranks fifth out of the twelve fund styles as detailed in our 1Q19 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Large Cap Growth style ranked fifth as well. It gets our Neutral rating, which is based on an aggregation of ratings of 26 ETFs and 656 mutual funds in the Large Cap Growth style as of January 22, 2019. See a recap of our 4Q18 Style Ratings here.

Figures 1 and 2 show the best and worst rated ETFs and mutual funds in the style. Not all Large Cap Growth style ETFs and mutual funds are created the same. The number of holdings varies widely (from 21 to 575). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Large Cap Growth 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

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Unattractive-or-worse Stocks**	**Predictive Rating**
Best ETFs				
PWB	27%	47%	24%	**Very Attractive**
SPYG	22%	54%	24%	**Attractive**
IUSG	22%	53%	25%	**Attractive**
SCHG	16%	52%	31%	**Attractive**
MGK	24%	51%	23%	**Attractive**
Worst ETFs				
CDL	28%	42%	29%	**Neutral**
SPMO	22%	50%	27%	**Neutral**
JKE	17%	48%	35%	**Neutral**
PXLG	24%	50%	24%	**Neutral**

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

Sources: New Constructs, LLC and company filings

Four ETFs (JQUA, OQAL, VSDA, SYG) 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

Ticker	Allocation of Mutual Fund Holdings: Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	Predictive Rating
Best Mutual Funds				
DPRIX	31%	32%	8%	Very Attractive
DPWRX	31%	32%	8%	Very Attractive
FMGEX	22%	46%	8%	Very Attractive
FFLYX	15%	66%	9%	Very Attractive
FUQIX	40%	59%	1%	Very Attractive
Worst Mutual Funds				
IALAX	2%	25%	59%	Unattractive
PCLCX	8%	28%	20%	Unattractive
PLAYX	8%	28%	20%	Unattractive
TWMTX	13%	53%	33%	Unattractive
PLAAX	8%	28%	20%	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 Growth ETF (PWB) is the top-rated Large Cap Growth ETF and Dreyfus Worldwide Growth Fund (DPRIX) is the top-rated Large Cap Growth mutual fund. Both earn a Very Attractive rating.

Invesco Russell Top 200 Pure Growth ETF (PXLG) is the worst rated Large Cap Growth ETF and PACE Large Growth Equity Investments (PLAAX) is the worst rated Large Cap Growth mutual fund. PXLG earns a Neutral rating and PLAAX earns a Very Unattractive rating.

The Danger Within

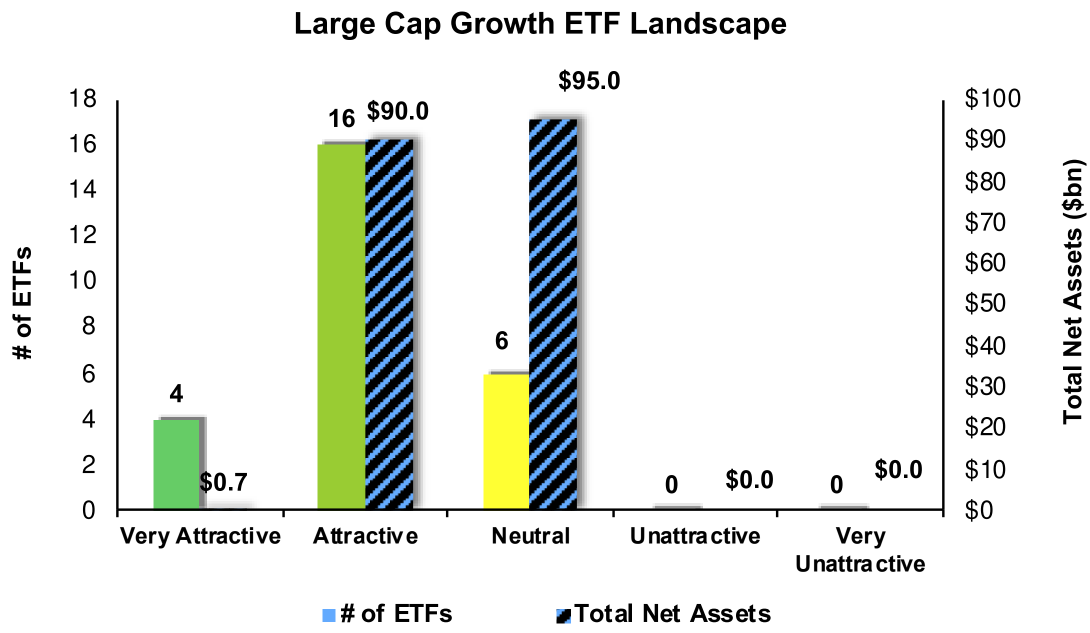
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

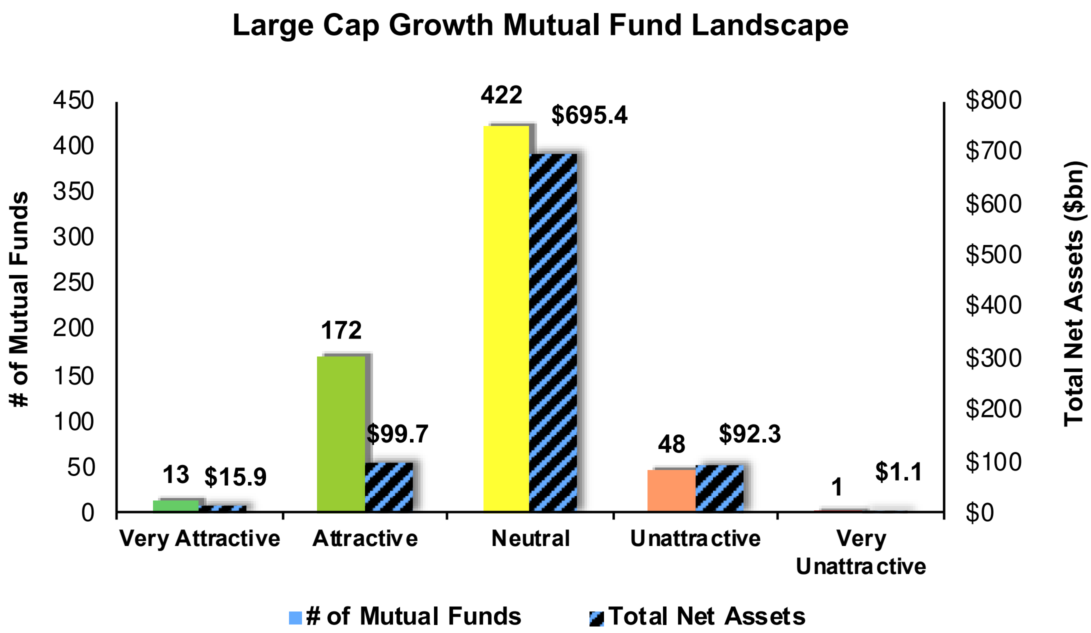
Figures 3 and 4 show the rating landscape of all Large Cap Growth ETFs and mutual funds.

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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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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