



## 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?

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### Don't Trust ETF Labels

There are at least 112 different All Cap Blend ETFs and at least 478 ETFs across twelve styles. Do investors need 39+ choices on average per style? How different can the ETFs be?

Those 112 All Cap Blend ETFs are very different. With anywhere from 23 to 3572 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 3572 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. Only our research utilizes the superior data and earnings adjustments featured by the Harvard Business School and MIT Sloan paper, "[Core Earnings: New Data and Evidence](#)." Figure 1 shows our top-rated ETF for each style.

**Figure 1: The Best ETF in Each Style**

Ticker	Name	Investment Style	Assets (\$mm)
PKW	Invesco Buyback Achievers ETF	All Cap Blend	\$684
DWLD	David Select Worldwide ETF	All Cap Growth	\$258
VSMV	VictoryShares U.S. Multi-Factor Minimum Volatility	All Cap Value	\$155
EPS	WisdomTree U.S. Large Cap Fund	Large Cap Blend	\$372
SPYG	State Street SPDR Portfolio S&P 500 Growth ETF	Large Cap Growth	\$7,903
SCHD	Schwab U.S. Dividend Equity ETF	Large Cap Value	\$11,126
ONEV	State Street SPDR Russell 1000 Low Volatility Focus ETF	Mid Cap Blend	\$475
BFOR	Barron's 400 ETF	Mid Cap Growth	\$106
QVAL	Alpha Architect U.S. Quantitative Value ETF	Mid Cap Value	\$102
XMLV	Invesco S&P Mid Cap Low Volatility ETF	Small Cap Blend	\$2,216
JSMD	Janus Henderson Small/Mid Cap Growth Alpha ETF	Small Cap Growth	\$115
JKL	iShares Morningstar Small Cap Value ETF	Small Cap Value	\$254

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

Sources: New Constructs, LLC and company filings

<sup>1</sup> Compare our analytics on a mega cap company to Bloomberg and Capital IQ's (SPGI) analytics in the [detailed appendix of this paper](#).

<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, Invesco Buyback Achievers ETF (PKW) ranks second, and State Street SPDR Russell 1000 Low Volatility Focus ETF (ONEV) ranks third. Janus Henderson Small/Mid Cap Growth Alpha ETF (JSMD) 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 Mid Cap Value ETF, but is also the overall top ranked style ETF out of the 478 style ETFs that we cover.

The worst ETF in Figure 1 is Janus Henderson Small/Mid Cap Growth Alpha ETF (JSMD), 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 Matt Shuler receive no compensation to write about any specific stock, style, or theme.*

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## ***Footnotes adjustments matter. We are the ONLY source.***

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We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

**[HBS & MIT Sloan research](#) reveals that:**

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies ([featured by Harvard Business School](#)), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

The HBS & MIT Sloan paper, [Core Earnings: New Data and Evidence](#), shows how our superior data drives uniquely comprehensive and independent debt and equity research.

This [paper](#) compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

**Learn [more](#).**

Quotes from HBS & MIT Sloan professors on our research:

### **Get better research:**

*“...the NC dataset provides a novel opportunity to study the properties of non-operating items disclosed in 10-Ks, and to examine the extent to which the market impounds their implications.” – page 20*

### **Pick better stocks:**

*“Trading strategies that exploit cross-sectional differences in firms’ transitory earnings produce abnormal returns of 7-to-10% per year.” – Abstract*

### **Avoid losses from using other firms’ data:**

*“...many of the income-statement-relevant quantitative disclosures collected by NC do not appear to be easily identifiable in Compustat...” – page 14*

### **Build better models:**

*“Core Earnings [calculated using New Constructs’ novel dataset] provides predictive power for various measures of one-year-ahead performance...that is incremental to their current-period counterparts.” – page 4*

### **Exploit market inefficiencies:**

*“These results ... suggest that the adjustments made by analysts and Compustat to better capture core earnings are incomplete. Moreover, the non-core items identified by NC produce a measure of core earnings that is incremental to alternative measures of operating performance in predicting an array of future income measures.” – page 26*

### **Fulfill fiduciary duties:**

*“An appropriate measure of accounting performance for purposes of forecasting future performance requires detailed analysis of all quantitative performance disclosures detailed in the annual report, including those reported only in the footnotes and in the MD&A.” – page 33-34*



## DISCLOSURES

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