



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 [1Q18 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Growth style ranked last as well. It gets our Unattractive rating, which is based on an aggregation of ratings of 16 ETFs and 450 mutual funds in the Small Cap Growth style as of January 23, 2018. See a recap of our [4Q17 Style Ratings here](#).

Figures 1 and 2 show the 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 7 to 1187). 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](#) empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.¹ 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				
RFG	16%	42%	40%	Attractive
SLYG	8%	34%	48%	Neutral
VIOG	8%	34%	48%	Neutral
IJT	6%	36%	48%	Neutral
FNY	7%	37%	52%	Neutral
Worst ETFs (only 3)				
VBK	5%	29%	53%	Unattractive
PXSG	5%	25%	47%	Unattractive
JKK	6%	23%	54%	Unattractive

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

Sources: New Constructs, LLC and company filings

Four ETFs (XSHQ, CSB, JSMD, JSML) are excluded from Figure 1 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

¹ 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	
Best Mutual Funds				
VQSRX	25%	39%	14%	Very Attractive
PXQSX	25%	39%	14%	Very Attractive
PQSCX	25%	39%	14%	Very Attractive
PQSAX	25%	39%	14%	Attractive
DCGTX	5%	48%	36%	Attractive
Worst Mutual Funds				
OASGX	4%	23%	52%	Very Unattractive
MASCX	5%	28%	42%	Very Unattractive
NSNAX	4%	17%	49%	Very Unattractive
DADGX	3%	15%	51%	Very Unattractive
NYSAX	5%	4%	55%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

River Oak Discovery Fund (RIVSX) is excluded from Figure 2 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

Guggenheim S&P MidCap 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 Nysa Fund (NYSAX) is the worst rated Small Cap Growth mutual fund. JKK earns an Unattractive rating and NYSAX 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.

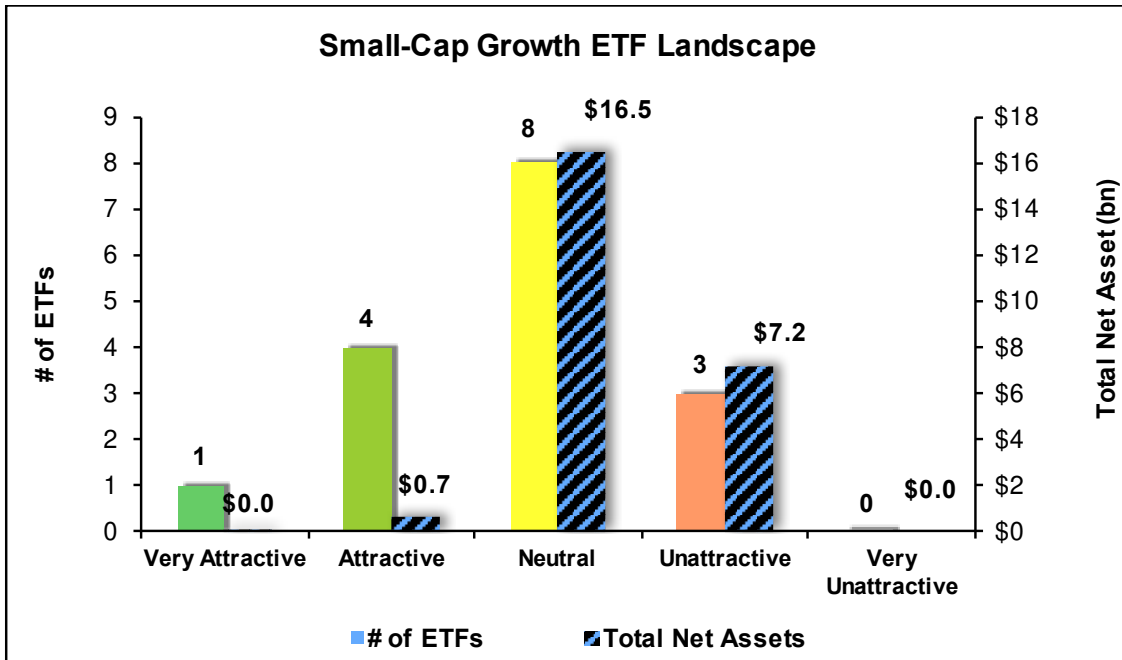
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



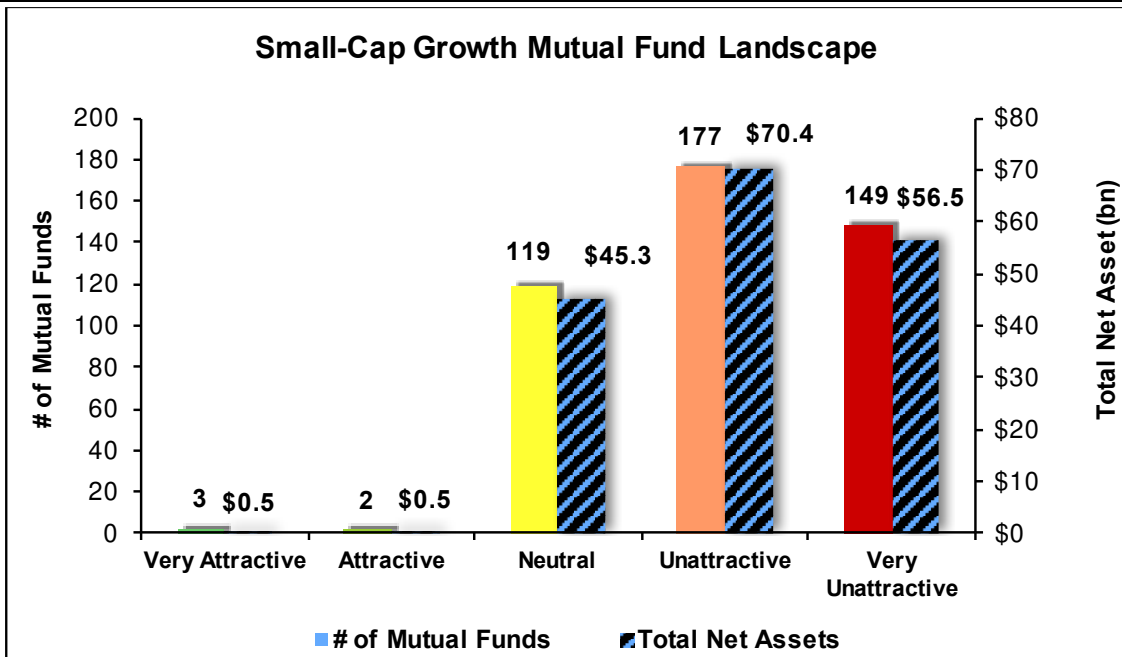
Figures 3 and 4 show the rating landscape of all Small Cap Growth ETFs and mutual funds.

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

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Disclosure: David Trainer, Kyle Guske II, and Pete Apockotos receive no compensation to write about any specific stock, style, or theme.

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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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