ETF & Mutual Fund Rankings: Mid Cap Value Style

The Mid Cap Value style ranks eighth out of the twelve fund styles as detailed in our 4Q17 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Mid Cap Value style ranked eighth as well. It gets our Unattractive rating, which is based on an aggregation of ratings of nine ETFs and 152 mutual funds in the Mid Cap Value style as of October 19, 2017. See a recap of our 3Q17 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 22 to 2207). 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.

Our Robo-Analyst technology empowers our unique ETF and mutual fund rating methodology, which leverages our rigorous analysis of each fund's holdings.[1] 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

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Dangerous-or-worse Stocks**	**Predictive Rating**
Best ETFs (only 4)				
JKI	25%	38%	31%	**Attractive**
DON	21%	42%	30%	**Attractive**
KNOW	23%	42%	34%	**Attractive**
FAB	30%	40%	25%	**Attractive**
Worst ETFs (only 4)				
VUSE	30%	42%	23%	**Neutral**
VOE	21%	36%	37%	**Neutral**
PXMV	16%	36%	43%	**Neutral**
IWS	17%	38%	40%	**Neutral**

* 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.

[1] Ernst & Young's recent white paper "Getting ROIC Right" proves the superiority of our holdings research and analytics.

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				
HNMVX	32%	41%	24%	Attractive
HAMVX	32%	41%	24%	Attractive
PMVQX	28%	43%	23%	Attractive
HRMVX	32%	41%	24%	Attractive
HIMVX	32%	41%	24%	Attractive
Worst Mutual Funds				
FMVAX	14%	27%	48%	Very Unattractive
CMAFX	12%	11%	45%	Very Unattractive
LAVLX	14%	40%	39%	Very Unattractive
MSAVX	13%	32%	48%	Very Unattractive
HWMAX	8%	36%	40%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

iShares Morningstar Mid Cap Value ETF (JKI) is the top-rated Mid Cap Value ETF and Harbor Mid Cap Value Fund (HNMVX) is the top-rated Mid Cap Value mutual fund. Both earn an Attractive rating.

iShares Russell Mid Cap Value ETF (IWS) is the worst rated Mid Cap Value ETF and Hotchkis & Wiley Mid Cap Value Fund (HWMAX) is the worst rated Mid Cap Value mutual fund. IWS earns a Neutral rating and HWMAX earns a Very Unattractive rating.

The Danger Within

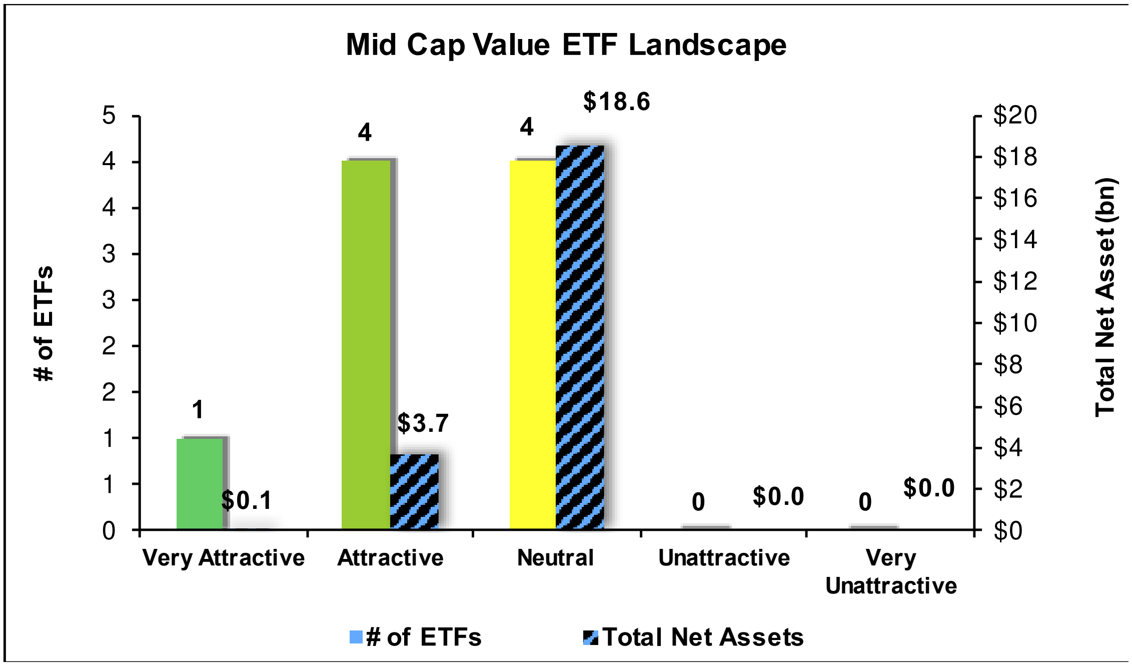
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

