



## 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 60 different All Cap Blend ETFs and at 267 ETFs across twelve styles. Do investors need 22+ choices on average per style? How different can the ETFs be?

Those 60 All Cap Blend ETFs are very different. With anywhere from 21 to 3603 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 Growth 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, that can be as many as 3603 stocks, and sometimes even more, for one ETF.

Anyone focused on [fulfilling the fiduciary duty of care](#) recognizes that analyzing the holdings<sup>1</sup> 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)
ROM	ProShares Ultra Technology	All Cap Blend	\$234
ONEQ	Fidelity NASDAQ Composite Index Tracking Stock	All Cap Growth	\$1,342
DVP	ETF Series Deep Value ETF	All Cap Value	\$100
EPS	WisdomTree U.S. Earnings 500 Fund	Large Cap Blend	\$144
MTUM	iShares Edge MSCI USA Momentum Factor ETF	Large Cap Growth	\$4,048
DIV	Global X Super Dividend U.S. ETF	Large Cap Value	\$426
XMLV	PowerShares S&P Mid Cap Low Volatility Portfolio	Mid Cap Blend	\$1,132
BFOR	Barron's 400 ETF	Mid Cap Growth	\$196
JKI	iShares Morningstar Mid Cap Value ETF	Mid Cap Value	\$393
EES	WisdomTree U.S. Small Cap Earnings Fund	Small Cap Blend	\$524
RFG	Rydex Guggenheim S&P Mid Cap 400 Pure Growth ETF	Small Cap Growth	\$570
MDYV	State Street SPDR S&P 400 Mid Cap Value ETF	Small Cap Value	\$762

Sources: New Constructs, LLC and company filings

<sup>1</sup> Ernst & Young's recent white paper "[Getting ROIC Right](#)" proves the superiority of our holdings research and analytics.



Amongst the ETFs in Figure 1, Global X Super Dividend U.S. ETF (DIV) ranks first overall, WisdomTree U.S. Earnings 500 Fund (EPS) ranks second, and ProShares Ultra Technology (ROM) ranks third. State Street SPDR S&P 400 Mid Cap Value ETF (MDYV) 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.<sup>2</sup> 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.

Global X Super Dividend U.S. ETF (DIV) is not only the top-rated Large Cap Value ETF, but is also the overall best style ETF out of the 267 style ETFs that we cover.

The worst ETF in Figure 1 is State Street SPDR S&P 400 Mid Cap Value ETF (MDYV), which gets a Neutral rating. One would think ETF providers could do better for this style.

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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® - Research to Fulfill the Fiduciary Duty of Care***

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Ratings & screeners on 3000 stocks, 450 ETFs and 7000 mutual funds help you make prudent investment decisions.

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.



## **DISCLOSURES**

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