



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 [3Q17 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Blend style ranked ninth as well. It gets our Unattractive rating, which is based on an aggregation of ratings of 23 ETFs and 816 mutual funds in the Small Cap Blend style as of July 26, 2017. See a recap of our [2Q17 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 19 to 3106). 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

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
Best ETFs				
EZM	30%	44%	20%	Attractive
EES	27%	30%	24%	Attractive
SMDV	12%	61%	24%	Neutral
JKJ	21%	37%	29%	Neutral
FNDA	21%	37%	36%	Neutral
Worst ETFs				
FYX	20%	33%	31%	Unattractive
IWM	16%	31%	37%	Unattractive
VTWO	15%	30%	36%	Unattractive
TWOK	16%	31%	37%	Unattractive
SCHA	17%	33%	36%	Unattractive

* 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), VictoryShares U.S. Discovery Enhanced Volatility Index ETF (CSF), and LocalShares Nashville Area ETF (NASH) are excluded from 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

Ticker	Allocation of Mutual Fund Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
Best Mutual Funds				
RGFAX	31%	37%	17%	Attractive
VVPSX	20%	32%	19%	Attractive
RHFHX	31%	37%	17%	Attractive
FCPEX	30%	33%	18%	Attractive
FSLCX	28%	28%	20%	Attractive
Worst Mutual Funds				
FEKAX	27%	28%	31%	Very Unattractive
MISCX	15%	21%	43%	Very Unattractive
MPSSX	15%	21%	43%	Very Unattractive
SECAX	14%	29%	37%	Very Unattractive
PASSX	11%	30%	39%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

14 mutual funds are excluded from 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 U.S. Mid Cap Earnings Fund (EZM) is the top-rated Small Cap Blend ETF and Royce Small/Mid Cap Premier Fund (RGFAX) is the top-rated Small Cap Blend mutual fund. Both earn an Attractive rating.

Schwab U.S. Small Cap ETF (SCHA) is the worst rated Small Cap Blend ETF and T. Rowe Price Small Cap Stock Fund (PASSX) is the worst rated Small Cap Blend mutual fund. SCHA earns an Unattractive rating and PASSX earns a Very Unattractive rating.

The Danger Within

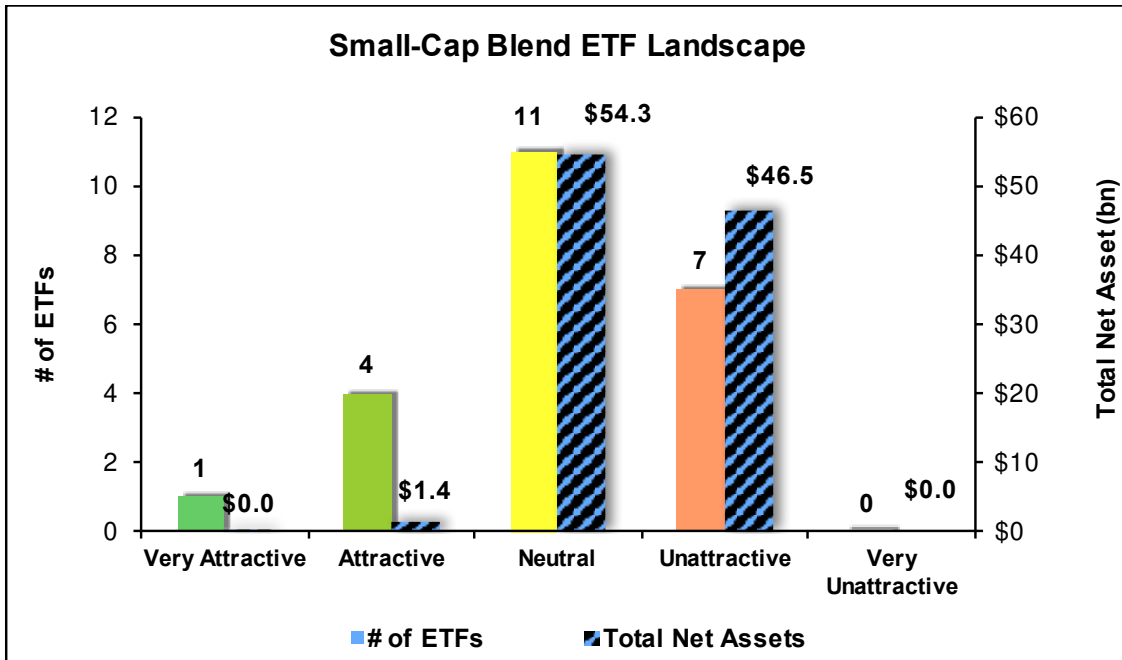
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, [see what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

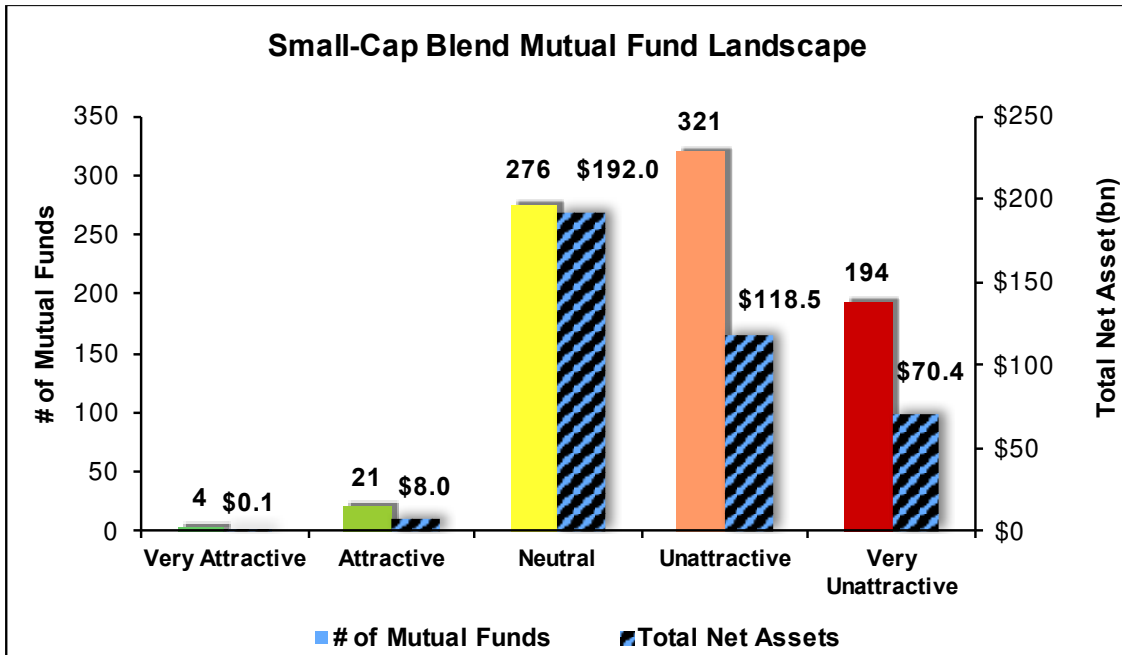
Figures 3 and 4 show the rating landscape of all Small Cap Blend ETFs and mutual funds.

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 Kenneth James 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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