



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

The Small Cap Value style ranks ninth out of the twelve fund styles as detailed in our [2Q19 Style Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Small Cap Value style ranked tenth. It gets our Neutral rating, which is based on an aggregation of ratings of 18 ETFs and 217 mutual funds in the Small Cap Value style as of April 23, 2019. See a recap of our [1Q19 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 Value style ETFs and mutual funds are created the same. The number of holdings varies widely (from 24 to 1524). 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 – Top 5**

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
<b>Best ETFs</b>				
VBR	17%	39%	35%	Neutral
MDYV	26%	37%	33%	Neutral
IVOV	26%	37%	33%	Neutral
IJJ	25%	37%	34%	Neutral
JKL	21%	40%	32%	Neutral
<b>Worst ETFs</b>				
FYT	20%	35%	34%	Neutral
VTWV	13%	28%	42%	Unattractive
PXSV	11%	22%	49%	Unattractive
RWJ	13%	33%	45%	Unattractive
RZV	18%	31%	43%	Unattractive

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

Sources: New Constructs, LLC and company filings

Opus Small Cap Value Plus ETF (OSCV) and First Trust Mid Cap Value AlphaDEX Fund (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>				
LSVQX	31%	35%	24%	Very Attractive
LVAQX	31%	35%	24%	Attractive
RSEIX	25%	44%	13%	Attractive
RYSEX	25%	44%	13%	Attractive
RSEFX	25%	44%	13%	Attractive
<b>Worst Mutual Funds</b>				
PSLBX	10%	24%	36%	Very Unattractive
PSLMX	10%	24%	36%	Very Unattractive
PSLAX	10%	24%	36%	Very Unattractive
PGSCX	4%	17%	60%	Very Unattractive
PASMXX	4%	17%	60%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Advisors Series O’Shaughnessy Small Cap Value Fund (OFSIX) is excluded from Figure 2 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

Vanguard Small Cap Value Index Fund (VBR) is the top-rated Small Cap Value ETF and LSV Small Cap Value Fund (LSVQX) is the top-rated Small Cap Value mutual fund. VBR earns a Neutral rating and LSVQX earns a Very Attractive rating.

Invesco S&P Small Cap 600 Pure Value ETF (RZV) is the worst rated Small Cap Value ETF and Pacific Advisors Small Cap Value Fund (PASMXX) is the worst rated Small Cap Value mutual fund. RZV earns an Unattractive rating and PASMXX 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.

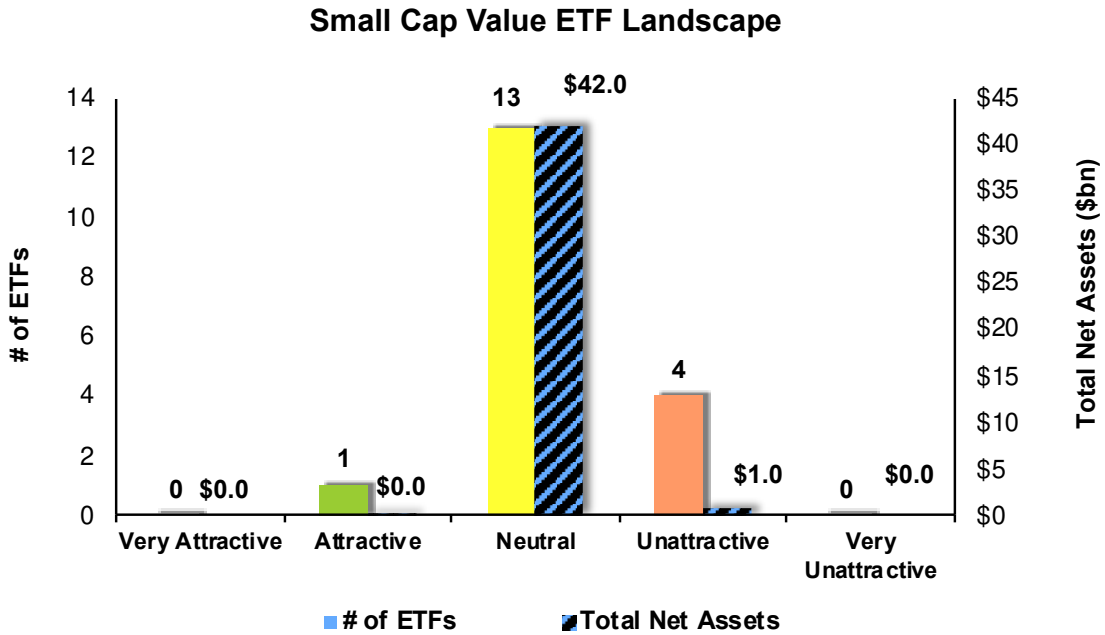
**PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND**

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.



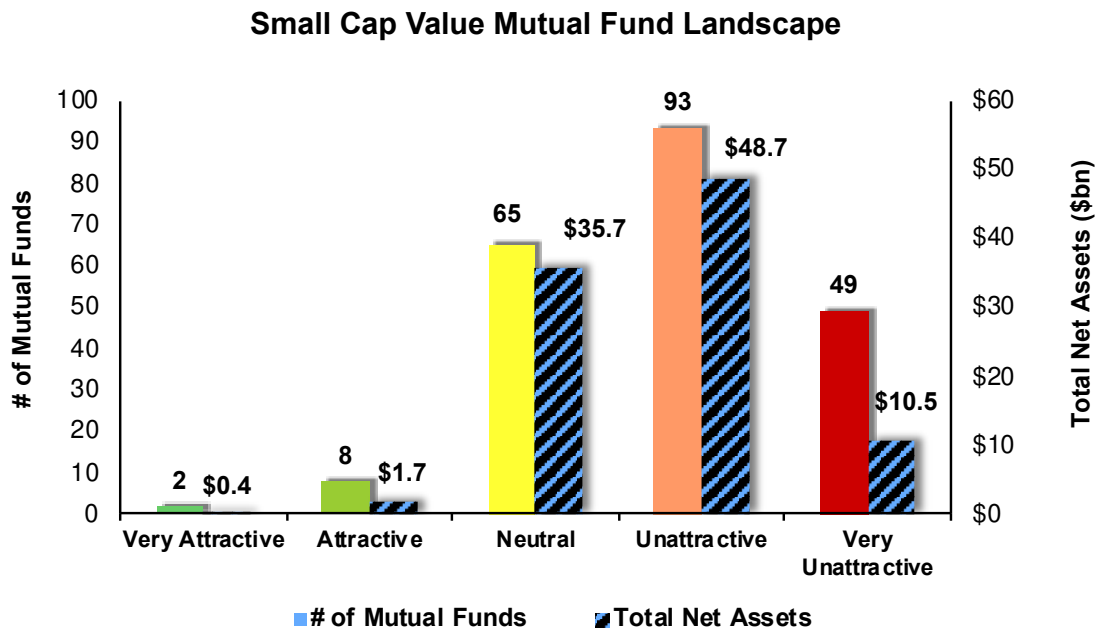
Figures 3 and 4 show the rating landscape of all Small Cap Value ETFs and mutual funds.

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

This article originally published on [April 25, 2019](#).

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

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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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