



## ETF & Mutual Fund Rankings: Small Cap Blend Style

The Small Cap Blend style ranks ninth out of the twelve fund styles as detailed in our [3Q18 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Blend style ranked tenth. It gets our Neutral rating, which is based on an aggregation of ratings of 45 ETFs and 861 mutual funds in the Small Cap Blend style as of July 23, 2018. See a recap of our [2Q18 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 22 to 3236). 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](#)<sup>1</sup> empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.<sup>2</sup> 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	
<b>Best ETFs</b>				
SMLF	20%	36%	33%	Attractive
EES	18%	44%	29%	Attractive
CSF	12%	44%	33%	Neutral
EZM	18%	46%	30%	Neutral
PSC	10%	39%	34%	Neutral
<b>Worst ETFs</b>				
EWSC	9%	31%	51%	Neutral
SMDV	8%	43%	45%	Neutral
ISMD	9%	30%	49%	Neutral
FNX	13%	39%	44%	Neutral
EQWS	7%	23%	44%	Unattractive

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

Sources: New Constructs, LLC and company filings

Nine ETFs (VALX, XSHQ, CALF, FLQS, OMFS, CSA, SMMV, JPSE, DESC) are excluded from Figure 1 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

<sup>1</sup> Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).

<sup>2</sup> 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	
<b>Best Mutual Funds</b>				
FSSFX	17%	46%	9%	Very Attractive
FZAOX	18%	49%	9%	Very Attractive
FSCIX	18%	49%	9%	Very Attractive
FSCEX	18%	49%	9%	Attractive
FTHFX	14%	35%	23%	Attractive
<b>Worst Mutual Funds</b>				
IYSAX	4%	30%	52%	Very Unattractive
IYVIX	4%	30%	52%	Very Unattractive
BRDAX	8%	25%	42%	Very Unattractive
SLPIX	3%	10%	19%	Very Unattractive
SLPSX	3%	10%	19%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

iShares Edge MSCI Multifactor USA Small Cap ETF (SMLF) is the top-rated Small Cap Blend ETF and Fidelity Advisor Series Small Cap Fund (FSSFX) is the top-rated Small Cap Blend mutual fund. SMLF earns an Attractive rating and FSSFX earns a Very Attractive rating.

Invesco Russell 2000 Equal Weight ETF (EQWS) is the worst rated Small Cap Blend ETF and ProFunds Small Cap ProFund (SLPSX) is the worst rated Small Cap Blend mutual fund. EQWS 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.

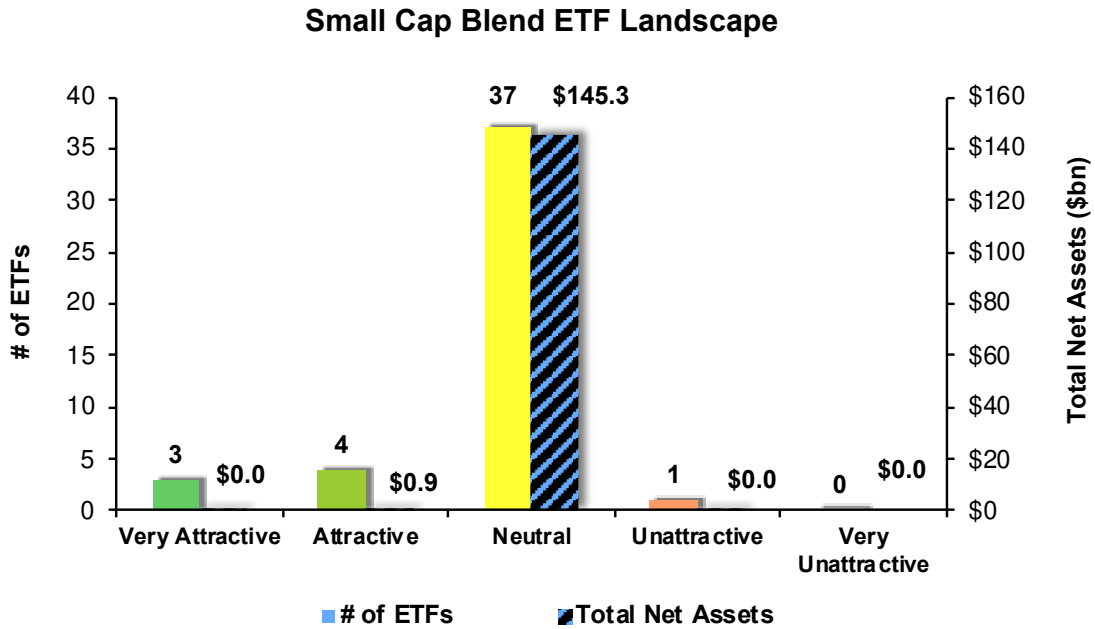
$$\text{PERFORMANCE OF HOLDINGS} = \text{PERFORMANCE OF FUND}$$

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.



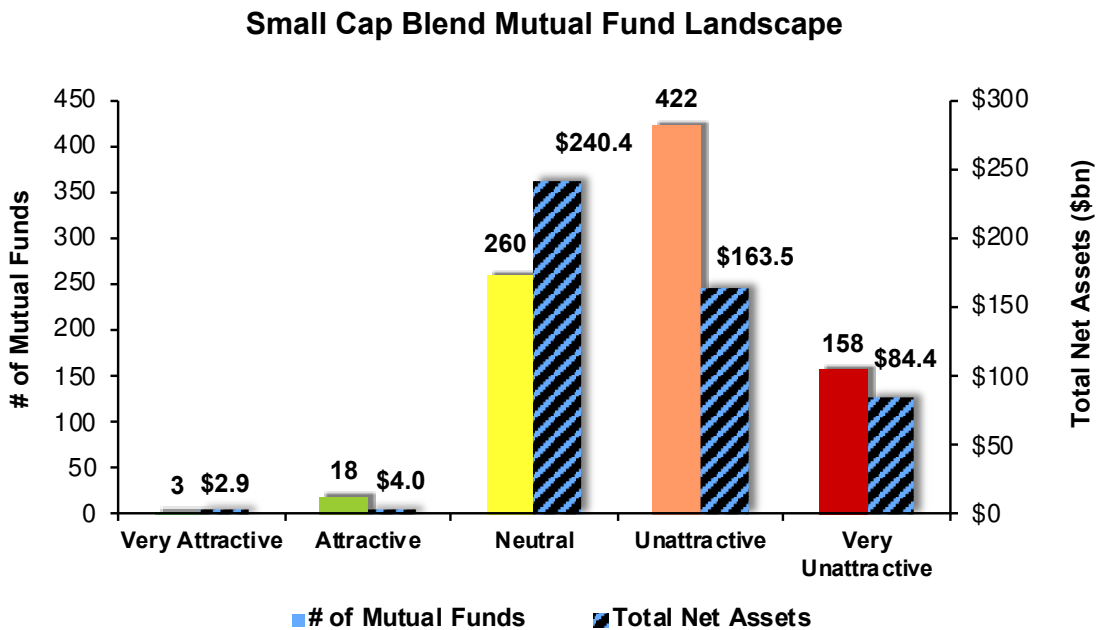
Figures 3 and 4 show the rating landscape of all Small Cap Blend ETFs and mutual funds.

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 Sam McBride 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.

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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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