# ETF & Mutual Fund Rankings: Mid Cap Growth Style

The Mid Cap Growth style ranks eleventh out of the twelve fund styles as detailed in our 2Q19 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Mid Cap Growth style ranked eleventh as well. It gets our Unattractive rating, which is based on an aggregation of ratings of 10 ETFs and 355 mutual funds in the Mid Cap Growth style as of April 23, 2019. See a recap of our 1Q19 Style Ratings here.

Figure 1 ranks from best to worst the eight Mid Cap Growth ETFs that meet our liquidity standards and Figure 2 shows the five best and worst rated Mid Cap Growth mutual funds. Not all Mid Cap Growth style ETFs and mutual funds are created the same. The number of holdings varies widely (from 13 to 1727). This variation creates drastically different investment implications and, therefore, ratings.



Investors seeking exposure to the Mid 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** | **Dangerous-or-worse Stocks** | **Predictive Rating** |
| **Best ETFs (only 3)** | | | | |
| BFOR | 32% | 45% | 14% | Very Attractive |
| IWP | 13% | 45% | 41% | Neutral |
| PXMG | 10% | 38% | 51% | Neutral |
| **Worst ETFs** | | | | |
| IVOG | 12% | 43% | 40% | Neutral |
| JKH | 5% | 30% | 64% | Neutral |
| BOSS | 17% | 20% | 59% | Neutral |
| VOT | 7% | 38% | 54% | Unattractive |
| QMOM | 4% | 22% | 61% | Very Unattractive |

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

Sources: New Constructs, LLC and company filings

Franklin LibertyQ U.S. Mid Cap Equity ETF (FLQM) is excluded from Figure 1 because its 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** | | | | |
| MCMFX | 34% | 42% | 20% | Very Attractive |
| MCMYX | 34% | 42% | 20% | Very Attractive |
| MCMAX | 34% | 42% | 20% | Very Attractive |
| CRBYX | 16% | 39% | 29% | Attractive |
| CRBRX | 16% | 39% | 29% | Attractive |
| **Worst Mutual Funds** | | | | |
| DBMAX | 3% | 21% | 50% | Very Unattractive |
| RSMOX | 7% | 25% | 63% | Very Unattractive |
| HSOAX | 11% | 32% | 50% | Very Unattractive |
| TAAGX | 10% | 22% | 48% | Very Unattractive |
| OASGX | 10% | 24% | 48% | Very Unattractive |

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

Sources: New Constructs, LLC and company filings

Barron's 400 ETF (BFOR) is the top-rated Mid Cap Growth ETF and AMG Managers Cadence Mid Cap Fund (MCMFX) is the top-rated Mid Cap Growth mutual fund. Both earn a Very Attractive rating.

Alpha Architect U.S. Quantitative Momentum ETF (QMOM) is the worst rated Mid Cap Growth ETF and Optimum Small-Mid Cap Growth Fund (OASGX) is the worst rated Mid Cap Growth mutual fund. Both earn a Very Unattractive rating.

