ETF & Mutual Fund Rankings: Large Cap Growth Style

The Large Cap Growth style ranks sixth out of the twelve fund styles as detailed in our 1Q20 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Large Cap Growth style ranked fifth. It gets our Neutral rating, which is based on an aggregation of ratings of 24 ETFs and 691 mutual funds in the Large Cap Growth style as of January 23, 2020. See a recap of our 4Q19 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 Growth style ETFs and mutual funds are created the same. The number of holdings varies widely (from 22 to 556). 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] Only our research utilizes the superior data and earnings adjustments featured by the HBS & MIT Sloan paper, "Core Earnings: New Data and Evidence." 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				
SPGP	33%	49%	16%	**Very Attractive**
IUSG	16%	44%	39%	**Attractive**
SPYG	17%	45%	38%	**Attractive**
VOOG	16%	45%	38%	**Attractive**
IVW	17%	45%	38%	**Attractive**
Worst ETFs				
IWY	14%	57%	28%	**Neutral**
JKE	7%	46%	47%	**Neutral**
NULG	10%	53%	39%	**Neutral**
TMFC	9%	54%	37%	**Neutral**
LRGE	16%	44%	39%	**Neutral**

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

Sources: New Constructs, LLC and company filings

Four ETFs 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 This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

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				
FUQIX	27%	55%	18%	Very Attractive
DPRIX	16%	52%	17%	Very Attractive
FMGEX	21%	47%	17%	Attractive
DPWRX	16%	52%	17%	Attractive
ASTNX	8%	50%	14%	Attractive
Worst Mutual Funds				
APTRX	8%	31%	60%	Unattractive
GGCAX	3%	42%	52%	Unattractive
OTPIX	6%	29%	16%	Very Unattractive
OTPSX	6%	29%	16%	Very Unattractive
DAFGX	2%	30%	66%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

GQG Partners Global Quality Equity Fund (GQRIX, GQRRX, GQRPX), Mundoval Fund (MUNDX), and Alta Quality Growth Fund (AQLGX) are excluded from Figure 2 because their total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

Invesco S&P 500 GARP ETF (SPGP) is the top-rated Large Cap Growth ETF and Fidelity SAI US Quality Index Fund (FUQIX) is the top-rated Large Cap Growth mutual fund. Both earn a Very Attractive rating.

ClearBridge Large Cap Growth ESG ETF (LRGE) is the worst rated Large Cap Growth ETF and Dunham Focused Large Cap Growth Fund (DAFGX) is the worst rated Large Cap Growth mutual fund. LRGE earns a Neutral rating and DAFGX earns a Very Unattractive rating.

The Danger Within

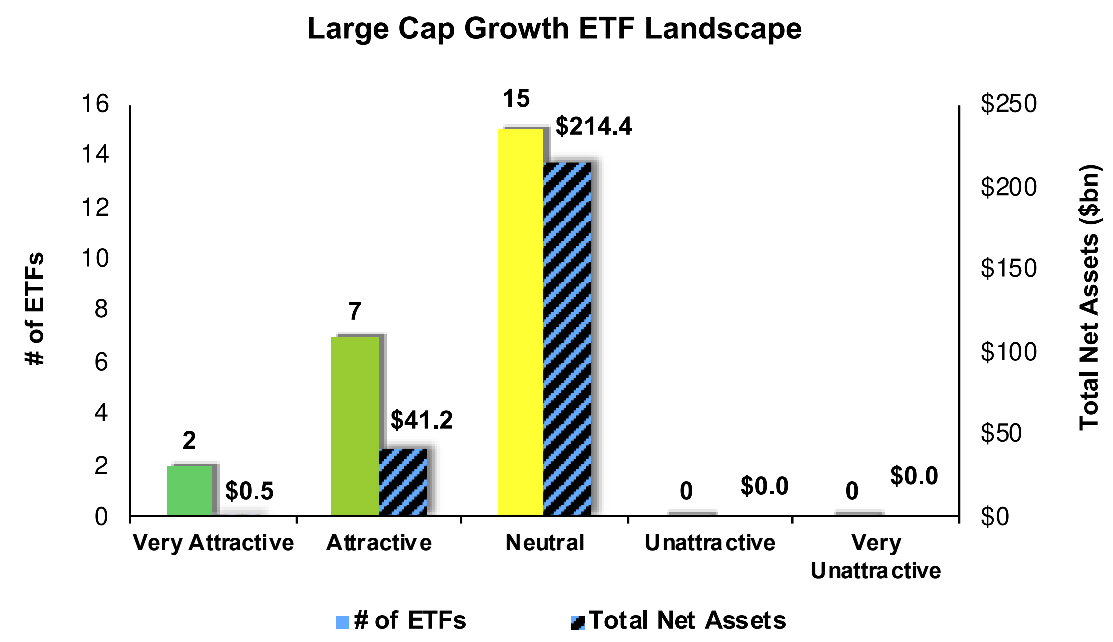
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

