New Constructs®
Diligence | Independence | Performance

BEST & WORST FUNDS
10/20/17

ETF & Mutual Fund Rankings: Small Cap Blend Style

The Small Cap Blend style ranks tenth out of the twelve fund styles as detailed in our 4Q17 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Small Cap Blend style ranked ninth. It gets our Unattractive rating, which is based on an aggregation of ratings of 25 ETFs and 858 mutual funds in the Small Cap Blend style as of October 20, 2017. See a recap of our 3Q17 Style Ratings here.

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the style. Not all Small Cap Blend style ETFs and mutual funds are created the same. The number of holdings varies widely (from 19 to 3202). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Small Cap Blend 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 – Top 5

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Unattractive-or-worse Stocks**	**Predictive Rating**
Best ETFs				
EES	20%	32%	29%	Attractive
XSLV	23%	37%	35%	Neutral
EZM	24%	41%	28%	Neutral
VB	14%	33%	40%	Neutral
IJR	13%	35%	45%	Neutral
Worst ETFs				
VTWO	12%	28%	42%	Neutral
IWM	13%	28%	43%	Neutral
FYX	18%	30%	36%	Neutral
EQWS	11%	21%	41%	Unattractive
PRFZ	14%	27%	44%	Unattractive

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

Sources: New Constructs, LLC and company filings

Five ETFs (VALX, SMLF, CSF, NASH, FDM) are excluded from Figure 1 because their 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

Ticker	Allocation of Mutual Fund Holdings: Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	Predictive Rating
Best Mutual Funds				
BOSOX	28%	42%	23%	Attractive
VSENX	17%	42%	22%	Attractive
JSERX	17%	42%	22%	Attractive
JSEQX	17%	42%	22%	Attractive
VSEIX	17%	42%	22%	Attractive
Worst Mutual Funds				
SSCYX	8%	41%	39%	Very Unattractive
SLPIX	8%	18%	30%	Very Unattractive
MMEAX	7%	29%	33%	Very Unattractive
BRDAX	12%	19%	51%	Very Unattractive
SLPSX	8%	18%	30%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Ten mutual funds are excluded from Figure 2 because their total net assets (TNA) are below $100 million and do not meet our liquidity minimums. See our mutual fund screener for more details.

WisdomTree U.S. Small Cap Earnings Fund (EES) is the top-rated Small Cap Blend ETF and Boston Trust Small Cap Fund (BOSOX) is the top-rated Small Cap Blend mutual fund. Both earn an Attractive rating.

PowerShares FTSE RAFI U.S. 1500 Small Mid Cap Portfolio (PRFZ) is the worst rated Small Cap Blend ETF and ProFunds Small Cap ProFund (SLPSX) is the worst rated Small Cap Blend mutual fund. PRFZ earns an Unattractive rating and SLPSX earns a Very Unattractive rating.