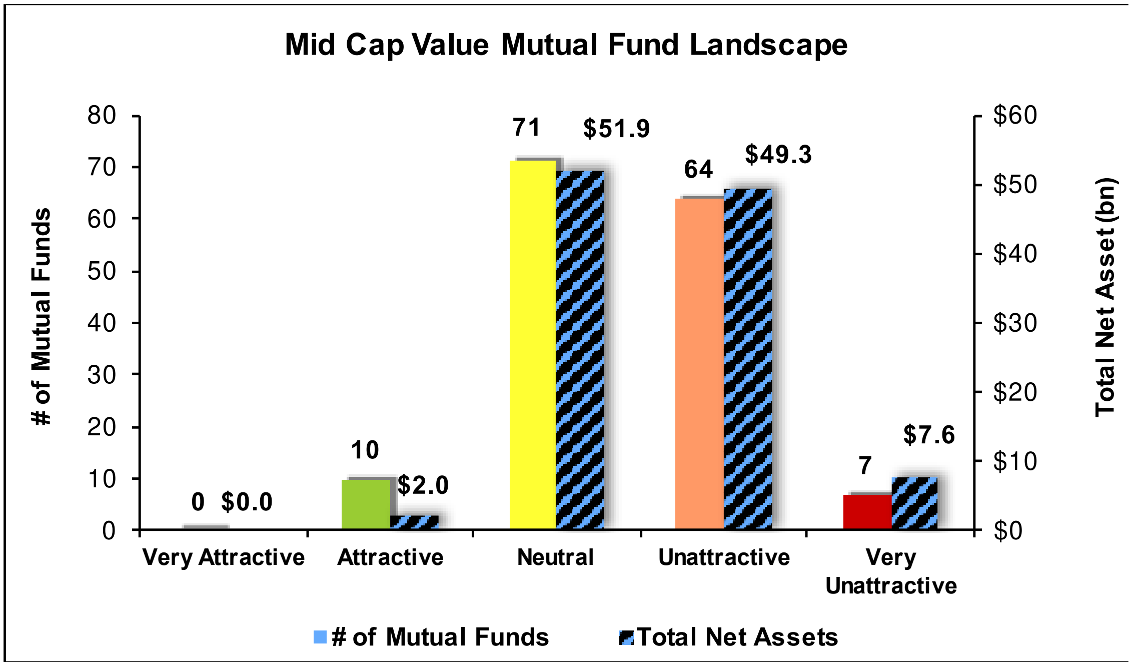
Figures 3 and 4 show the rating landscape of all Mid Cap Value ETFs and mutual funds.

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

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

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Ratings & screeners on 3000 stocks, 450 ETFs and 7000 mutual funds help you make prudent investment decisions.

New Constructs leverages the latest in machine learning to analyze structured and unstructured financial data with unrivaled speed and accuracy. The firm's forensic accounting experts work alongside engineers to develop proprietary NLP libraries and financial models. Our investment ratings are based on the best fundamental data in the business for stocks, ETFs and mutual funds. Clients include many of the top hedge funds, mutual funds and wealth management firms. David Trainer, the firm's CEO, is regularly featured in the media as a thought leader on the fiduciary duty of care, earnings quality, valuation and investment strategy.

To fulfill the Duty of Care, research should be:

1. **Comprehensive** - All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including footnotes and the management discussion & analysis (MD&A).
2. **Un-conflicted** - Clients deserve unbiased research.
3. **Transparent** - Advisors should be able to show how the analysis was performed and the data behind it.
4. **Relevant** - Empirical evidence must provide tangible, quantifiable correlation to stock, ETF or mutual fund performance.

Value Investing 2.0: Diligence Matters: Technology is Key to Value Investing With Scale

Accounting data is only the beginning of fundamental research. It must be translated into economic earnings to truly understand profitability and valuation. This translation requires deep analysis of footnotes and the MD&A, a process that our robo-analyst technology empowers us to perform for thousands of stocks, ETFs and mutual funds.

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