

5 of the Smallest Funds We Recommend

By [Russel Kinne](#) | 11-04-13 | 06:00 AM | [Email Article](#)

I wouldn't seek out a fund just because it's got a small asset base, but I do think they have some advantages, such as flexibility. And I'm writing about them because some of them may have escaped your notice. It's always good to cast a wide net.

We look for the same fundamental strengths in big and small funds. In the case of small funds, it's sometimes the case that the manager has a good record at another fund but hasn't yet caught investors' attention at his new fund. While all of these funds have decent expense ratios, you won't see the bargains that you might see at our larger Morningstar Medalists.

I discussed some of these ideas with Morningstar's director of personal finance, Christine Benz, in a video you can see [here](#).

We begin with [TCW International Small Cap \(TGICX\)](#), a fund with a Morningstar Analyst Rating of Bronze, with just \$35 million in assets under management. This fund is very bold as managed by Rohit Sah. He runs a focused portfolio and makes no attempt to make it behave like a benchmark. With emerging-markets resource plays like Mongolian Mining, you can be sure that this fund will take a bumpy path. Sah looks for companies with strong cash flows that reinvest that money in their business. Moreover, Sah likes emerging markets and has an aversion to the eurozone. That has been a formula for poor returns since this fund launched.

However, Sah had great results at Oppenheimer International Small Company ([OSMAX](#)). So, if emerging markets and/or natural-resources rally, this fund will look much more promising. With a tiny asset base, Sah should have plenty of flexibility.

[Virtus Global Opportunities \(NWWOX\)](#) is another good fund from a manager we know from more-established funds. This Bronze-rated fund has just \$118 million in assets. The fund saw a manager and strategy change when Rajiv Jain and Matthew Benkendorf took over in 2009. Jain has a great record at [Virtus Foreign Opportunities \(JVIAX\)](#) and [Virtus Emerging Markets Opportunities \(HEMZX\)](#). We don't rate this fund as highly as those because investing in the United States through a mutual fund is new territory for Jain. Still, he's invested this fund very much like his others and it has a lot of promise.

Silver-rated [Bogle Small Cap Growth \(BOGIX\)](#) is a mere \$195 million for two reasons. First, John Bogle Jr. closed the fund quickly around \$100 million more than a decade ago. Second, it had a slump that prompted Bogle to reopen the fund. Bogle is a quantitative investor who thinks creatively about using data long considered the realm of fundamental investors. The fund's 10-year returns are middling, but go back to its 1999 inception and the fund has a cumulative 380% return compared with 201% for its benchmark. It charges a modest 1.25%.

[Perkins Global Value T \(JGVAX\)](#) is kind of like Virtus Global Opportunities in that

you have a strong manager moving to new markets. The Perkins team has had great results with U.S. small- and mid-value funds, but world stock is relatively new territory for the firm. However, it isn't for manager Greg Kolb, who moved from Janus to Perkins because his value orientation is a better fit with Janus' Perkins group.

Kolb became comanager in 2005 and lead in 2009. Kolb looks for companies with low valuations and strong cash flows--not too different from other Perkins strategies. Not unlike other Perkins funds, Kolb's style has earned its keep on the downside. The fund lost much less than its peers in 2008 and 2009 but often gives some relative performance back in rallies. I also like the fund's 1.11% expense ratio, which is pretty cheap for a \$200 million fund.

➤ ASTON/River Road Select Value (ARSMX) is a good example of a cautious fund that is starting to see its five-year performance ranking decline as 2008 rolls out of the trailing return. Its emphasis on both quality and valuations enabled the fund to lose 925 basis points less than its peers in 2008. But since then, returns have been pedestrian. James Shircliff cofounded River Road in 2005, but in the 1990s he worked at Southeastern Asset Management, which runs Longleaf Partners. He doesn't look for as deep a discount to fair value as you see at Longleaf (25% versus 40%), and that allows him to buy a little higher quality in the portfolio. He also runs a more diversified portfolio of about 75 names. That emphasis on quality has meant lower debt levels than the fund's peers and helped the fund to that strong 2008.

For a list of the open-end funds we cover, [click here](#).

For a list of the closed-end funds we cover, [click here](#).

For a list of the exchange-traded funds we cover, [click here](#).

For information on the Morningstar Analyst Ratings, [click here](#).

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BOGLE INVESTMENT MANAGEMENT
SMALL CAP GROWTH FUND

Inception Date: October 1, 1999

Total Returns as of September 30, 2013	Investor Shares	Institutional Shares	Russell 2000
One Years Annualized	38.23%	38.35%	30.06%
Five Years Annualized	16.07%	16.18%	11.15%
Ten Years Annualized	9.74%	9.85%	9.64%
Since Inception Annualized	12.01%	12.12%	8.21%

The performance data quoted represents past performance and is no guarantee of future results. Investment return and principal value will fluctuate, so that an Investor's shares upon redemption, may be worth more or less than their original cost. Certain fee waivers are in effect. In the absence of fee waivers, total return would be reduced. Current performance may be lower or higher than the performance data quoted. Returns current to the most recent month-end are available at <http://boglefunds.com/mutualfund>.

Expense Ratios With Waivers and Reimbursements

Investor Shares 1.35% For the year ended 8/31/13

Institutional Shares 1.25% For the year ended 8/31/13

Expense Ratios If Waivers and Reimbursements Were Not in Place

Investor Shares 1.49% For the year ended 8/31/13

Institutional Shares 1.39% For the year ended 8/31/13

Fee waivers and reimbursements are contractual and have been renewed through 12/31/14.

This reprint is intended as sales literature only for the Bogle Small Cap Growth Fund, and not for any other investment product discussed in the article

You should consider the investment objectives, risks, charges, and expenses of the Bogle Small Cap Growth Fund carefully before investing. Visit <http://boglefunds.com/mutualfund> for prospectus containing this and other information about the Fund. Read it carefully before you invest.

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