



## 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 123 different All Cap Blend ETFs and at least 463 ETFs across twelve styles. Do investors need 38+ choices on average per style? How different can the ETFs be?

Those 123 All Cap Blend ETFs are very different. With anywhere from 19 to 3623 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 for stock selection. Small Cap Growth ranks last. Details on the [Best & Worst ETFs in each style are here.](#)

### How to Avoid 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<sup>1</sup>, 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 3623 stocks, and sometimes even more, for one ETF.

Anyone focused on [fulfilling the fiduciary duty of care](#) recognizes that analyzing the holdings<sup>2</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)
DDM	ProShares Ultra Dow30	All Cap Blend	\$400
ONEQ	Fidelity NASDAQ Composite Index Tracking Stock	All Cap Growth	\$1,831
QVAL	Alpha Architect US Quantitative Value ETF	All Cap Value	\$120
CLRG	IQ Chaikin US Large Cap ETF	Large Cap Blend	\$428
CDL	VictoryShares US Large Cap High Div Volatility Wtd Index	Large Cap Growth	\$144
VLUE	iShares Edge MSCI USA Value Factor ETF	Large Cap Value	\$3,526
ONEV	State Street SPDR Russell 1000 Low Volatility Focus	Mid Cap Blend	\$456
BFOR	Barron's 400 ETF	Mid Cap Growth	\$184
ONEY	State Street SPDR Russell 1000 Yield Focus	Mid Cap Value	\$405
SMLF	iShares Edge MSCI Multifactor USA Small-Cap	Small Cap Blend	\$130
RFG	Invesco S&P MidCap 400 Pure Growth ETF	Small Cap Growth	\$621
DES	WisdomTree US Small Cap Dividend Fund	Small Cap Value	\$2,134

\* Best ETFs exclude ETFs with TNAs less than \$100 million for inadequate liquidity

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.

<sup>2</sup> Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts.](#)



Amongst the ETFs in Figure 1, Alpha Architect U.S. Quantitative Value ETF (QVAL) ranks first overall, iShares Edge MSCI USA Value Factor ETF (VLUE) ranks second, and IQ Chaikin U.S. Large Cap ETF (CLRG) ranks third. WisdomTree U.S. Small Cap Dividend Fund (DES) 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.

Alpha Architect U.S. Quantitative Value ETF (QVAL) is not only the top-rated All Cap Value ETF, but is also the overall top-ranked style ETF out of the 463 style ETFs that we cover.

The worst ETF in Figure 1 is WisdomTree U.S. Small Cap Dividend Fund (DES) 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 Sam McBride receive no compensation to write about any specific stock, style, or theme.*

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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.



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