### The Danger Within

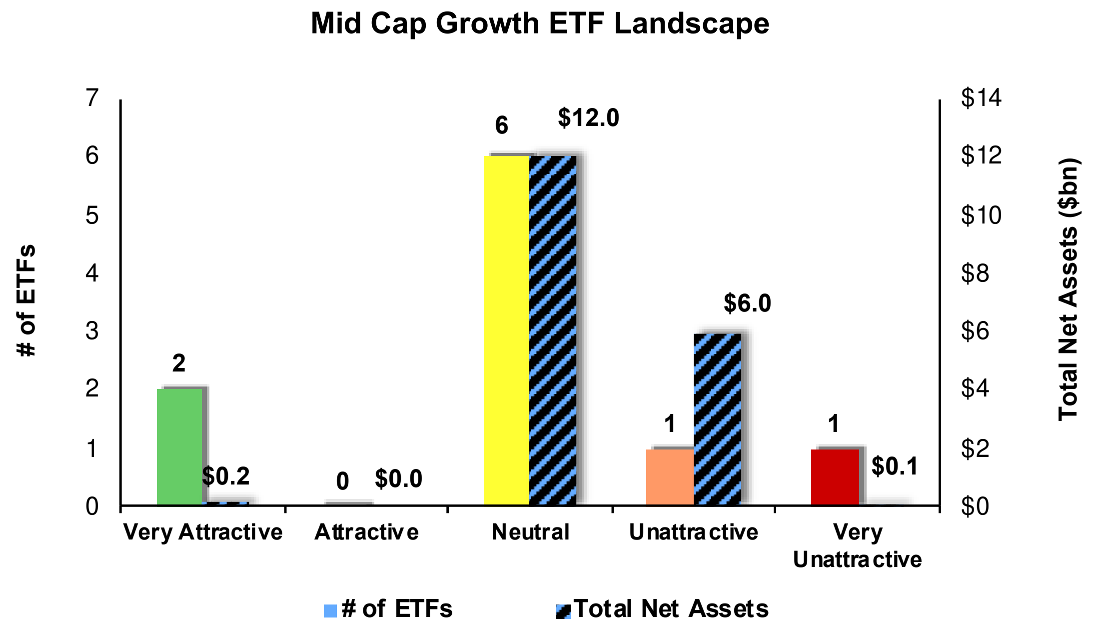
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

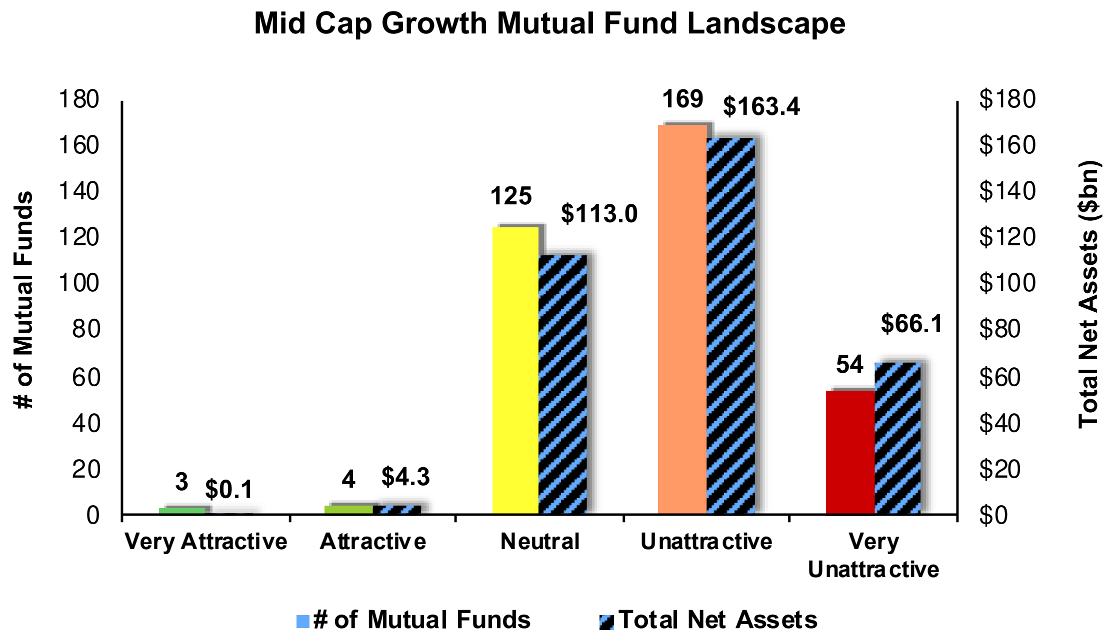
Figures 3 and 4 show the rating landscape of all Mid Cap Growth ETFs and mutual funds.

**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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### *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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