Investment Style Ratings for ETFs, Mutual Funds & Stocks

At the beginning of the fourth quarter of 2022, the Large Cap Value, All Cap Value, and All Cap Blend styles earn an Attractive-or-better rating. Our style ratings are based on the normalized aggregation of our fund ratings for every ETF and mutual fund in a given style. Our fund ratings are based on aggregations of the ratings of the stocks they hold. See last quarter's Style Ratings here.

Investors looking for style funds that hold quality stocks should focus on the Large Cap Value, All Cap Value, and All Cap Blend styles. Figures 4 through 7 provide more details on the ratings of overall styles, underlying assets, and individual funds. The primary driver behind an Attractive fund rating is good portfolio management, or good stock picking, with low total annual costs.

Attractive-or-better ratings do not always correlate with Attractive-or-better total annual costs. This fact underscores that (1) cheap funds can dupe investors and (2) investors should invest only in funds with good stocks and low fees.

More reliable and proprietary fundamental data, 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] Our Core Earnings[3] and Earnings Distortion factor general novel alpha.

Learn more about the best fundamental research

See Figures 4 through 13 for a detailed breakdown of ratings distributions by investment style. See our ETF & mutual fund screener for rankings, ratings, and reports on 6,700+ mutual funds and 900+ ETFs. Our fund rating methodology is detailed here.

All of our reports on the best & worst ETFs and mutual funds in every investment style are available here.

Figure 1: Ratings for All Investment Styles

Style	Overall Rating
Large Cap Value	Very Attractive
All Cap Value	Attractive
All Cap Blend	Attractive
Large Cap Blend	Neutral
Mid Cap Blend	Neutral
Mid Cap Value	Neutral
Large Cap Growth	Neutral
Small Cap Blend	Neutral
All Cap Growth	Neutral
Small Cap Value	Unattractive
Mid Cap Growth	Unattractive
Small Cap Growth	Very Unattractive

Source: New Constructs, LLC and company filings

To earn an Attractive-or-better Predictive Rating, an ETF or mutual fund must have high-quality holdings and

[1] Harvard Business School features our research automation technology in the case Disrupting Fundamental Analysis with Robo-Analysts.

[2] See how our models overcome flaws in Bloomberg and Capital IQ's (SPGI) analytics in the detailed appendix of this paper.

[3] The Journal of Financial Economics proves that only Core Earnings enable investors to overcome the flaws in legacy fundamental data.

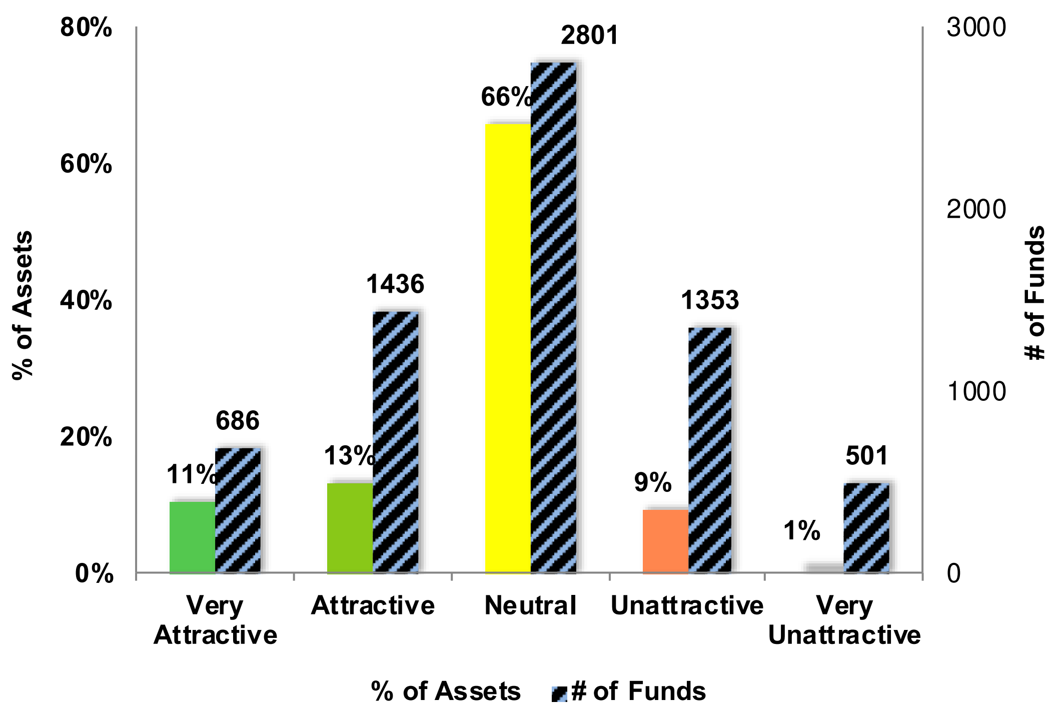
low costs. Only the top 30% of all ETFs and mutual funds earn our Attractive-or-better rating.

