



## ETF & Mutual Fund Rankings: Small Cap Value Style

The Small Cap Value style ranks eleventh out of the twelve fund styles as detailed in our [4Q18 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Value style ranked eleventh as well. It gets our Unattractive rating, which is based on an aggregation of ratings of 20 ETFs and 233 mutual funds in the Small Cap Value style as of October 25, 2018. See a recap of our [3Q18 Style Ratings here](#).

Figures 1 and 2 show the best and worst rated ETFs and mutual funds in the style. Not all Small Cap Value style ETFs and mutual funds are created the same. The number of holdings varies widely (from 24 to 1529). This variation creates drastically different investment implications and, therefore, ratings.

**Get the best fundamental research**

Investors seeking exposure to the Small Cap Value style should buy one of the Attractive-or-better rated mutual funds from Figure 2.

Our [Robo-Analyst technology](#)<sup>1</sup> empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.<sup>2</sup> 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**

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
<b>Best ETFs (only 3)</b>				
DES	15%	36%	39%	<b>Neutral</b>
VBR	17%	36%	40%	<b>Neutral</b>
SMLV	17%	32%	38%	<b>Neutral</b>
<b>Worst ETFs</b>				
RZV	17%	31%	45%	<b>Unattractive</b>
PXSV	13%	26%	42%	<b>Unattractive</b>
FYT	15%	35%	40%	<b>Unattractive</b>
RWJ	12%	38%	44%	<b>Unattractive</b>
RFV	16%	36%	47%	<b>Unattractive</b>

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

Sources: New Constructs, LLC and company filings

SQLV, OSCV, and FNK are excluded from Figure 1 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

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

<sup>2</sup> 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	
<b>Best Mutual Funds</b>				
RVVHX	30%	38%	6%	Very Attractive
RYVFX	30%	38%	6%	Attractive
RVVRX	30%	38%	6%	Attractive
RSEIX	25%	41%	8%	Attractive
RYSEX	25%	41%	8%	Attractive
<b>Worst Mutual Funds</b>				
PVEYX	9%	16%	24%	Very Unattractive
PGISX	4%	9%	76%	Very Unattractive
PGSCX	4%	9%	76%	Very Unattractive
PASMIX	4%	9%	76%	Very Unattractive
PEVAX	9%	16%	24%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

DES is the top-rated Small Cap Value ETF and RVVHX is the top-rated Small Cap Value mutual fund. DES earns a Neutral rating and RVVHX earns a Very Attractive rating.

RFV is the worst rated Small Cap Value ETF and PEVAX is the worst rated Small Cap Value mutual fund. RFV earns an Unattractive rating and PEVAX 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.

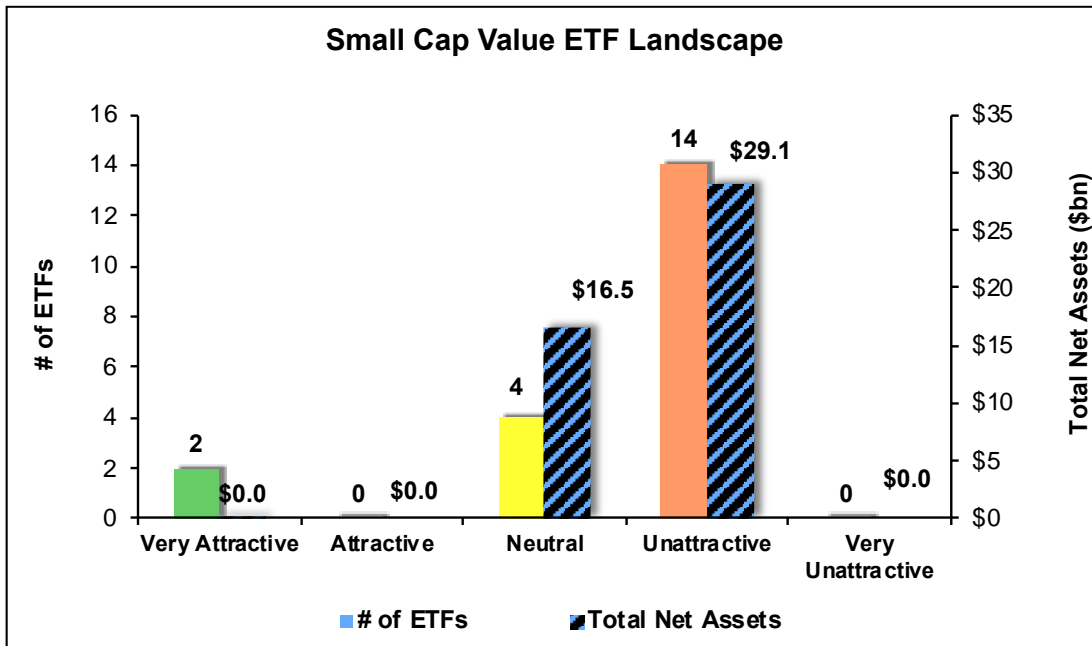
**PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND**

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.



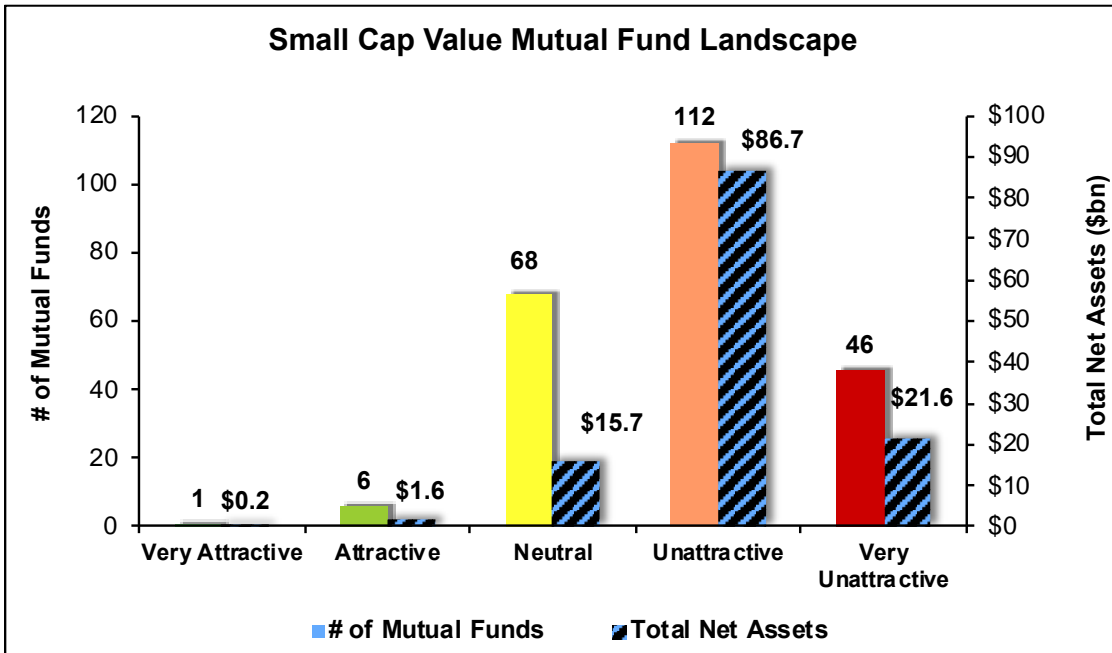
Figures 3 and 4 show the rating landscape of all Small Cap Value ETFs and mutual funds.

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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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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