



## Investment Style Ratings for ETFs, Mutual Funds & Stocks

At the beginning of 3Q23, the Large Cap Value, All Cap Value, and All Cap Blend styles earn Attractive-or-better ratings. Our style ratings are based on the normalized aggregation of our fund ratings for every ETF and mutual fund in each 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. 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 & [proprietary](#) fundamental data, proven in [The Journal of Financial Economics](#), drives our research. Our [Robo-Analyst technology](#)<sup>1</sup> empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.<sup>2</sup>

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 6,200+ mutual funds and 1,000+ 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
Large Cap Growth	Neutral
Small Cap Blend	Neutral
Small Cap Value	Neutral
All Cap Growth	Neutral
Mid Cap Value	Neutral
Mid Cap Blend	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 low costs. Only the top 30% of all ETFs and mutual funds earn our Attractive-or-better rating.

Hennessy Cornerstone Value Fund (HICVX) is the top rated Large Cap Value fund. It gets our Very

<sup>1</sup> Harvard Business School features our research automation technology in the case [Disrupting Fundamental Analysis with Robo-Analysts](#).

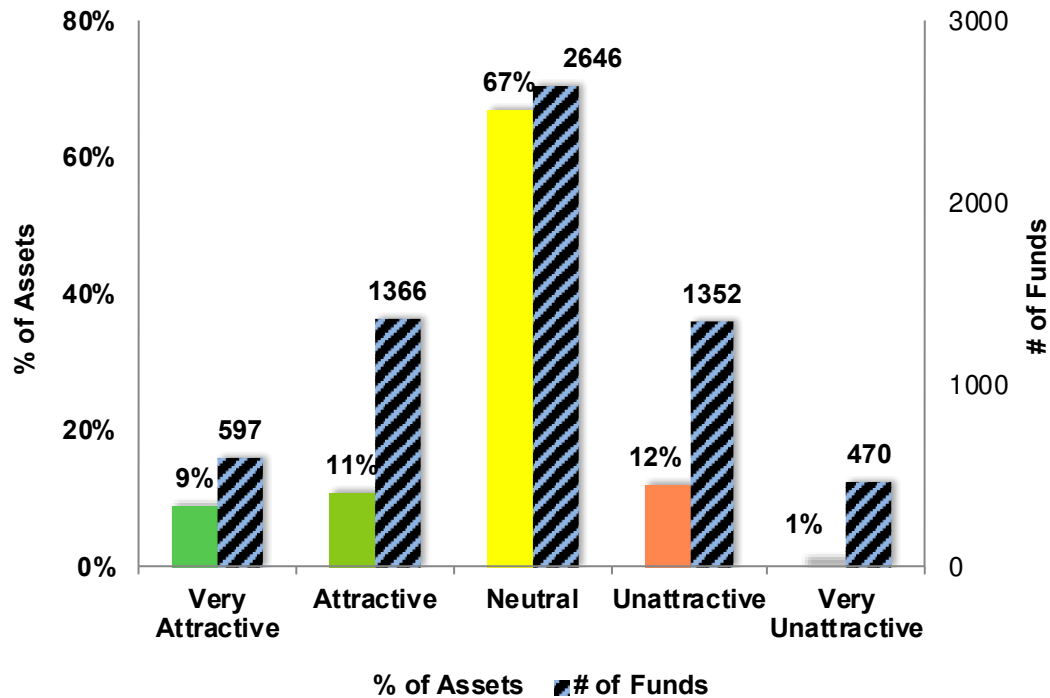
<sup>2</sup> See how our models overcome flaws in Bloomberg and Capital IQ's (SPGI) analytics in the [detailed appendix of this paper](#).

Attractive rating by allocating over 50% of its value to Attractive-or-better-rated stocks.

Victory RS Small Cap Equity Fund (GPSCX) is the worst rated Small Cap Growth fund. It gets our Very Unattractive rating by allocating over 47% of its value to Unattractive-or-worse-rated stocks. Making matters worse, it charges investors total annual costs of 4.46%.

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 five times that of Very Attractive funds.