Artisan Global Value Fund (APHGX) is the top rated Large Cap Value fund that meets our liquidity minimums. It gets our Very Attractive rating by allocating over 47% of its value to Attractive-or-better-rated stocks.

Dunham Small Cap Growth Fund (DADGX) is the worst rated Small Cap Growth fund. It gets our Very Unattractive rating by allocating over 36% of its value to Unattractive-or-worse-rated stocks. Making matters worse, it charges investors total annual costs of 5.15%.

Figure 2 shows the distribution of our Predictive Ratings for all investment style ETFs and mutual funds.

Figure 2: Distribution of ETFs & Mutual Funds (Assets and Count) by Predictive Rating



Source: New Constructs, LLC and company filings

Figure 3 offers additional details on the quality of the investment style funds. Note that the average total annual cost of Very Unattractive funds is almost four times that of Very Attractive funds.

Figure 3: Predictive Rating Distribution Stats

	Very Attractive	Attractive	Neutral	Unattractive	Very Unattractive
# of ETFs & Funds	686	1436	2801	1353	501
% of ETFs & Funds	10%	21%	41%	20%	7%
% of TNA	11%	13%	66%	9%	1%
Avg TAC	0.58%	0.85%	0.35%	1.44%	2.17%

* Avg TAC = Weighted Average Total Annual Costs

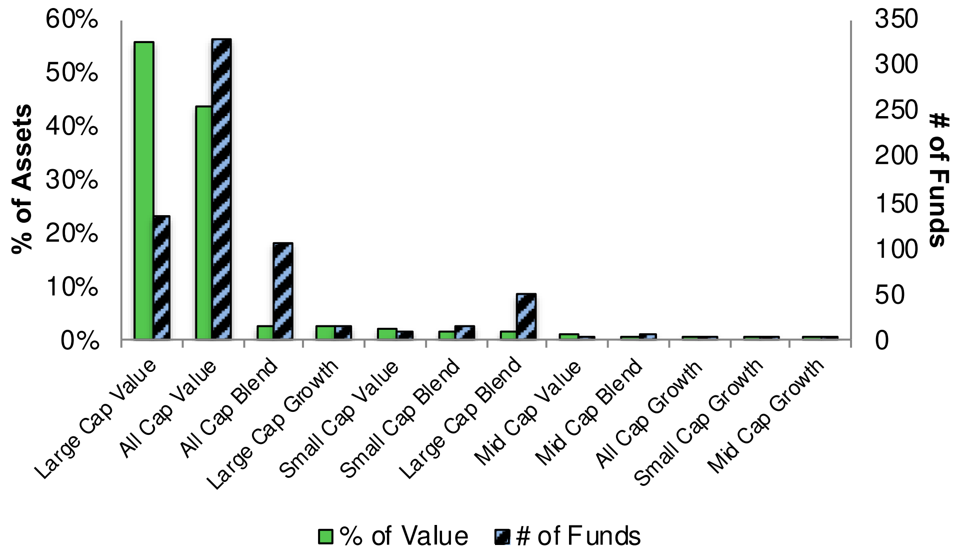
Source: New Constructs, LLC and company filings

This table shows that only the best of the best funds get our Very Attractive Rating: they must hold good stocks AND have low costs. Investors deserve to have the best of both and we are here to give it to them.

Ratings by Investment Style

Figure 4 presents a mapping of Very Attractive funds by investment style. The chart shows the number of Very Attractive funds in each style and the percentage of assets allocated to Very Attractive-rated funds.

Figure 4: Very Attractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 5 presents the data charted in Figure 4.