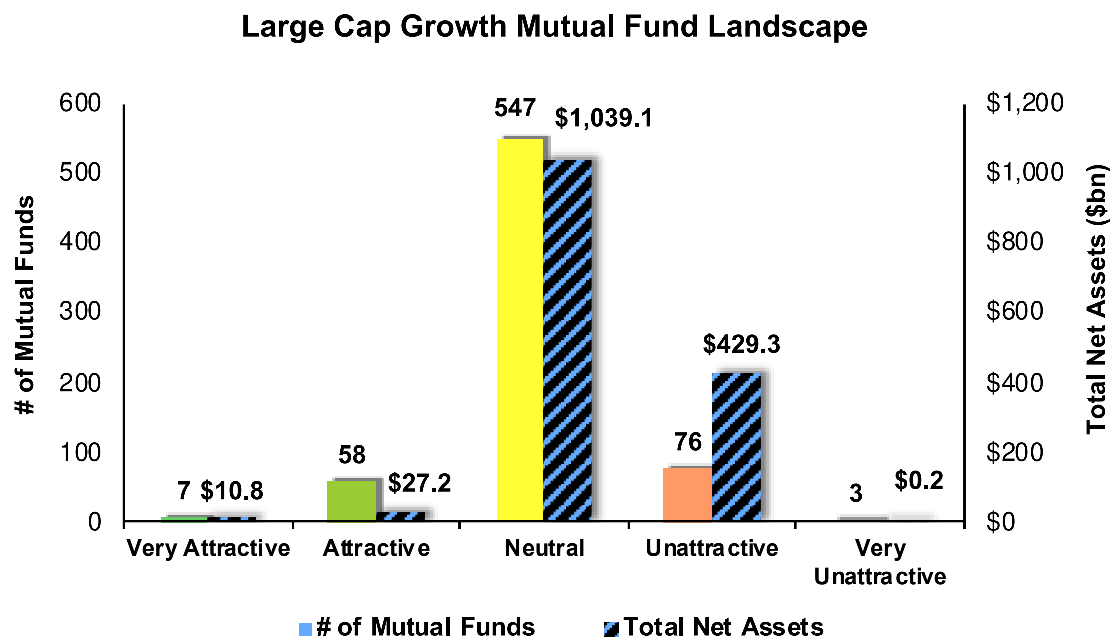
Figures 3 and 4 show the rating landscape of all Large Cap Growth ETFs and mutual funds.

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

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Footnotes adjustments matter. We are the ONLY source.

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

HBS & MIT Sloan research reveals that:

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies (featured by Harvard Business School), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, Core Earnings: New Data and Evidence, shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

Learn more.

Quotes from HBS & MIT Sloan professors on our research:

Get better research:

"…the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications." – page 20

Pick better stocks:

"Trading strategies that exploit cross-sectional differences in firms' transitory earnings produce abnormal returns of 7-to-10% per year." – Abstract

Avoid losses from using other firms' data:

"…many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat…" – page 14

Build better models:

"Core Earnings [calculated using New Constructs' novel dataset] provides predictive power for various measures of one-year-ahead performance…that is incremental to their current-period counterparts." – page 4

Exploit market inefficiencies:

"These results … suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures." – page 26

Fulfill fiduciary duties:

"An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A." – page 33-34

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