**Figure 3: Predictive Rating Distribution Stats**

	Very Attractive	Attractive	Neutral	Unattractive	Very Unattractive
<b># of ETFs &amp; Funds</b>	597	1366	2646	1352	470
<b>% of ETFs &amp; Funds</b>	9%	21%	41%	21%	7%
<b>% of TNA</b>	9%	11%	67%	12%	1%
<b>Avg TAC</b>	0.37%	0.73%	0.40%	1.07%	1.84%

\*TNA = Total Net. Assets

\* Avg TAC = Weighted Average Total Annual Costs

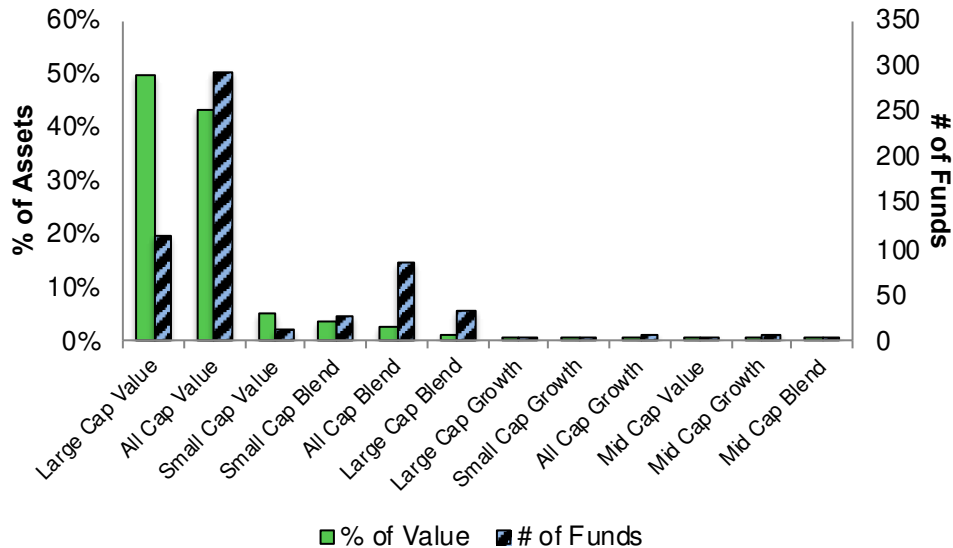
Source: New Constructs, LLC and company filings

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.

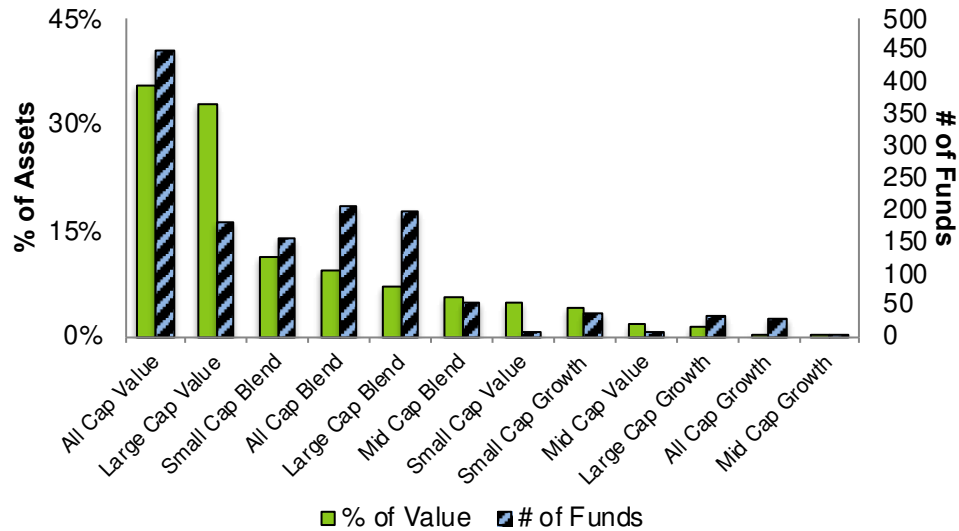
**Figure 5: Very Attractive ETFs & Mutual Funds by Investment Style**

