New Constructs®
Diligence | Independence | Performance

BEST & WORST FUNDS
1/20/21

ETF & Mutual Fund Rankings: All Cap Value Style

The All Cap Value style ranks fourth out of the twelve fund styles as detailed in our 1Q21 Style Ratings for ETFs and Mutual Funds report. Last quarter, the All Cap Value style ranked third. It gets our Neutral rating, which is based on an aggregation of ratings of 48 ETFs and 571 mutual funds in the All Cap Value style as of January 19, 2021. See a recap of our 4Q20 Style Ratings here.

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the style. Not all All Cap Value style ETFs and mutual funds are created the same. The number of holdings varies widely (from 15 to 1,850) This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the All Cap Value style should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2.

The best fundamental data in the world, proven in The Journal of Financial Economics, drives our research. 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				
VALQ	49%	38%	11%	Very Attractive
VSMV	62%	35%	2%	Very Attractive
ROUS	44%	37%	16%	Very Attractive
SPLV	41%	42%	16%	Very Attractive
AUSF	30%	47%	20%	Very Attractive
Worst ETFs				
RSP	25%	40%	34%	Neutral
CLRG	34%	30%	35%	Neutral
EQRR	23%	40%	35%	Neutral
RPV	29%	37%	33%	Unattractive
SPHB	14%	35%	50%	Unattractive

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

Sources: New Constructs, LLC and company filings

Four ETFs (WLDR, SYV, WBIY, VFMF) 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] See how our models and financial ratios are superior to Bloomberg and Capital IQ's (SPGI) analytics in the detailed appendix of this paper.

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				
KDHTX	64%	30%	5%	Very Attractive
SGMAX	44%	21%	6%	Very Attractive
KDHIX	64%	30%	5%	Very Attractive
FBCVX	64%	9%	15%	Very Attractive
KDHSX	64%	30%	5%	Very Attractive
Worst Mutual Funds				
SHXPX	16%	33%	46%	Very Unattractive
CASTX	14%	29%	25%	Very Unattractive
NPNAX	26%	31%	33%	Very Unattractive
GABVX	20%	48%	15%	Very Unattractive
LLPFX	5%	30%	24%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

American Century STOXX U.S. Quality Value ETF (VALQ) is the top-rated All Cap Value ETF and DWS CROCI Equity Dividend Fund (KDHTX) is the top-rated All Cap Value mutual fund. Both earn a Very Attractive rating.

Invesco S&P 500 High Beta ETF (SPHB) is the worst rated All Cap Value ETF and Longleaf Partners Fund (LLPFX) is the worst rated All Cap Value mutual fund. SPHB earns an Unattractive rating and LLPFX earns a Very Unattractive rating.

The Danger Within

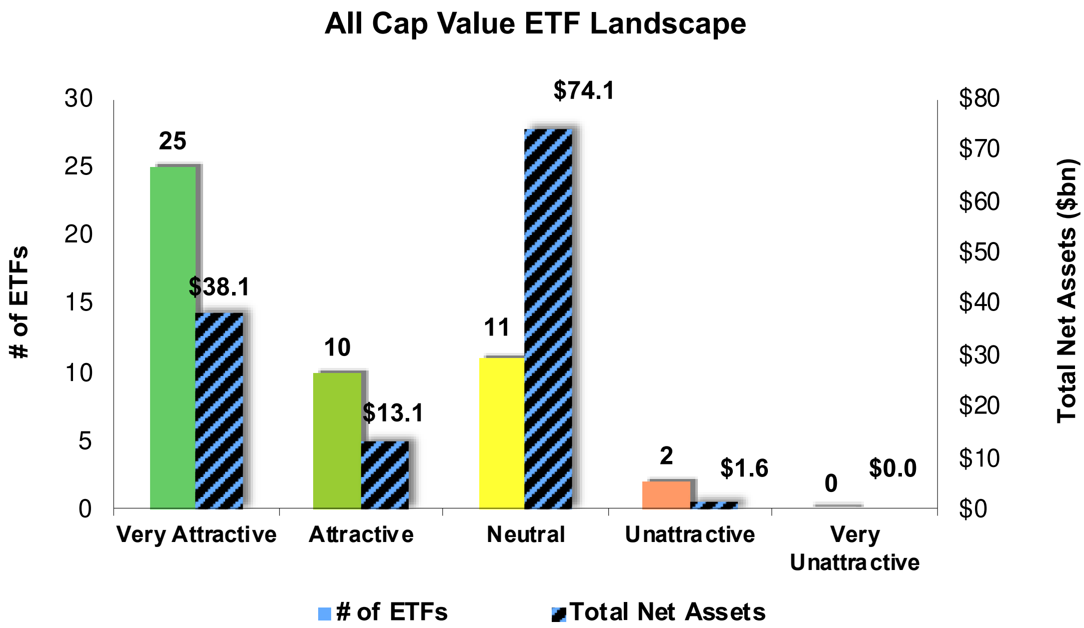
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

