ETF & Mutual Fund Rankings: Mid Cap Blend Style

The Mid Cap Blend style ranks sixth out of the twelve fund styles as detailed in our 3Q19 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Mid Cap Blend style ranked fifth. It gets our Neutral rating, which is based on an aggregation of ratings of 19 ETFs and 375 mutual funds in the Mid Cap Blend style as of July 15, 2019. See a recap of our 2Q19 Style Ratings here.

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the style. Not all Mid Cap Blend style ETFs and mutual funds are created the same. The number of holdings varies widely (from 18 to 2630). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Mid 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[1] empowers our unique ETF and mutual fund rating methodology, which leverages our rigorous analysis of each fund's holdings.[2] 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				
ONEV	22%	45%	31%	Attractive
REGL	15%	54%	27%	Attractive
CZA	19%	34%	39%	Attractive
JPME	19%	38%	40%	Attractive
JHMM	16%	37%	44%	Attractive
Worst ETFs				
IJH	15%	36%	46%	Neutral
IVOO	15%	36%	45%	Neutral
IWR	13%	34%	50%	Neutral
MDY	15%	36%	46%	Neutral
RYJ	11%	27%	40%	Neutral

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

Sources: New Constructs, LLC and company filings

Alpha Architect U.S. Quantitative Value ETF (QVAL) and WBI BullBear Quality 2000 ETF (WBID) are excluded from Figure 1 because their total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

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

[2] This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

Figure 2: Mutual Funds with the Best & Worst Ratings – Top 5

	Allocation of Mutual Fund Holdings			
Ticker	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	Predictive Rating
Best Mutual Funds				
SEHAX	26%	48%	21%	Very Attractive
DNLYX	27%	35%	34%	Very Attractive
DNLRX	27%	35%	34%	Very Attractive
DNLCX	27%	35%	34%	Very Attractive
CFSMX	12%	46%	23%	Very Attractive
Worst Mutual Funds				
QACFX	10%	30%	28%	Very Unattractive
QACAX	10%	30%	28%	Very Unattractive
MFCAX	17%	20%	36%	Very Unattractive
PMVCX	19%	33%	46%	Very Unattractive
PAMVX	19%	33%	46%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

State Street SPDR Russell 1000 Low Volatility Focus ETF (ONEV) is the top-rated Mid Cap Blend ETF and SEI Institutional U.S. Equity Factor Allocation Fund (SEHAX) is the top-rated Mid Cap Blend mutual fund. ONEV earns an Attractive rating and SEHAX earns a Very Attractive rating.

Invesco Raymond James SB-1 Equity ETF (RYJ) is the worst rated Mid Cap Blend ETF and Pacific Advisors Mid Cap Value Fund (PAMVX) is the worst rated Mid Cap Blend mutual fund. RYJ earns a Neutral rating and PAMVX earns a Very Unattractive rating.

The Danger Within

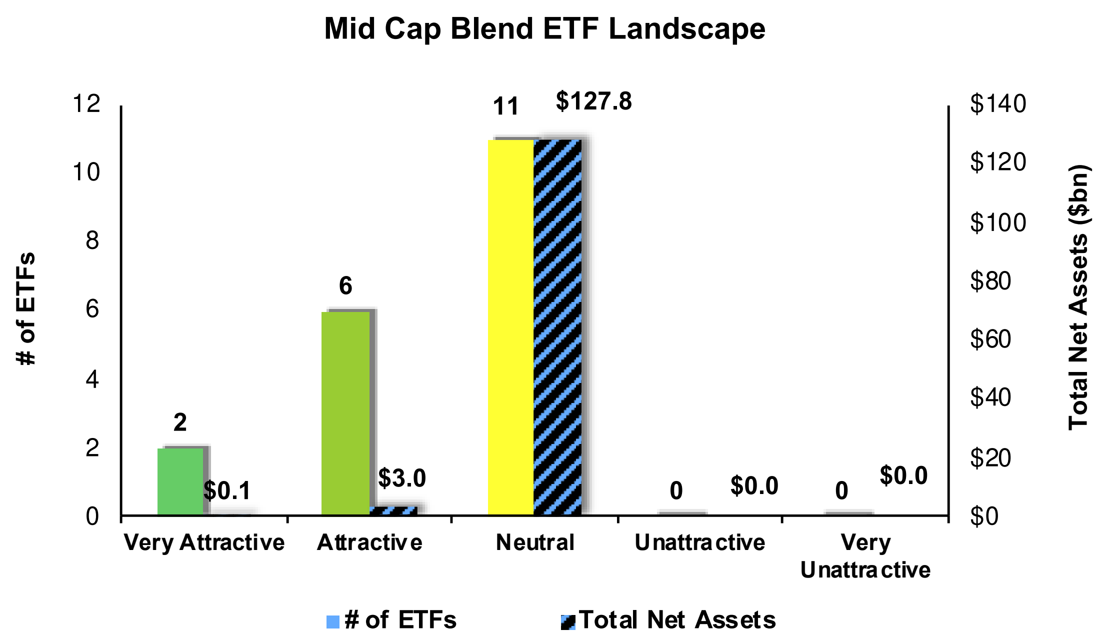
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

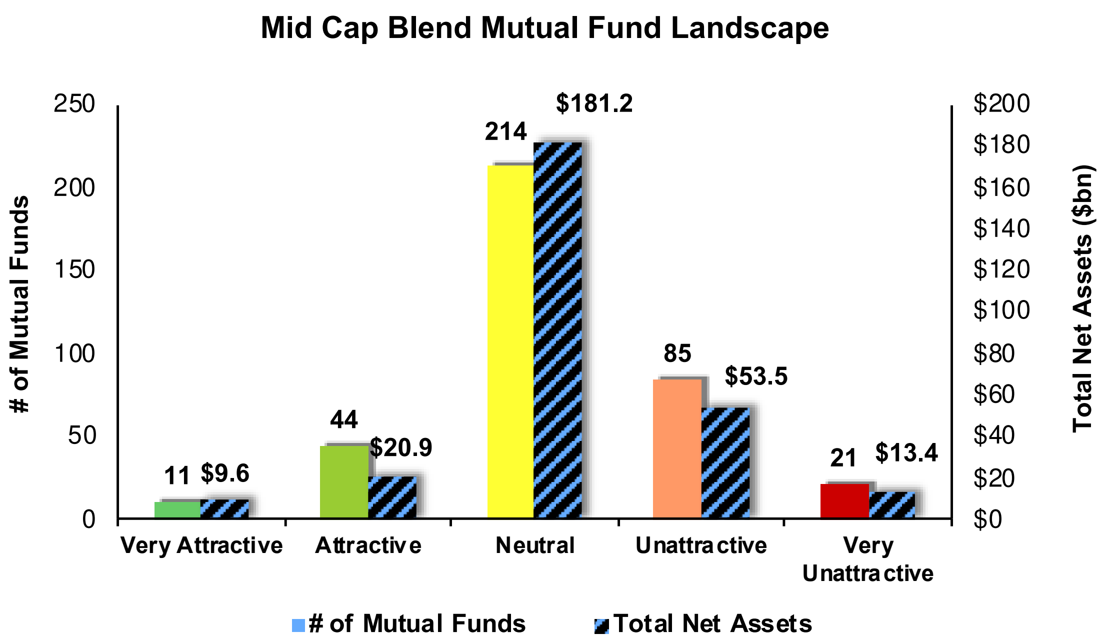
Figures 3 and 4 show the rating landscape of all Mid Cap Blend ETFs and mutual funds.

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 and Kyle Guske II 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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