



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

The Small Cap Growth style ranks last out of the twelve fund styles as detailed in our [3Q18 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Growth style ranked eleventh. It gets our Very Unattractive rating, which is based on an aggregation of ratings of 15 ETFs and 418 mutual funds in the Small Cap Growth 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 Growth style ETFs and mutual funds are created the same. The number of holdings varies widely (from 11 to 2517). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Small Cap Growth 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>				
RFG	24%	32%	38%	Attractive
RZG	10%	33%	42%	Attractive
SLYG	6%	37%	46%	Neutral
VIOG	6%	38%	45%	Neutral
IJT	6%	37%	45%	Neutral
<b>Worst ETFs</b>				
IWO	7%	25%	44%	Unattractive
VBK	6%	30%	52%	Unattractive
VTWG	9%	25%	47%	Unattractive
PXSG	7%	20%	51%	Unattractive
JKK	4%	26%	53%	Unattractive

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

Sources: New Constructs, LLC and company filings

VictoryShares U.S. Small Cap High Dividend Volatility Weighted Index (CSB), Janus Henderson Small Mid Cap Growth Alpha ETF (JSMD), and Janus Henderson Small Cap Growth Alpha ETF (JSML) 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>				
VQSRX	20%	44%	12%	Very Attractive
PXQSX	20%	44%	12%	Very Attractive
PQSCX	20%	44%	12%	Attractive
NRGSX	11%	47%	33%	Attractive
NBGIX	11%	47%	33%	Attractive
<b>Worst Mutual Funds</b>				
IHSAX	4%	22%	47%	Very Unattractive
MMGEX	7%	26%	48%	Very Unattractive
RSEGX	7%	23%	46%	Very Unattractive
MNDAX	2%	21%	48%	Very Unattractive
MSGAX	5%	16%	43%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Invesco S&P Mid Cap 400 Pure Growth ETF (RFG) is the top-rated Small Cap Growth ETF and Virtus KAR Small Cap Value Fund (VQSRX) is the top-rated Small Cap Growth mutual fund. RFG earns an Attractive rating and VQSRX earns a Very Attractive rating.

iShares Morningstar Small Cap Growth ETF (JKK) is the worst rated Small Cap Growth ETF and Meridian Small Cap Growth Fund (MSGAX) is the worst rated Small Cap Growth mutual fund. JKK earns an Unattractive rating and MSGAX 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.

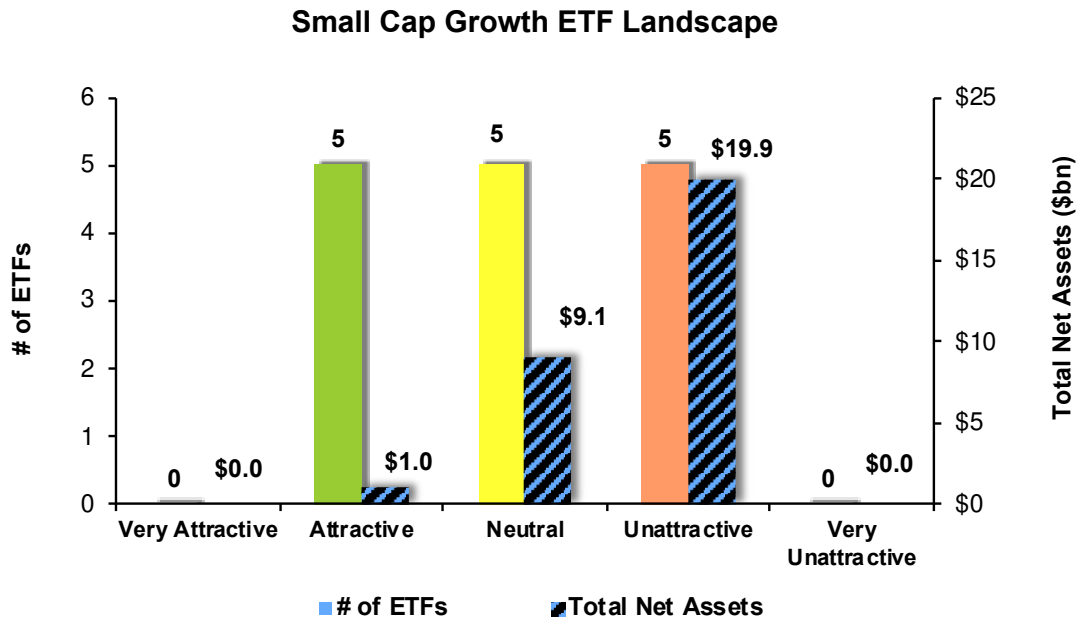
$$\text{PERFORMANCE OF HOLDINGS} = \text{PERFORMANCE OF FUND}$$

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.



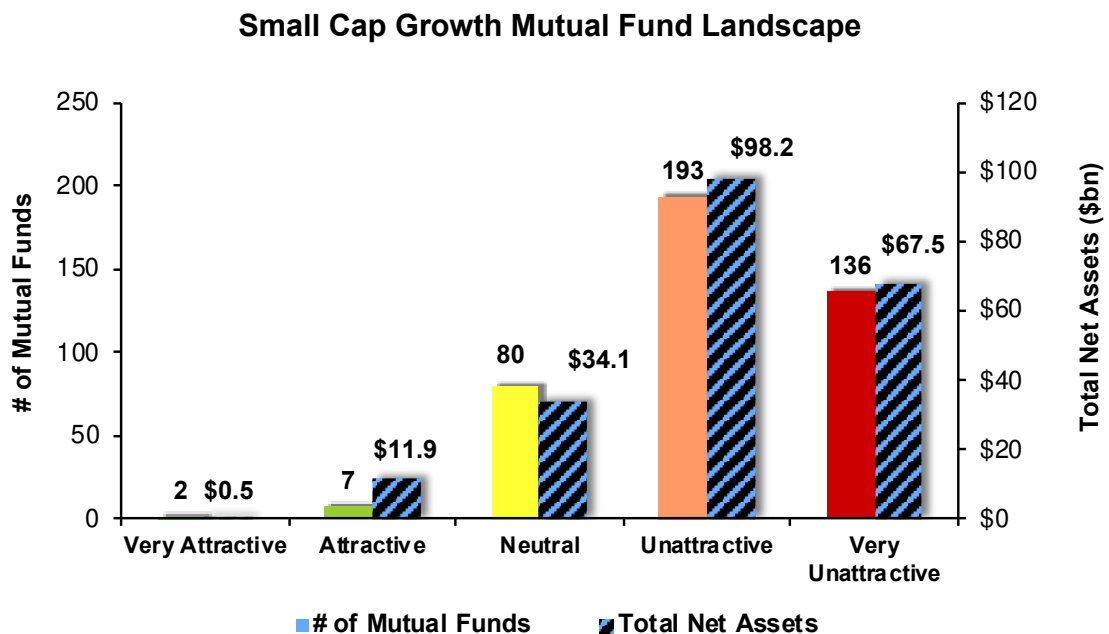
Figures 3 and 4 show the rating landscape of all Small Cap Growth ETFs and mutual funds.

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

This article originally published on [July 24, 2018](#).

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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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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