



How To Find the Best Style ETFs

Finding the best ETFs is an increasingly difficult task in a world with so many to choose from. How can you pick with so many choices available?

Don't Trust ETF Labels

There are at least 65 different All Cap Blend ETFs and at least 289 ETFs across all styles. Do investors need that many choices? How different can the ETFs be?

Those 65 All Cap Blend ETFs are very different. With anywhere from 4 to 3775 holdings, many of these All Cap Blend ETFs have drastically different portfolios, creating drastically different investment implications.

The same is true for the ETFs in any other style, as each offers a very different mix of good and bad stocks. Large Cap Value ranks first. Small Cap Blend ranks last. Details on the [Best & Worst ETFs in each style are here](#).

A Recipe for Paralysis By Analysis

We firmly believe ETFs for a given style should not all be that different. We think the large number of All Cap Blend (or any other) style ETFs hurts investors more than it helps because too many options can be paralyzing. It is simply not possible for the majority of investors to properly assess the quality of so many ETFs. Analyzing ETFs, done with the proper diligence, is far more difficult than analyzing stocks because it means analyzing all the stocks within each ETF. As stated above, that can be as many as 3775 stocks, and sometimes even more, for one ETF.

Any investor worth his salt recognizes that analyzing the holdings of an ETF is critical to finding the best ETF. Figure 1 shows our top rated ETF for each style. Note there are no ETFs currently under coverage in the All Cap Growth or All Cap Value Styles.

Figure 1: The Best ETF in Each Style

Ticker	Name	Sector	Assets (\$mm)
QVAL	ValueShares U.S. Quantitative Value ETF	All Cap Blend	\$49
QVM	Arrow QVM Equity Factor ETF	Large Cap Blend	\$4
QUAL	iShares MSCI USA Quality Factor ETF	Large Cap Growth	\$1,154
SCHD	Schwab U.S. Dividend Equity TF	Large Cap Value	\$2,790
VALX	Validea Market Legends ETF	Mid Cap Blend	\$22
IJK	iShares S&P MidCap 400 Growth Index ETF	Mid Cap Growth	\$5,659
QINC	First Trust RBA Quality Income ETF	Mid Cap Value	\$10
IESM	iShares Enhanced U.S. Small-Cap ETF	Small Cap Blend	\$23
SLYG	State Street SPDR S&P 600 Small Cap Growth ETF	Small Cap Growth	\$538
VLSM	Direxion Value Line Small &Mid Cap Dividend ETF	Small Cap Value	\$10

Sources: New Constructs, LLC and company filings

How to Avoid "The Danger Within"

Why do you need to know the holdings of ETFs before you buy?

You need to be sure you do not buy an ETF that might blow up. Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. No matter how cheap, if it holds bad stocks, the ETF's performance will be bad.

PERFORMANCE OF FUND'S HOLDINGS = PERFORMANCE OF FUND



If Only Investors Could Find Funds Rated by Their Holdings...

New Constructs covers over 3000 stocks and is known for the due diligence we do for each stock we cover. Accordingly, our coverage of ETFs leverages the diligence we do on each stock by rating ETFs based on the aggregated ratings of the stocks each ETF holds.

Arrow QVM Equity Factor ETF (QVM) is the top-rated Large Cap Blend ETF and the overall best ETF of the 289 style ETFs that we cover.

The worst ETF in Figure 1 is State Street SPDR S&P 600 Small Cap Growth ETF (SLYG), which our Neutral rating. One would think ETF providers could do better for this style.

Disclosure: David Trainer and Max Lee receive no compensation to write about any specific stock, style, or theme.



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1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

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