ETF & Mutual Fund Rankings: Mid Cap Value Style

The Mid Cap Value style ranks eighth out of the twelve fund styles as detailed in our 2Q17 Style Ratings for ETFs and Mutual Funds report. Last quarter, the Mid Cap Value style ranked tenth. It gets our Dangerous rating, which is based on an aggregation of ratings of eight ETFs and 144 mutual funds in the Mid Cap Value style as of April 25, 2017. See a recap of our 1Q17 Style Ratings here.

Figure 1 ranks from best to worst the seven Mid Cap Value ETFs that meet our liquidity standards and Figure 2 shows the five best and worst rated Mid Cap Value mutual funds. Not all Mid Cap Value style ETFs and mutual funds are created the same. The number of holdings varies widely (from 20 to 673). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Mid Cap Value style should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2.

Our Robo-Analyst technology empowers our unique ETF and mutual fund rating methodology, which leverages our rigorous analysis of each fund's holdings. 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

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Dangerous-or-worse Stocks**	**Predictive Rating**
		Best ETFs (only 2)		
KNOW	31%	56%	9%	**Very Attractive**
FAB	37%	43%	16%	**Attractive**
		Worst ETFs		
VOE	27%	44%	26%	**Neutral**
JKI	27%	44%	27%	**Neutral**
VUSE	33%	37%	25%	**Neutral**
IWS	24%	40%	31%	**Neutral**
PXMV	19%	40%	37%	**Dangerous**

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

Sources: New Constructs, LLC and company filings

ValueShares U.S. Quantitative Value ETF (QVAL) is excluded from the best ETFs section in Figure 1 because its total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

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

Ticker	Allocation of Mutual Fund Holdings: Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best Mutual Funds				
HIMVX	38%	41%	17%	Attractive
CHTTX	28%	37%	28%	Attractive
HRMVX	38%	41%	17%	Attractive
NMVLX	19%	55%	10%	Attractive
ABMIX	28%	37%	28%	Attractive
Worst Mutual Funds				
LAVLX	21%	33%	40%	Very Dangerous
WFPAX	16%	35%	39%	Very Dangerous
HWMAX	20%	33%	30%	Very Dangerous
GOODX	20%	22%	25%	Very Dangerous
FRBSX	13%	36%	30%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

Direxion All Cap Insider Sentiment Shares (KNOW) is the top-rated Mid Cap Value ETF and Harbor Mid Cap Value Fund (HIMVX) is the top-rated Mid Cap Value mutual fund. KNOW earns a Very Attractive rating and HIMVX earns an Attractive rating.

PowerShares Russell Midcap Pure Value Portfolio (PXMV) is the worst rated Mid Cap Value ETF and Franklin Balance Sheet Investment Fund (FRBSX) is the worst rated Mid Cap Value mutual fund. PXMV earns a Dangerous rating and FRBSX earns a Very Dangerous rating.