Style	% of Style Assets	# of Very Attractive Funds	% of Very Attractive Funds in Style
Large Cap Value	50%	115	32%
All Cap Value	43%	295	28%
Small Cap Value	5%	12	8%
Small Cap Blend	4%	27	3%
All Cap Blend	3%	86	10%
Large Cap Blend	1%	34	5%
Large Cap Growth	1%	2	0%
Small Cap Growth	1%	3	1%
All Cap Growth	1%	8	2%
Mid Cap Value	0%	5	4%
Mid Cap Growth	0%	6	2%
Mid Cap Blend	0%	4	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**

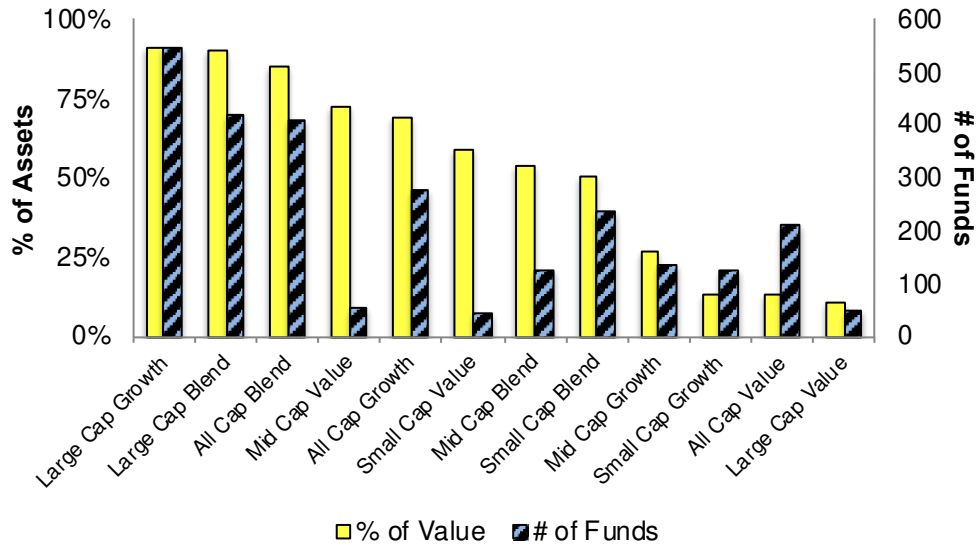
Style	% of Style Assets	# of Attractive Funds	% of Attractive Funds in Style
All Cap Value	36%	457	43%
Large Cap Value	33%	181	51%
Small Cap Blend	11%	155	19%
All Cap Blend	9%	205	24%
Large Cap Blend	7%	196	27%
Mid Cap Blend	6%	56	15%
Small Cap Value	5%	9	6%
Small Cap Growth	4%	36	7%
Mid Cap Value	2%	8	7%
Large Cap Growth	1%	32	5%
All Cap Growth	0%	27	6%
Mid Cap Growth	0%	4	1%

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
Large Cap Growth	91%	546	80%
Large Cap Blend	90%	422	59%
All Cap Blend	86%	408	48%
Mid Cap Value	73%	58	48%
All Cap Growth	69%	273	60%
Small Cap Value	58%	46	32%
Mid Cap Blend	53%	126	33%
Small Cap Blend	50%	237	29%
Mid Cap Growth	27%	137	39%
All Cap Value	14%	214	20%
Small Cap Growth	13%	129	25%
Large Cap Value	11%	50	14%

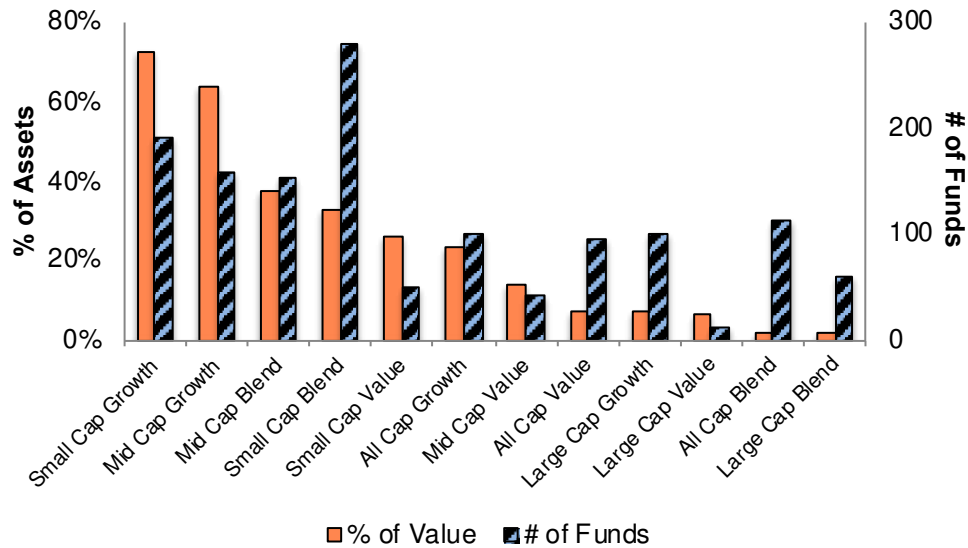
Source: New Constructs, LLC and company filings



