



ETF & Mutual Fund Rankings: Small Cap Value Style

The Small Cap Value style ranks tenth out of the twelve fund styles as detailed in our [1Q18 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Value style ranked eleventh. It gets our Unattractive rating, which is based on an aggregation of ratings of 18 ETFs and 240 mutual funds in the Small Cap Value style as of January 22, 2018. See a recap of our [4Q17 Style Ratings here](#).

Figures 1 and 2 show the 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 19 to 1487). 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				
VBR	11%	38%	43%	Neutral
SLYV	10%	32%	51%	Neutral
IVOV	9%	39%	46%	Neutral
VIOV	10%	32%	51%	Neutral
IJS	11%	31%	52%	Neutral
Worst ETFs (only 2)				
RFV	15%	35%	50%	Unattractive
RZV	8%	31%	50%	Unattractive

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

Sources: New Constructs, LLC and company filings

Legg Mason Small-Cap Quality Value ETF (SQLV) 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				
ANFVX	13%	47%	21%	Very Attractive
PSVIX	13%	47%	21%	Very Attractive
ASVPX	13%	47%	21%	Very Attractive
PVADX	13%	47%	21%	Very Attractive
PNVRX	13%	47%	21%	Very Attractive
Worst Mutual Funds				
SBVAX	9%	37%	45%	Very Unattractive
DASVX	11%	33%	49%	Very Unattractive
PGISX	2%	14%	70%	Very Unattractive
PGSCX	2%	14%	70%	Very Unattractive
PASMX	2%	14%	70%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Vanguard Small-Cap Value Index Fund (VBR) is the top-rated Small Cap Value ETF and AllianzGI NFJ Small-Cap Value Fund (ANFVX) is the top-rated Small Cap Value mutual fund. VBR earns a Neutral rating and ANFVX earns a Very Attractive rating.

Guggenheim S&P SmallCap 600 Pure Value ETF (RZV) is the worst rated Small Cap Value ETF and Pacific Advisors Small Cap Value Fund (PASMX) is the worst rated Small Cap Value mutual fund. RZV earns an Unattractive rating and PASMX 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.

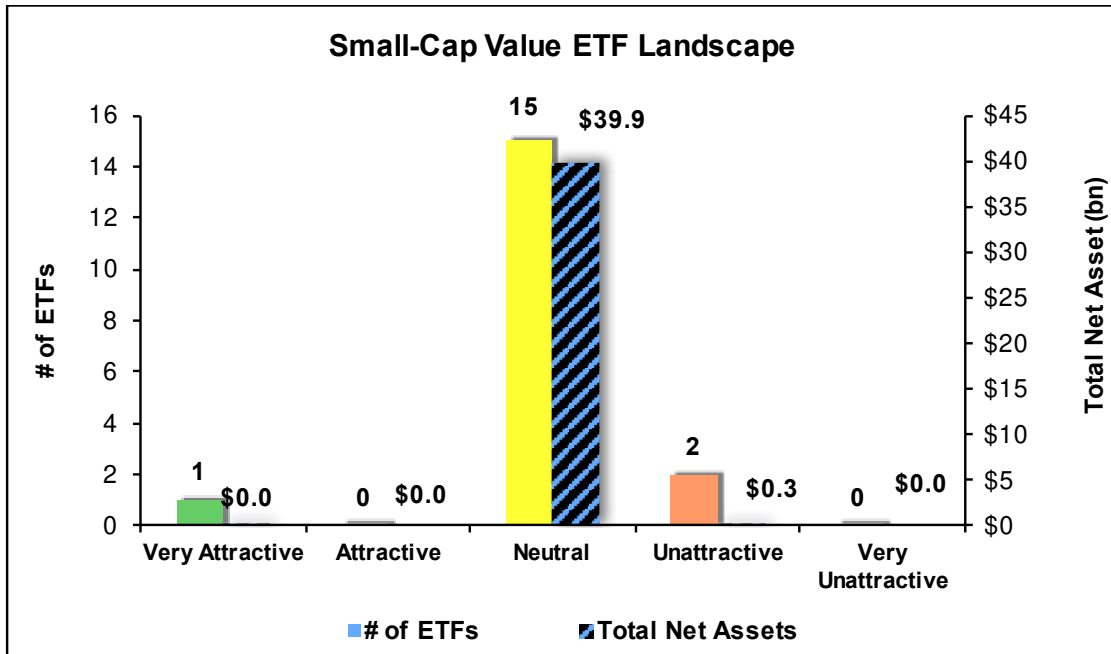
$$\text{PERFORMANCE OF HOLDINGS} = \text{PERFORMANCE OF FUND}$$

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.



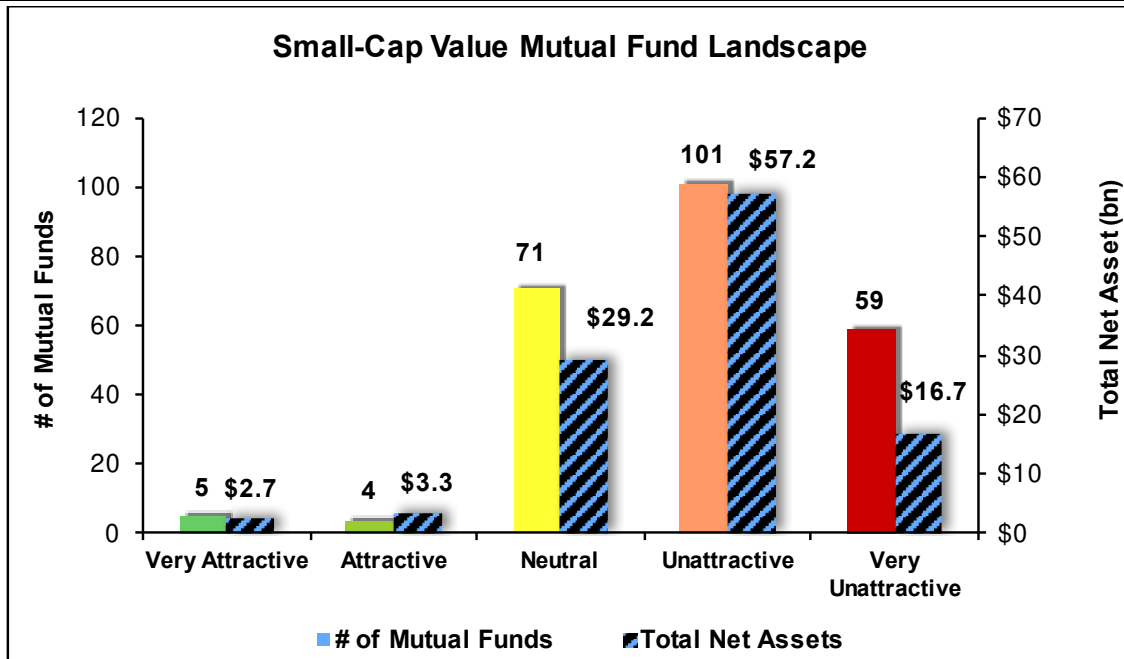
Figures 3 and 4 show the rating landscape of all Small Cap Value ETFs and mutual funds.

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 Peter Apockotos receive no compensation to write about any specific stock, style, or theme.

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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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