The Danger Within

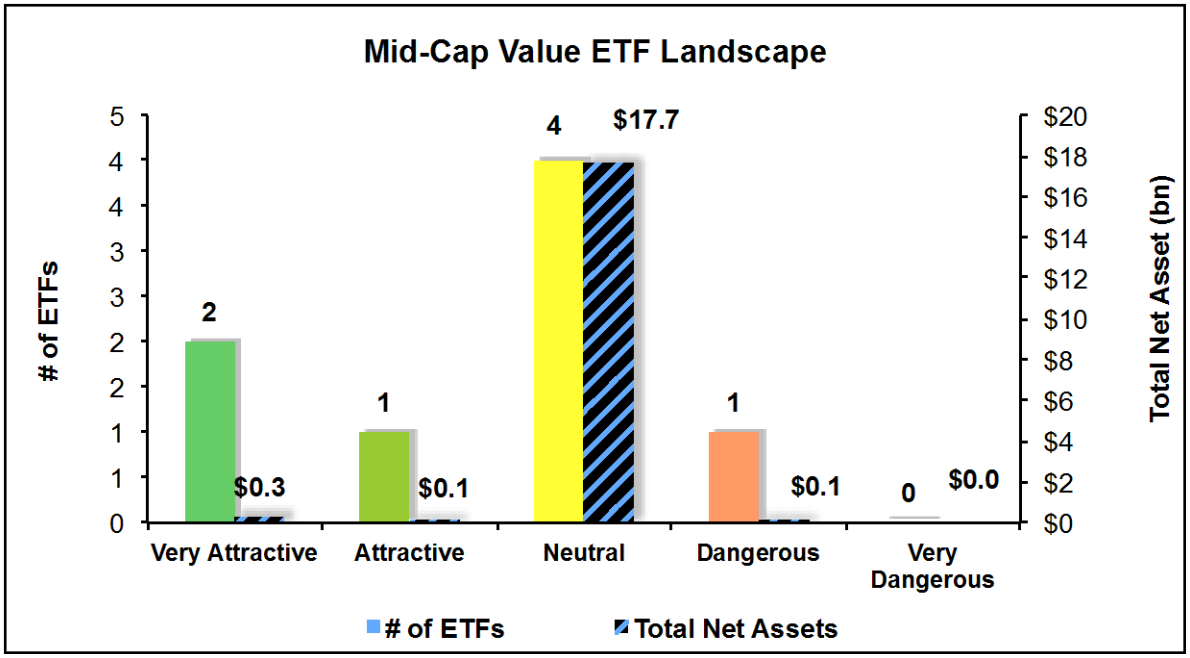
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

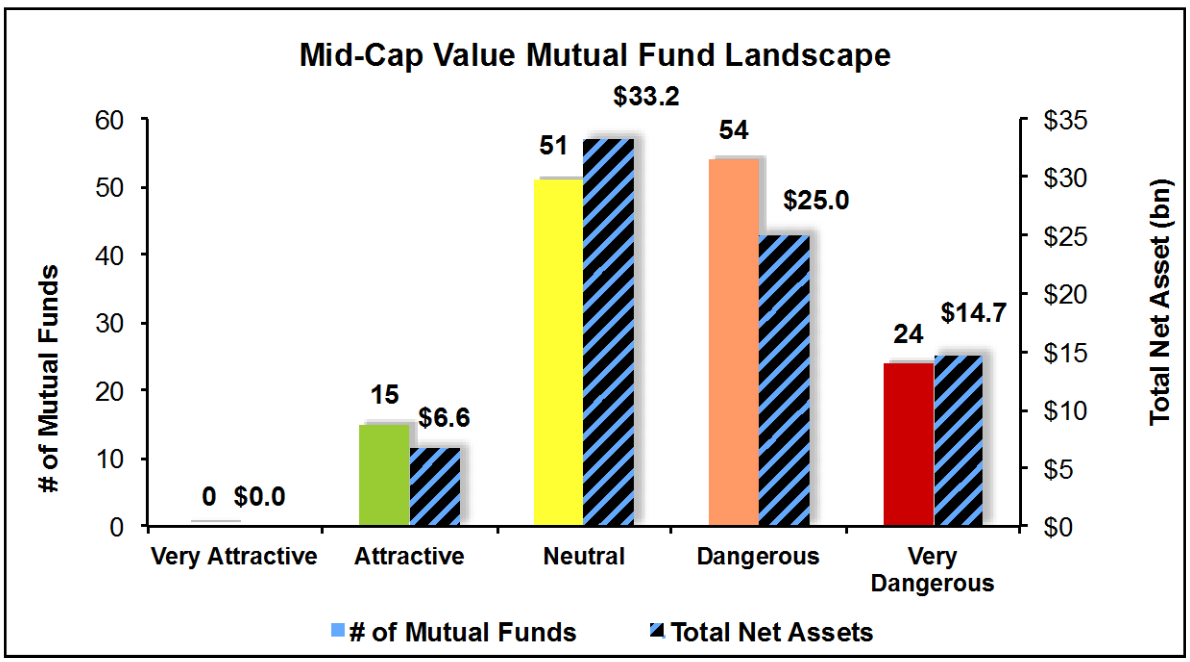
Figures 3 and 4 show the rating landscape of all Mid Cap Value ETFs and mutual funds.

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 and Kyle Guske II 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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