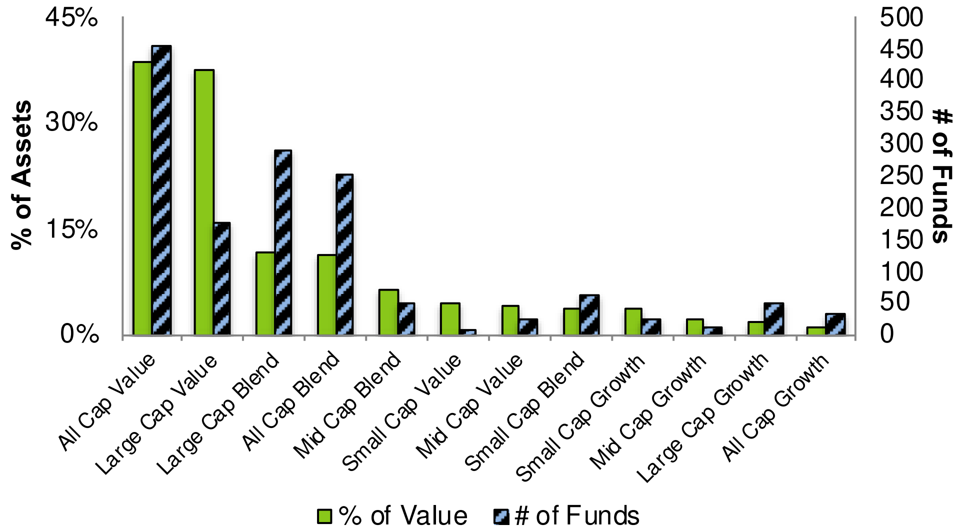
Figure 5: Very Attractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Very Attractive Funds	% of Very Attractive Funds in Style
Large Cap Value	56%	136	35%
All Cap Value	44%	329	29%
All Cap Blend	3%	105	12%
Large Cap Growth	3%	16	2%
Small Cap Value	2%	10	6%
Small Cap Blend	2%	17	2%
Large Cap Blend	2%	52	7%
Mid Cap Value	1%	5	3%
Mid Cap Blend	1%	8	2%
All Cap Growth	0%	3	1%
Small Cap Growth	0%	2	0%
Mid Cap Growth	0%	3	1%

Source: New Constructs, LLC and company filings

Figure 6 presents a mapping of Attractive funds by investment style. The chart shows the number of Attractive funds in each style and the percentage of assets allocated to Attractive-rated funds.

Figure 6: Attractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 7 presents the data charted in Figure 6.

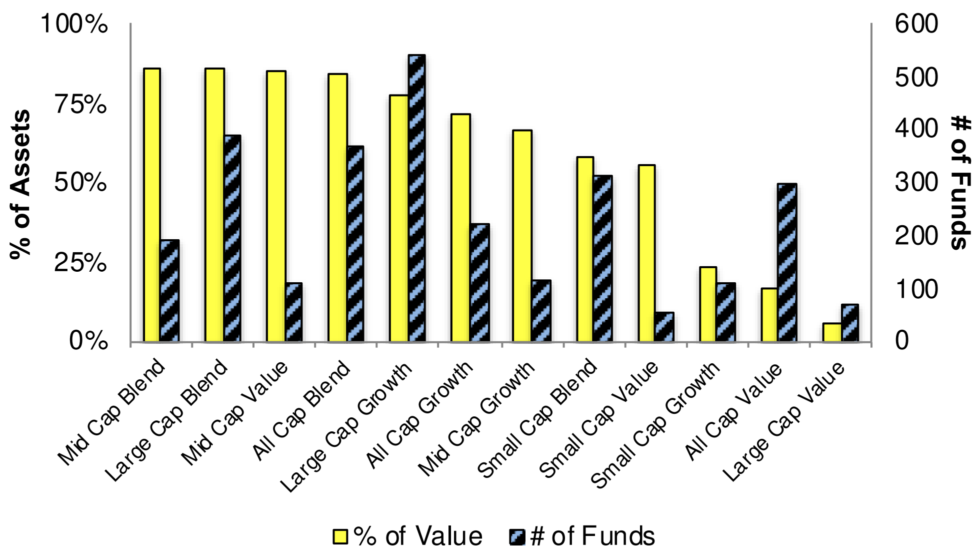
Figure 7: Attractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Attractive Funds	% of Attractive Funds in Style
All Cap Value	39%	455	40%
Large Cap Value	37%	177	45%
Large Cap Blend	12%	290	38%
All Cap Blend	11%	252	29%
Mid Cap Blend	6%	49	13%
Small Cap Value	4%	8	5%
Mid Cap Value	4%	24	14%
Small Cap Blend	4%	62	8%
Small Cap Growth	4%	23	4%
Mid Cap Growth	2%	10	3%
Large Cap Growth	2%	51	6%
All Cap Growth	1%	35	8%

Source: New Constructs, LLC and company filings

Figure 8 presents a mapping of Neutral funds by investment style. The chart shows the number of Neutral funds in each style and the percentage of assets allocated to Neutral-rated funds.

