



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 63 different All Cap Blend ETFs and at least 273 ETFs across twelve styles. Do investors need 22+ choices on average per style? How different can the ETFs be?

Those 63 All Cap Blend ETFs are very different. With anywhere from 21 to 3,603 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 Blend ETFs rank first for stock selection. Small Cap Value ETFs rank last. Details on the [Best & Worst ETFs in each style are here](#).

A Recipe for Paralysis By Analysis

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, there can be as many as 3,603 stocks or more for one ETF.

Anyone focused on [fulfilling the fiduciary duty of care](#) 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.

Figure 1: The Best ETF in Each Style

Ticker	Name	Investment Style	Assets (\$mm)
WBIL	WBI Tactical LCS Shares	All Cap Blend	\$48
QVM	Arrow QVM Equity Factor ETF	All Cap Growth	\$1,472
FVD	First Trust Value Line Dividend Index Fund	All Cap Value	\$3,721
DLN	WisdomTree U.S. Large Cap Dividend Fund	Large Cap Blend	\$1,916
QWLD	State Street SPDR MSCI World StrategicFactors ETF	Large Cap Growth	\$28
WBIC	WBI Tactical SMY Shares	Large Cap Value	\$66
WBID	WBI Tactical SMS Shares	Mid Cap Blend	\$74
BFOR	ALPS Barron's 400 ETF	Mid Cap Growth	\$200
QVAL	ValueShares U.S. Quantitative Value ETF	Mid Cap Value	\$66
VALX	Validea Market Legends ETF	Small Cap Blend	\$24
RFG	Guggenheim S&P MidCap 400 Pure Growth ETF	Small Cap Growth	\$546
XSLV	PowerShares S&P Small Cap Low Volatility Portfolio	Small Cap Value	\$920

Sources: New Constructs, LLC and company filings

Amongst the ETFs in Figure 1, WBI Tactical SMY Shares (WBIC) ranks first overall, WBI Tactical LCS Shares (WBIL) ranks second, and WBI Tactical SMS Shares (WBID) ranks third. Guggenheim S&P MidCap 400 Pure Growth ETF (RFG) ranks last.

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 an ETF 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. Don't just take my word for it, see [what Barron's says](#) on this matter.

PERFORMANCE OF FUND'S 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.

If Only Investors Could Find Funds Rated by Their Holdings

Our [ETF ratings](#) leverage our [stock coverage](#). We rate ETFs based on the aggregated ratings of the stocks each ETF holds.

WBI Tactical SMI Shares (WBIC) is not only the top-rated Large Cap Value ETF, but is also the overall best style ETF out of the 273 style ETFs that we cover.

The ETFs in Figure 1 all receive an Attractive-or-better rating. However, with so few assets in some of the funds, it is clear investors haven't identified these quality ETFs.

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Disclosure: David Trainer, Kyle Guske II, and Kenneth James 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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