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[Investors have some 9,200 mutual funds and 1,400 exchange-traded funds to choose from in the U.S.](https://twitter.com/intent/tweet?url=http%3A%2F%2Fonforb.es%2F1eJCbbu&text=Investors%20have%20some%209%2C200%20mutual%20funds%20and%201%2C400%20exchange-traded%20funds%20to%20choose%20from%20in%20the%20U.S.)  – the most in the entire world. They dwarf the 5,240 stocks listed on the U.S. stock market a la the NASDAQ and New York Stock Exchange, according to the [World Federation of Exchanges](http://www.world-exchanges.org/). To help you narrow the options and invest like a boss, [I asked an array of leading investment advisers to share their favorite mutual funds.](https://twitter.com/intent/tweet?url=http%3A%2F%2Fonforb.es%2F1eJCbbu&text=I%20asked%20an%20array%20of%20leading%20investment%20advisors%20to%20share%20their%20most%20favorite%20mutual%20funds.)

**12. DFA Small Cap Value Portfolio (DFSVX)**

Because I tend to take a more of an academic and passive approach to investing, I utilize Dimensional Fund Advisors (DFA). Most people key in on the mutual fund manager or a money manager in a separate account platform.  I believe this is a mistake, people should be more concerned with the portfolio construction. Four factors make up portfolio construction: 1. The market 2. Diversifying small companies vs. large companies 3. Investing in value companies vs. growth companies and 4. International vs. domestic.

How one tilts the portfolio with these four key factors will determine risk and return. I use DFA because what I am trying to do is replicate an asset class, for example I might need to have 10% of my clients’ money in small company stocks. I have two choices I can put the client into small company mutual fund, here the manager is actively managing the universe of the small company, he might have 6000 funds in his or her universe and narrow it down to 200 companies, thus he is placing a bet on those 200 companies.

DFA would look at the universe, exclude companies that are troubled e.g. embroiled in scandal, a legal battle or just fighting for survival. So out of the universe 20% might be eliminated and DFA would own all the remaining. Thus they are replicating the asset class.

Why not just own the index? One problem with owning an index is it costs money to buy the index. So I am at a disadvantage of beating the index right from the beginning. The index itself has no costs. Second, if there is company is in the index I don’t want own, I can’t get rid of it. The best example of is Enron. When the Enron scandal broke it was still included in the  S&P 500 index fund. By prospectus it couldn’t be removed until the actual index removed it.

So sometimes you wind up owning stocks you don’t want any part of. DFA as an asset class fund, does three things really well? It keeps cost down. It keeps turnover to a minimum, which again leads to lower costs. And most importantly, it replicates the asset class and tends not evolve into something else as a lot of funds do.

– Michael Rosenberg, RFC, Managing Partner of Diversified Investment Strategies, LLC with $250 million in AUM in Livingston, N.J.