Figure 8: Neutral ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 9 presents the data charted in Figure 8.

Figure 9: Neutral ETFs & Mutual Funds by Investment Style

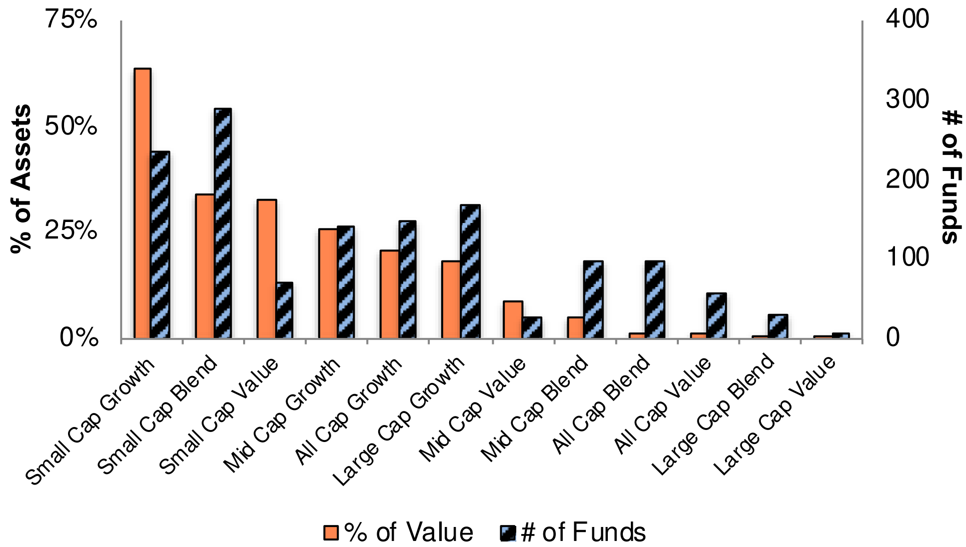
Style	% of Style Assets	# of Neutral Funds	% of Neutral Funds in Style
Mid Cap Blend	86%	194	53%
Large Cap Blend	86%	390	51%
Mid Cap Value	85%	111	63%
All Cap Blend	84%	370	43%
Large Cap Growth	77%	542	68%
All Cap Growth	71%	222	48%
Mid Cap Growth	67%	116	32%
Small Cap Blend	59%	314	41%
Small Cap Value	55%	57	35%
Small Cap Growth	23%	111	21%
All Cap Value	17%	301	26%
Large Cap Value	6%	73	19%

Source: New Constructs, LLC and company filings

Figure 10 presents a mapping of Unattractive funds by investment style. The chart shows the number of Unattractive funds in each style and the percentage of assets allocated to Unattractive-rated funds.

The landscape of style ETFs and mutual funds is littered with Unattractive funds. Investors in Small Cap Growth have put over 64% of their assets in Unattractive-rated funds.

Figure 10: Unattractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 11 presents the data charted in Figure 10.

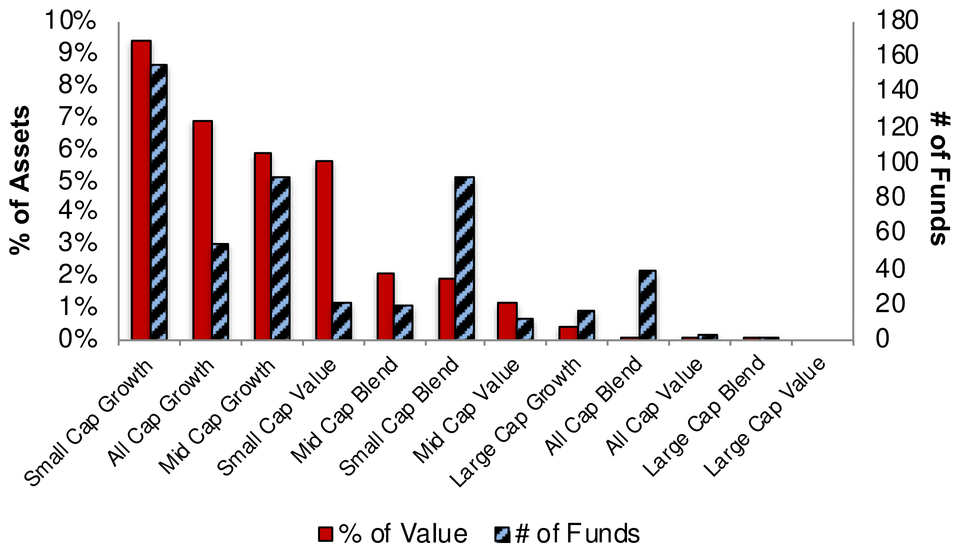
Figure 11: Unattractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Unattractive Funds	% of Unattractive Funds in Style
Small Cap Growth	64%	234	45%
Small Cap Blend	34%	288	37%
Small Cap Value	32%	69	42%
Mid Cap Growth	25%	141	39%
All Cap Growth	21%	147	32%
Large Cap Growth	18%	168	21%
Mid Cap Value	8%	26	15%
Mid Cap Blend	5%	96	26%
All Cap Blend	1%	96	11%
All Cap Value	1%	55	5%
Large Cap Blend	1%	28	4%
Large Cap Value	0%	5	1%

