



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 [2Q17 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Blend style ranked ninth as well. It gets our Dangerous rating, which is based on an aggregation of ratings of 24 ETFs and 766 mutual funds in the Small Cap Blend style as of April 25, 2017. See a recap of our [1Q17 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 2433). 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](#) 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 – Top 5

	Allocation of ETF Holdings			
Ticker	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best ETFs				
EES	28%	34%	18%	Attractive
EZM	29%	47%	18%	Attractive
RWK	23%	47%	26%	Neutral
FNX	26%	45%	24%	Neutral
SMLV	25%	45%	20%	Neutral
Worst ETFs				
IWM	16%	34%	35%	Dangerous
VTWO	13%	32%	34%	Dangerous
TWOK	16%	33%	35%	Dangerous
VB	19%	35%	33%	Dangerous
SCHA	18%	34%	34%	Dangerous

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

Sources: New Constructs, LLC and company filings

Validea Market Legends ETF (VALX), and VictoryShares U.S. Discovery Enhanced Volatility Index (CSF) are excluded from the best ETFs section in Figure 1 because their 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**

	Allocation of Mutual Fund Holdings			
Ticker	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best Mutual Funds				
JSEZX	24%	41%	17%	Attractive
JSEPX	24%	41%	17%	Attractive
VSEIX	24%	41%	17%	Attractive
JSEQX	24%	41%	17%	Attractive
VSTCX	30%	36%	21%	Attractive
Worst Mutual Funds				
MMEAX	13%	21%	36%	Very Dangerous
PGSCX	7%	16%	59%	Very Dangerous
BRDAX	7%	22%	52%	Very Dangerous
RAALX	24%	29%	33%	Very Dangerous
PASMX	7%	16%	59%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

Four mutual funds are excluded from the best mutual funds section in Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums. See our [mutual fund screener](#) for more details.

WisdomTree SmallCap Earnings Fund (EES) is the top-rated Small Cap Blend ETF and JPMorgan Small Cap Equity Fund (JSEZX) is the top-rated Small Cap Blend mutual fund. Both earn an Attractive rating.

Schwab US Small-Cap ETF (SCHA) is the worst rated Small Cap Blend ETF and Pacific Advisors Small Cap Value Fund (PASMX) is the worst rated Small Cap Blend mutual fund. SCHA earns a Dangerous rating and PASMX 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.

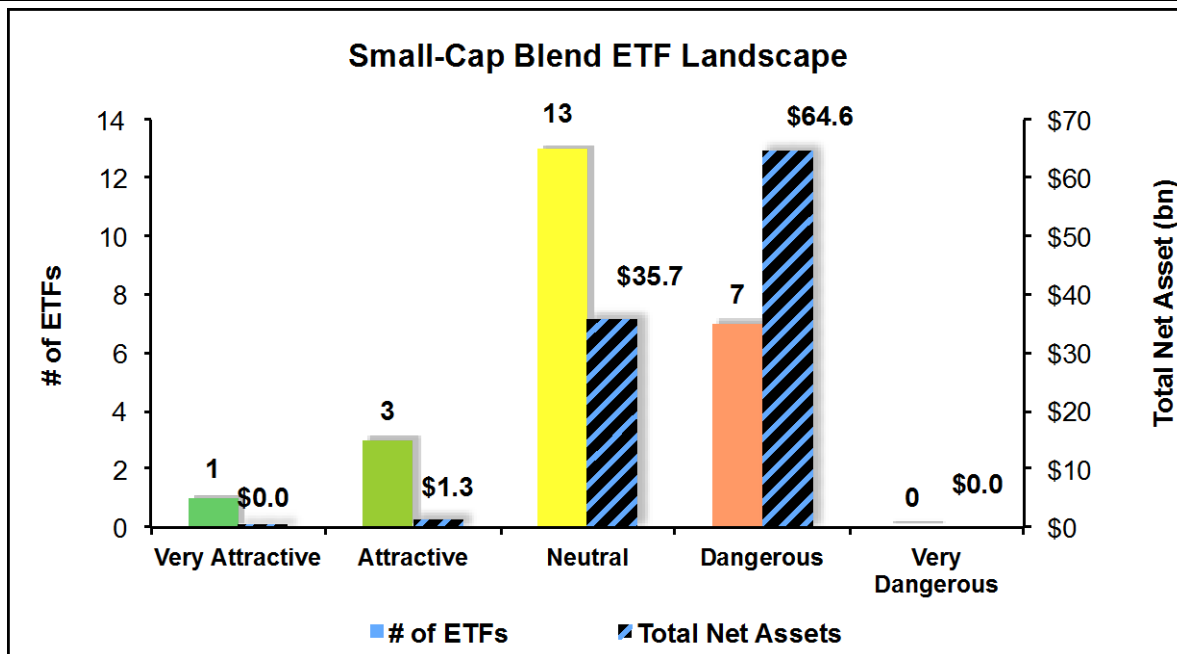
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



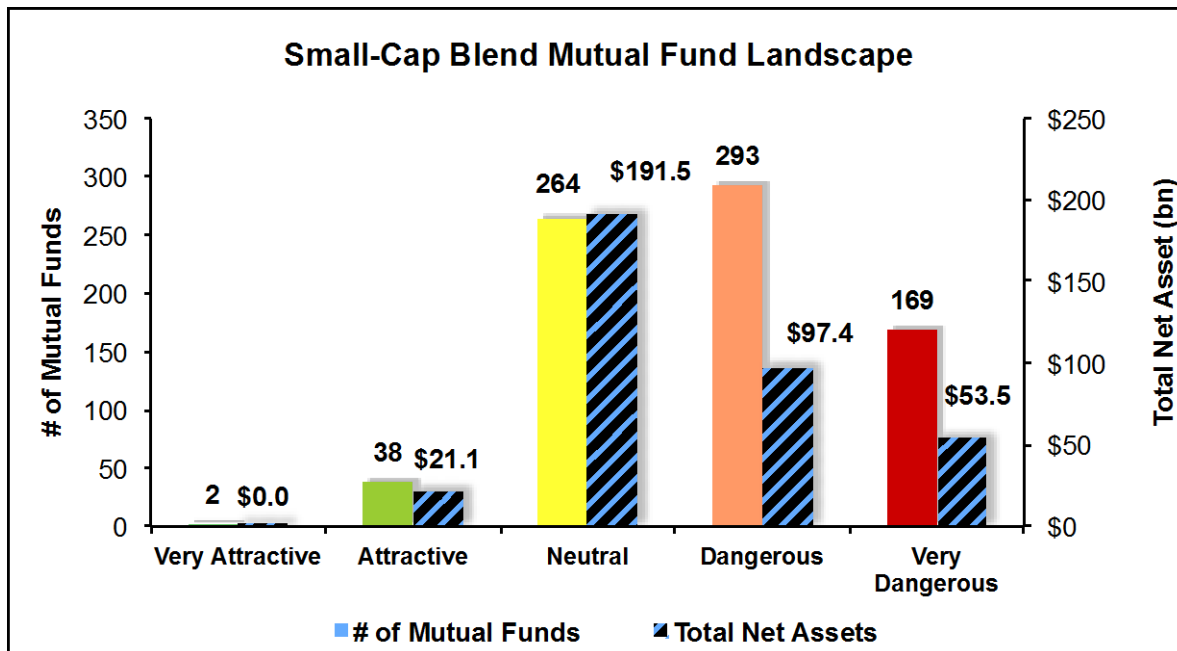
Figures 3 and 4 show the rating landscape of all Small Cap Blend ETFs and mutual funds.

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 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.

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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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