



ETF & Mutual Fund Rankings: Mid Cap Value Style

The Mid Cap Value style ranks seventh out of the twelve fund styles as detailed in our [2Q16 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Mid Cap Value style ranked tenth. It gets our Neutral rating, which is based on aggregation of ratings of nine ETFs and 121 mutual funds in the Mid Cap Value style as of May 4, 2016. See a recap of our [1Q16 Style Ratings here](#).

Figure 1 ranks from best to worst the eight mid-cap value ETFs that meet our liquidity standards and Figure 2 shows the five best and worst rated mid-cap value mutual funds. Not all Mid Cap Value style ETFs and mutual funds are created the same. The number of holdings varies widely (from 39 to 1779). This variation creates drastically different investment implications and, therefore, ratings.

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

Figure 1: ETFs with the Best & Worst Ratings – Top 5

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	
Best ETFs (only 3)				
VUSE	39%	36%	21%	Attractive
KNOW	24%	51%	22%	Attractive
FAB	27%	36%	33%	Attractive
Worst ETFs				
VOE	21%	36%	39%	Neutral
DON	19%	33%	43%	Neutral
IWS	15%	32%	46%	Neutral
JKI	22%	34%	40%	Neutral
PXMV	11%	36%	47%	Dangerous

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

Sources: New Constructs, LLC and company filings

ValueShares U.S. Quantitative Value ETF (QVAL) is excluded from Figure 1 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

Figure 2: Mutual Funds with the Best & Worst Ratings – Top 5

Ticker	Allocation of Mutual Fund Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	
Best Mutual Funds				
MVTIX	24%	28%	22%	Attractive
BMVGX	24%	35%	31%	Attractive
MVCVX	24%	28%	22%	Neutral
VEVIX	9%	45%	35%	Neutral
VEVRX	9%	45%	35%	Neutral
Worst Mutual Funds				
TCVAX	15%	31%	47%	Dangerous
LMCCX	12%	36%	41%	Dangerous
QMCVX	17%	35%	42%	Very Dangerous
LMCBX	12%	36%	41%	Very Dangerous
LAVLX	12%	36%	41%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

Westcore Mid-Cap Value Dividend Fund (WTMCX) is excluded from Figure 2 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

Vident Core US Equity Fund (VUSE) is the top-rated Mid Cap Value ETF and Transamerica Mid Cap Value Opportunities (MVTIX) is the top-rated Mid Cap Value mutual fund. Both earn an Attractive rating.

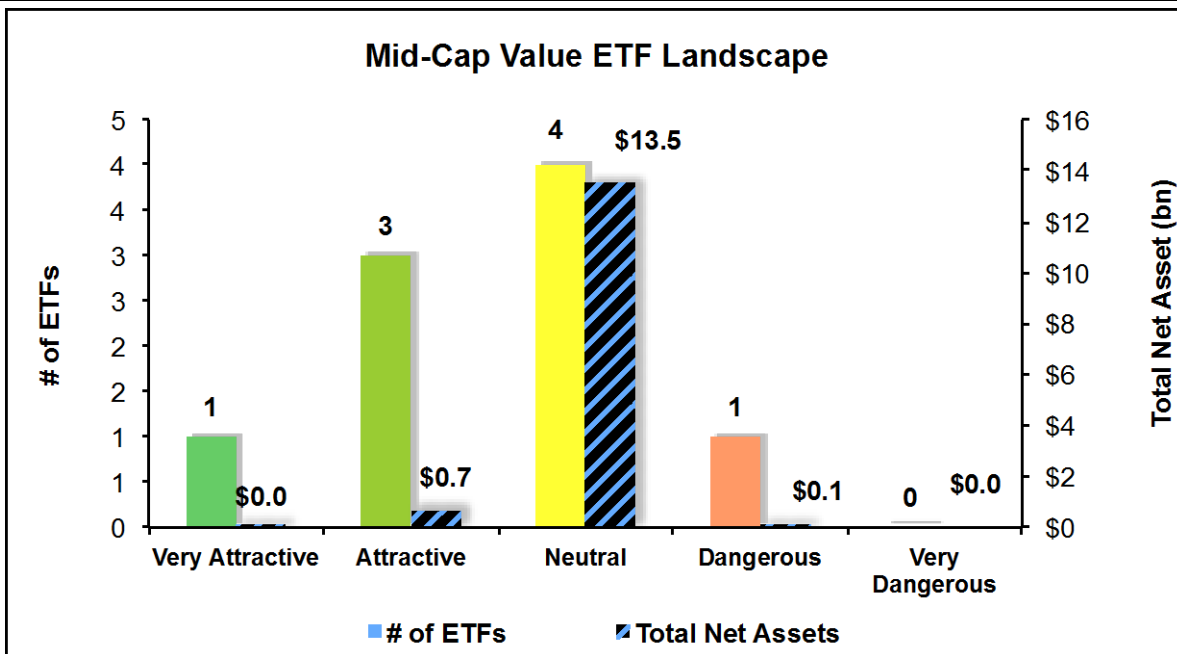
PowerShares Russell Midcap Pure Value Portfolio (PXMV) is the worst rated Mid Cap Value ETF and Lord Abbett Mid Cap Stock Fund, Inc. (LAVLX) is the worst rated Mid Cap Value mutual fund. PXMV earns a Neutral rating and LAVLX earns a Very Dangerous rating.