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 74% 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.

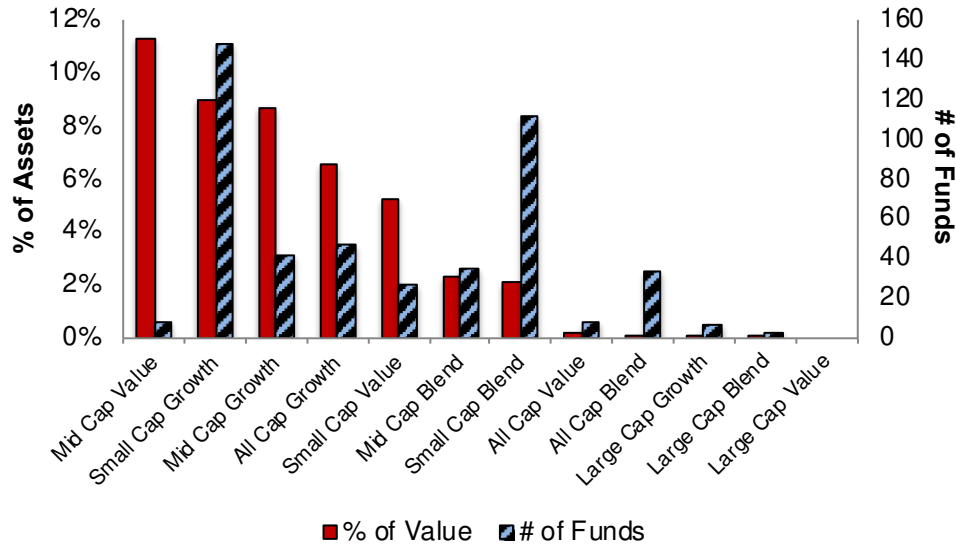
**Figure 11: Unattractive ETFs & Mutual Funds by Investment Style**

Style	% of Style Assets	# of Unattractive Funds	% of Unattractive Funds in Style
Small Cap Growth	74%	194	38%
Mid Cap Growth	64%	159	46%
Mid Cap Blend	39%	156	41%
Small Cap Blend	32%	275	34%
Small Cap Value	26%	50	35%
All Cap Growth	24%	99	22%
Mid Cap Value	13%	41	34%
All Cap Value	7%	95	9%
Large Cap Growth	7%	100	15%
Large Cap Value	6%	12	3%
All Cap Blend	2%	112	13%
Large Cap Blend	2%	59	8%

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
Mid Cap Value	11%	8	7%
Small Cap Growth	9%	148	29%
Mid Cap Growth	8%	41	12%
All Cap Growth	6%	46	10%
Small Cap Value	5%	27	19%
Small Cap Blend	3%	116	14%
Mid Cap Blend	2%	35	9%
All Cap Value	0%	8	1%
All Cap Blend	0%	33	4%
Large Cap Growth	0%	6	1%
Large Cap Blend	0%	2	0%
Large Cap Value	0%	0	0%

Source: New Constructs, LLC and company filings

This article originally published on [July 17, 2023](#).



*Disclosure: David Trainer, Kyle Guske, Hakan Salt, and Italo Mendonca receive no compensation to write about any specific stock, sector or theme.*

*Questions on this report or others? Join our [Society of Intelligent Investors](#) and connect with us directly.*



## 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, 1<sup>st</sup> 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, 2<sup>nd</sup> 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, 5<sup>th</sup> 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, 2<sup>nd</sup> 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, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> 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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