



How to Find the Best Style Mutual Funds

With an ever-growing list of similar-sounding mutual funds to choose from, finding the best is an increasingly difficult task. How can investors change the game to shift the odds in their favor?

[Learn more about the best fundamental research](#)

Don't Trust Mutual Fund Labels

There are at least 979 different All Cap Value mutual funds and at least 6,025 mutual funds across twelve styles. Do investors need 502+ choices on average per style? How different can the mutual funds be?

Those 979 All Cap Value mutual funds are very different from one another. With anywhere from 16 to 862 holdings, many of these All Cap Value mutual funds have drastically different portfolios with differing risk profiles and performance outlooks.

The same is true for the mutual funds in any other style, as each offers a very distinct mix of good and bad stocks. Large Cap Value ranks first for stock selection. Small Cap Growth ranks last. Details on the [Best & Worst mutual funds in each style are here](#).

Avoiding Analysis Paralysis

We think the large number of style mutual funds hurts investors more than it helps. Manually conducting a deep analysis for every fund is simply not a realistic option, exposing investors to insufficient analysis and causing them to miss profitable opportunities. Analyzing mutual funds properly¹ is far more difficult than analyzing stocks because it means analyzing all the stocks within each mutual fund. As stated above, there can be as many as 862 stocks or more for one mutual fund.

Anyone focused on [fulfilling the fiduciary duty of care](#) recognizes that analyzing the holdings² of a mutual fund is critical to finding the best mutual fund. More [reliable](#) & [proprietary](#) fundamental data, proven in [The Journal of Financial Economics](#), drives our research and analysis of fund holdings and provides investors with a [new source of alpha](#). Figure 1 shows our top rated mutual fund for each style.

¹ Three independent studies from respected institutions prove the superiority of our data, models, and ratings. Learn more [here](#).

² Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).

**Figure 1: The Best Mutual Fund in Each Style**

Ticker	Name	Investment Style	Assets (\$mm)	Risk/Reward Rating
LDIFX	Legg Mason Franklin Global Dividend Fund	All Cap Blend	\$137	Very Attractive
MRFOX	Marshfield Concentrated Opportunity Fund	All Cap Growth	\$299	Very Attractive
AGLYX	Ariel Global Fund	All Cap Value	\$159	Very Attractive
SNTFX	Steward International Enhanced Index Fund	Large Cap Blend	\$179	Very Attractive
GQEIX	GQG Partners U.S. Select Quality Equity Fund	Large Cap Growth	\$1,138	Very Attractive
APHGX	Artisan Global Value Fund	Large Cap Value	\$1,819	Very Attractive
MPCR	Madison Mid Cap Fund	Mid Cap Blend	\$621	Very Attractive
VKSRX	Virtus KAR Small Mid Cap Core Fund	Mid Cap Growth	\$952	Attractive
HNMVX	Harbor Mid Cap Value Fund	Mid Cap Value	\$287	Attractive
RVVHX	Royce Small Cap Value Fund	Small Cap Blend	\$102	Very Attractive
TQSIX	T. Rowe Price QM U.S. Small Mid Cap Core Equity Fund	Small Cap Growth	\$282	Attractive
RSEIX	Royce Small Cap Special Equity Fund	Small Cap Value	\$742	Very Attractive

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

Sources: New Constructs, LLC and company filings

Amongst the mutual funds in Figure 1, Ariel Global Fund (AGLYX) ranks first overall, Royce Small Cap Special Equity Fund (RSEIX) ranks second, and Steward International Enhanced Index Fund (SNTFX) ranks third. Virtus KAR Small Mid Cap Core Fund (VKSRX) ranks last.

How to Avoid “The Danger Within”

Why do you need to know the holdings of mutual funds before you buy?

A mutual fund is nothing more than the sum of its component parts – if you don’t understand what it’s made of, you ultimately won’t understand what you’re buying. It would be like buying a stock without analyzing its business and finances. No matter how cheap, if it holds bad stocks, the mutual fund’s performance will be bad. Don’t just take my word for it, see [what Barron’s says](#) on this matter.

PERFORMANCE OF FUND’S HOLDINGS – FEES = 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.

If Only Investors Could Find Funds Rated by Their Holdings

Our [mutual fund ratings](#) leverage our [stock coverage](#). We rate mutual funds based on the aggregated ratings of the stocks each mutual fund holds.

Ariel Global Fund (AGLYX) is not only the top-rated All Cap Value mutual fund but is also the overall top ranked style mutual fund out of the 6,025 style mutual funds that we cover.

The worst mutual fund in Figure 1 is Virtus KAR Small Mid Cap Core Fund (VKSRX), which still gets an Attractive rating.

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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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It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. Legacy fundamental datasets suffer from significant inaccuracies, omissions and biases.
2. Only our “novel database” enables investors to overcome these flaws and apply [reliable](#) fundamental data in their research.
3. Our proprietary measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms’ data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[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 *S&P Global’s (SPGI) Adjustments* individually.” – pp. 14, 1st para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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