Hawaiian Holdings (HA: \$42/share) is one of our favorite stocks held by VUSE and earns a Very Attractive rating. Hawaiian Holdings is also on [May's Most Attractive Stocks list](#). Over the past decade, Hawaiian Holdings has grown after-tax profit (NOPAT) by 27% compounded annually. The company has improved its return on invested capital (ROIC) from 2% in 2005 to 14% over the last twelve months while its NOPAT margin has improved from 5% to 13% over the same time. HA recently fell over 10% after its 1Q16 earnings report, which has left shares undervalued and created a great buying opportunity. At its current price of \$42/share, Hawaiian Holdings has a price-to-economic book value (PEBV) ratio of 0.8. This ratio means that the market expects Hawaiian Holding's NOPAT to permanently decline by 20%. If Hawaiian can [grow NOPAT by just 7% compounded annually for the next decade](#), the stock is worth \$80/share today – a 90% upside.

Reliance Steel & Aluminum Company (RS: \$73/share) is one of our least favorite stocks held by QMCVX and earns a Dangerous rating. From 2006 to the last twelve months, Reliance Steel's NOPAT has declined by 2% compounded annually. The company's ROIC has fallen from 19% in 2006 to 5% over the last twelve months. Despite the operational struggles, RS is priced for significant growth and is overvalued. To justify its current price of \$73/share, Reliance Steel & Aluminum must [grow NOPAT by 11% compounded annually for the next 11 years](#). Given the past decade of business deterioration, this expectation seems too optimistic.

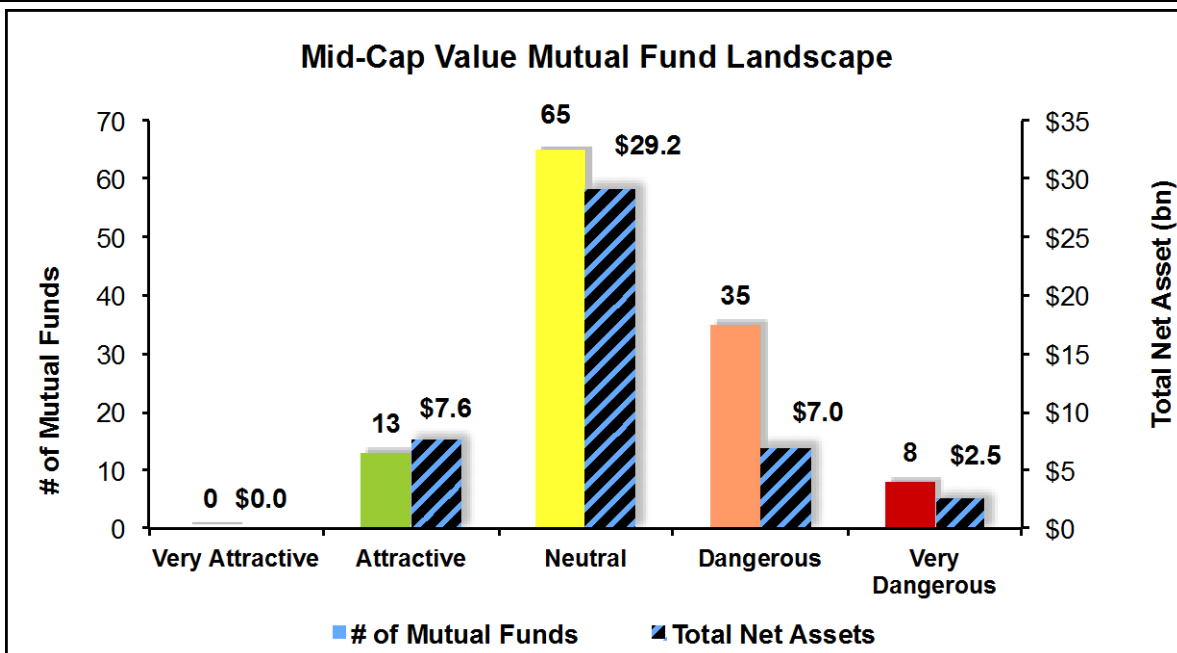
Figures 3 and 4 show the rating landscape of all Mid Cap Value ETFs and mutual funds.

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

Disclosure: David Trainer and Kyle Guske II receive no compensation to write about any specific stock, style, or theme.

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We find it. You benefit. Cutting-edge technology enables us to scale our [forensic accounting expertise](#) across 3000+ stocks. We shine a light in the dark corners of SEC filings so our clients can make safer, more informed decisions.

Our [stock rating methodology](#) instantly informs you of the quality of the business and the fairness of the stock's valuation. We do the diligence on earnings quality and valuation so you don't have to.

In-depth risk/reward analysis underpins our ratings. Our rating methodology grades every stock, ETF, and mutual fund according to what we believe are the 5 most important criteria for assessing the quality of an equity. Each grade reflects the balance of potential risk and reward of buying that equity. Our analysis results in the 5 ratings described below. Very Attractive and Attractive correspond to a "Buy" rating, Very Dangerous and Dangerous correspond to a "Sell" rating, while Neutral corresponds to a "Hold" rating.

QUESTION: Why shouldn't fund research be as good as stock research? Why should fund investors rely on backward-looking price trends?

ANSWER: They should not.

Don't judge a fund by its cover. Take a look inside at its holdings and understand the quality of earnings and valuation of the stocks it holds. We enable you to choose the best fund based on its stock-picking merits so you do not have to rely solely on backward-looking technical metrics.

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Our Philosophy About Research

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1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

Additional Information

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