Source: New Constructs, LLC and company filings

Figure 12 presents a mapping of Very Unattractive funds by investment style. The chart shows the number of Very Unattractive funds in each style and the percentage of assets allocated to Very Unattractive-rated funds.

Figure 12: Very Unattractive ETFs & Mutual Funds by Investment Style



Source: New Constructs, LLC and company filings

Figure 13 presents the data charted in Figure 12.

Figure 13: Very Unattractive ETFs & Mutual Funds by Investment Style

Style	% of Style Assets	# of Very Unattractive Funds	% of Very Unattractive Funds in Style
Small Cap Growth	9%	155	30%
All Cap Growth	7%	54	12%
Mid Cap Growth	6%	92	25%
Small Cap Value	6%	20	12%
Mid Cap Blend	2%	19	5%
Small Cap Blend	2%	92	12%
Mid Cap Value	1%	11	6%
Large Cap Growth	0%	16	2%
All Cap Blend	0%	39	5%
All Cap Value	0%	2	0%
Large Cap Blend	0%	1	0%
Large Cap Value	0%	0	0%

Source: 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, sector or theme.

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Appendix: Predictive Fund Rating System

New Constructs' Predictive fund Ratings enable smarter investing by assessing the key drivers of future fund performance. We start by analyzing every funds' holdings based on New Constructs' stock ratings, which are regularly featured as among the best by Barron's. Next, we measure and rank the all-in fund expenses. Finally, we rank the fund compared to all other funds to identify the best and worst funds in the market.

Intuitively, there are two drivers for future fund performance.

1. Stock-picking (Portfolio Management Rating) and
2. Fund expenses (Total Annual Costs Rating)

Our Predictive Fund Rating is based on these drivers and the fund's ranking:

1. Top 10% = Very Attractive Rating
2. Next 20% = Attractive Rating
3. Next 40% = Neutral Rating
4. Next 20% = Unattractive Rating
5. Bottom 10% = Very Unattractive Rating

The figure below details the criteria that drive our Predictive Rating system for funds. The two drivers of our predictive ratings system are Portfolio Management and Total Annual Costs. The Portfolio Management ratings (detail here) is the same as our Stock Rating (detail here) except that we incorporate Asset Allocation (details here). The Total Annual Costs Ratings (details here) captures the all-in costs of being in a fund over a 3-year holding period, the average period for all mutual funds.

Predictive Rating	Portfolio Management Rating						Total Annual Costs
	Business Strength		Valuation			Cash Allocation	
	Quality of Earnings	Return on Invested Capital	FCF Yield	Price to Economic Book Value	Market-Implied Duration of Growth		
Very Unattractive	Misleading Trend	Bottom Quintile	< -5%	>3.5 or -1<0	> 50	> 20%	> 4 %
Unattractive	False Positive	4th Quintile	-5% < -1%	2.4<3.5 or <-1	20 < 50	8% < 20%	2% < 4%
Neutral	Neutral EE	3rd Quintile	-1% < 3%	1.6 < 2.4	10 < 20	2.5% < 8%	1% < 2%
Attractive	Positive EE	2nd Quintile	3% < 10%	1.1 < 1.6	3 < 10	1% < 2.5%	0.5% < 1%
Very Attractive	Rising EE	Top Quintile	> 10%	0 < 1.1	0 < 3	<1%	< 0.5%

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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