



ETF & Mutual Fund Rankings: Small Cap Value Style

The Small Cap Value style ranks eleventh out of the twelve fund styles as detailed in our [4Q17 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Value style ranked last. It gets our Unattractive rating, which is based on an aggregation of ratings of 17 ETFs and 212 mutual funds in the Small Cap Value 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 Value style ETFs and mutual funds are created the same. The number of holdings varies widely (from 32 to 1485). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Small Cap Value style should buy one of the Attractive-or-better rated mutual funds from Figure 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

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
Best ETFs				
MDYV	15%	41%	37%	Neutral
IVOV	15%	40%	37%	Neutral
VBR	18%	38%	35%	Neutral
SLYV	14%	33%	47%	Neutral
VIOV	14%	33%	46%	Neutral
Worst ETFs				
DES	19%	29%	38%	Neutral
RWJ	11%	38%	43%	Neutral
VTWV	13%	31%	40%	Unattractive
PXSV	20%	24%	42%	Unattractive
RZV	14%	27%	46%	Unattractive

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

Sources: New Constructs, LLC and company filings

First Trust Mid Cap Value AlphaDEX Fund (FNK) and First Trust Small Cap Value AlphaDEX Fund (FYT) 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			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
Best Mutual Funds				
RSEIX	39%	39%	8%	Attractive
RYSEX	39%	39%	8%	Attractive
RVFIX	31%	31%	11%	Attractive
RSEFX	39%	39%	8%	Attractive
RVVHX	31%	31%	11%	Attractive
Worst Mutual Funds				
TVOAX	14%	38%	40%	Very Unattractive
MLPSX	15%	41%	37%	Very Unattractive
PSLAX	12%	32%	29%	Very Unattractive
MASVX	4%	31%	48%	Very Unattractive
SNWAX	12%	30%	57%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Advisor Series O'Shaughnessy Small Cap Value Fund (OFSIX) is excluded from Figure 2 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

State Street SPDR S&P 400 Mid Cap Value ETF (MDYV) is the top-rated Small Cap Value ETF and Royce Special Equity Fund (RSEIX) is the top-rated Small Cap Value mutual fund. MDYV earns a Neutral rating and RSEIX earns an Attractive rating.

Rydex Guggenheim S&P Small Cap 600 Pure Value ETF (RZV) is the worst rated Small Cap Value ETF and Snow Capital Small Cap Value Fund (SNWAX) is the worst rated Small Cap Value mutual fund. RZV earns an Unattractive rating and SNWAX earns a Very Unattractive rating.

The Danger Within

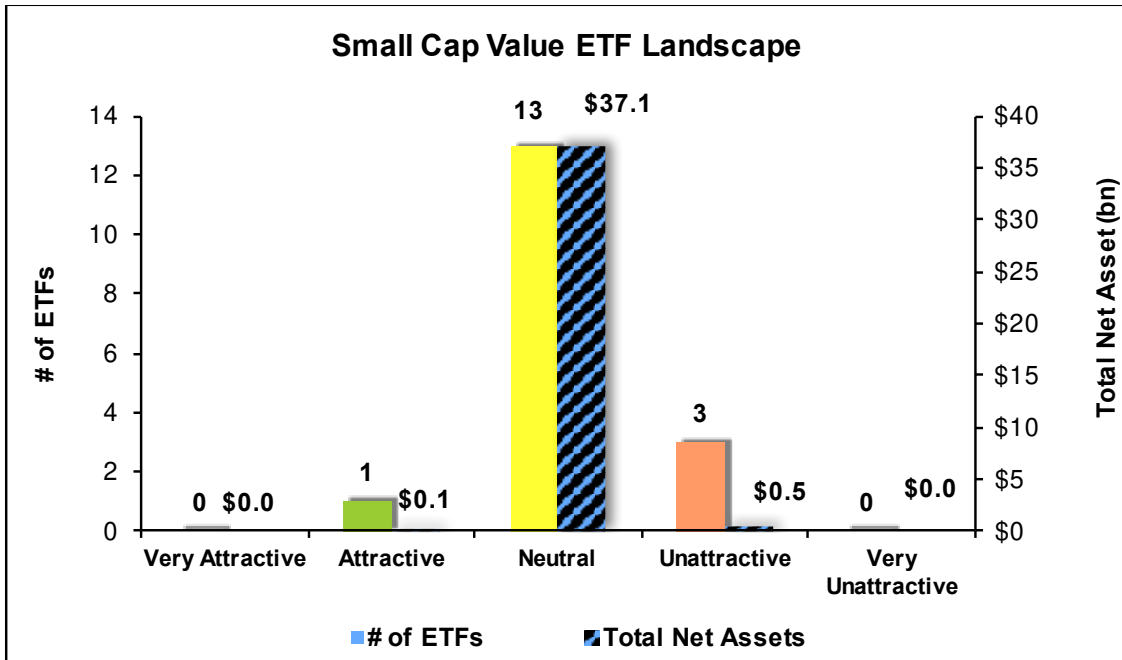
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, [see what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

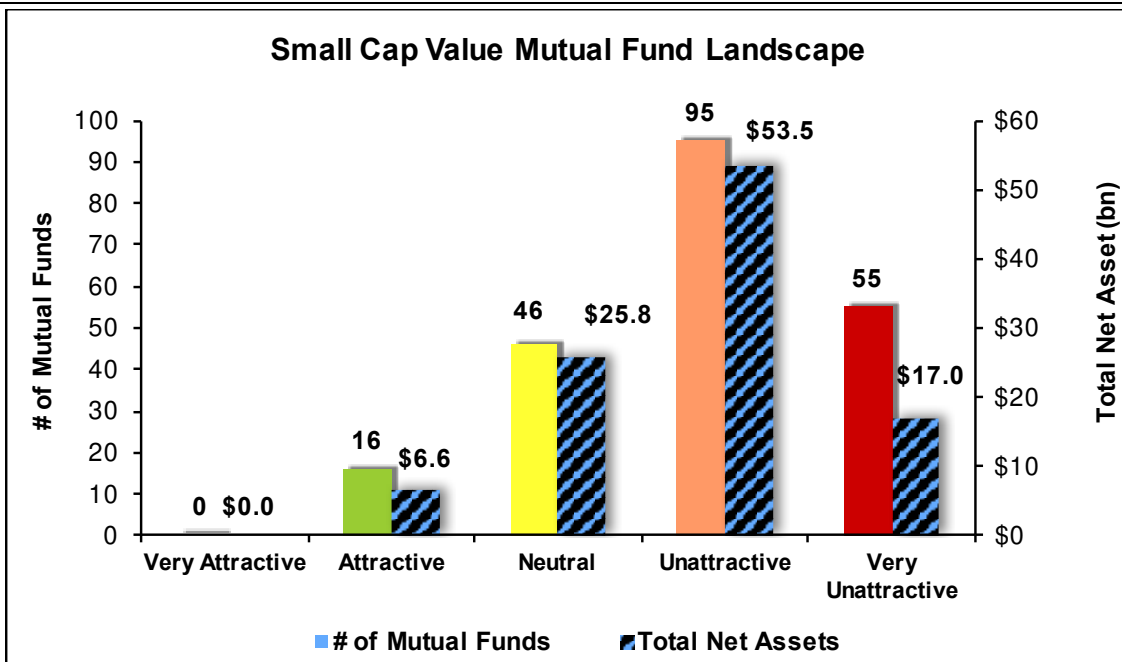
Figures 3 and 4 show the rating landscape of all Small Cap Value ETFs and mutual funds.

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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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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