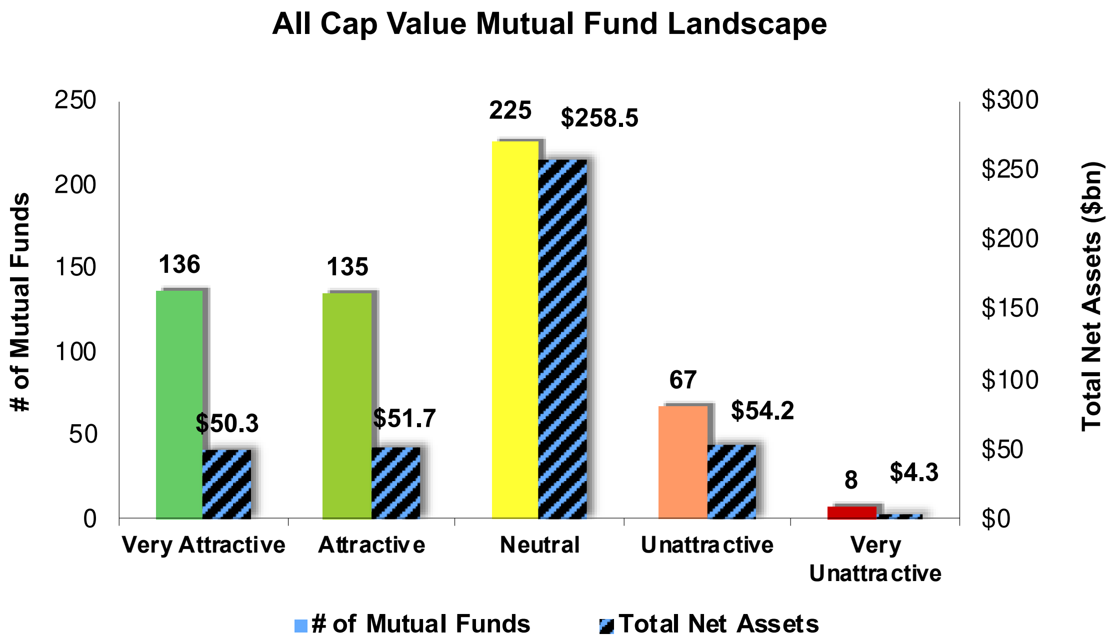
Figures 3 and 4 show the rating landscape of all All Cap Growth ETFs and mutual funds.

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, Alex Sword, 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.

The Journal of Financial Economics 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.

Forthcoming in The Journal of Financial Economics, the HBS & MIT Sloan paper, Core Earnings: New Data and Evidence, proves 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 against Bloomberg & Capital IQ.

Learn more.

Quotes from HBS & MIT Sloan professors on our research:

Superior data:

"[New Constructs'] Total Adjustments differs significantly from the items identified and excluded from Compustat's adjusted earnings measures. For example… 50% to 70% of the variation in Total Adjustments is not explained by IBSPI Adjustments, OIADP Adjustments, or OPE Adjustments individually." — pp. 14, 1st para.

Pick better stocks:

"Trading strategies that exploit non-core earnings produce abnormal returns of 8% per year." – Abstract, 5th sentence

Risks of using legacy data providers:

"we identified cases where Compustat did not collect information relating to firms' income that is useful in assessing core earnings." – pp. 16, 2nd para.

Build better models:

"… the machine [NC's Robo-Analyst technology] learned and replicated human analysts' judgements based on their prior decisions. It did so with greater speed and scale to produce a database covering a broad cross-section of firms." – pp. 9, 2nd para.

Exploit market inefficiencies:

"…analysts and other market participants are slow to impound the implications of the distinction between core and non-core earnings, especially those disclosed from the footnotes section of the 10-K" – pp. 35, 1st para.

Fulfill fiduciary duties:

"These costs [of analyzing footnotes] point to the potential for increasing inequities in the usefulness of financial statements for sophisticated versus unsophisticated investors who differ in their technological capabilities for processing 10-K information" – pp. 35, 2nd para.

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