The Danger Within

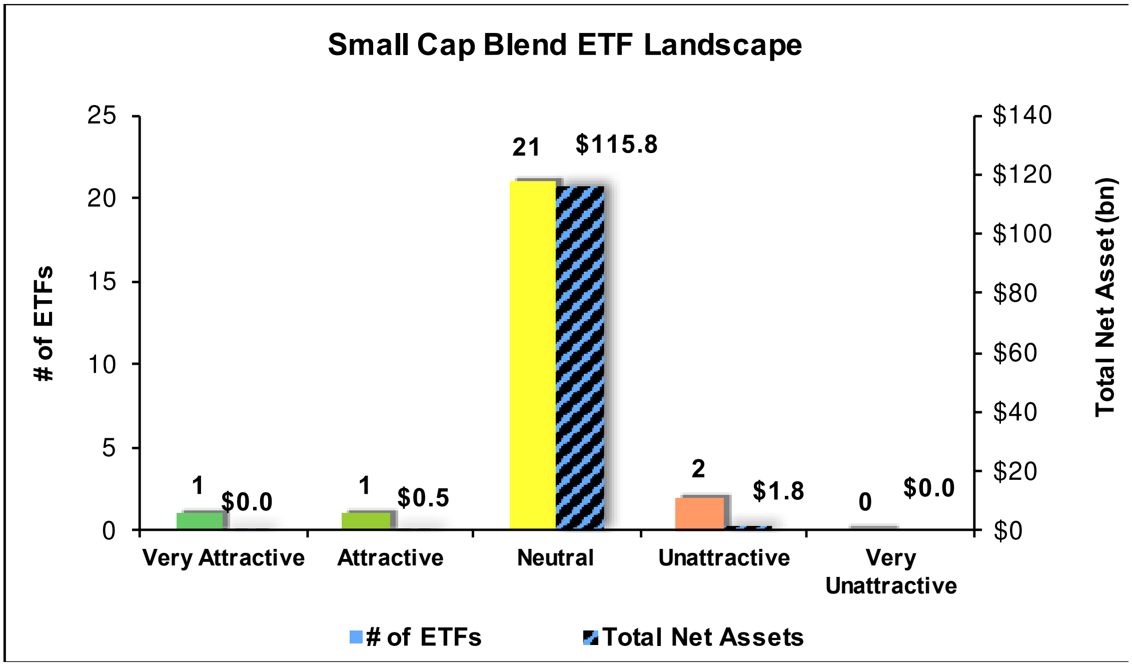
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

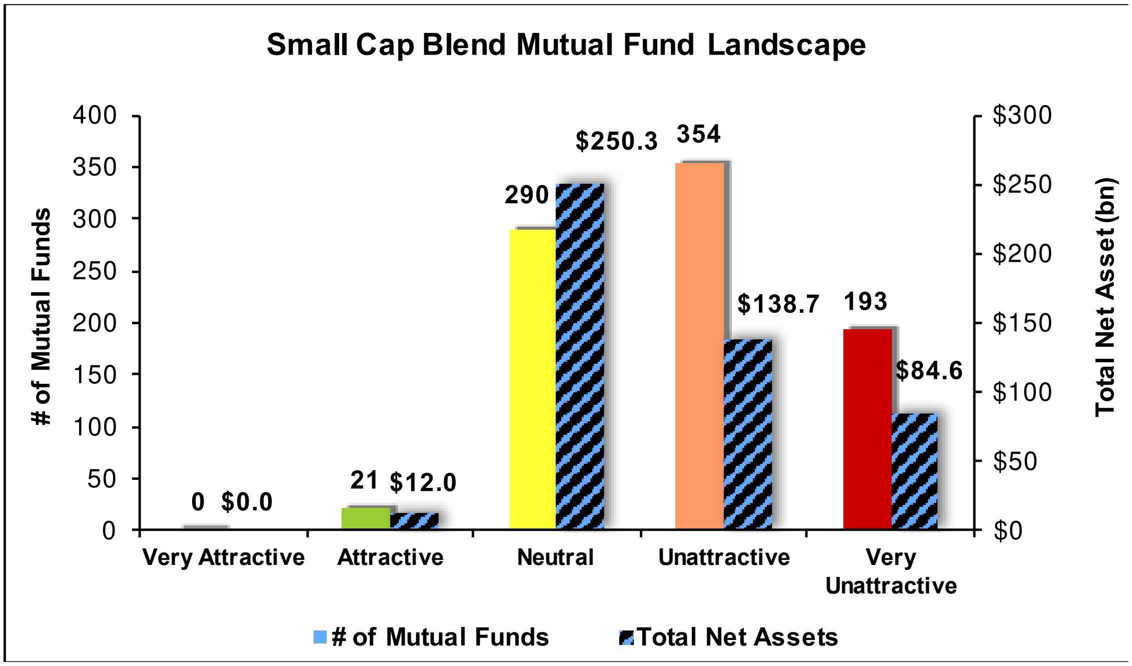
Figures 3 and 4 show the rating landscape of all Small Cap Blend ETFs and mutual funds.

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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