Fund Effectiveness Score (FES)

For: ETFs - Exchange Traded Funds

DIYMONEYTRACK.COM

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Disclaimers

- Past performance does not guarantee future performance
- The findings contained in this assessment are for informational purposes only and should not be construed as investment advice or a recommendation to buy specific investments

Contents

- What is the Fund Effectiveness Score (FES)?
- Summary findings
- Tables/charts:
  1. FES Distribution by Score
  2. Top 10 Funds by FES
  3. FES by Investment Category
  4. Best Investment Funds by Category
  5. Average FES by Investment Fund Family (min 3 funds)

What is the Fund Effectiveness Score?

- The Fund Effectiveness Score (FES) is a single number that measures the relative cost benefit of investment funds
- The number is derived by dividing a weighted average of returns over multiple periods by the expense ratio for each fund
- The FES source data is from *Morningstar.com*
- 243 funds covering 9 categories were assessed:

	Value	Blend	Growth	Total
Large	48	58	26	**132**
Mid	20	25	17	**62**
Small	16	22	11	**49**
Total	**84**	**105**	**54**	**243**

Summary Findings

- Top FES driven by low average expense ratios (page 6)
- Two investment fund families stand out: **Schwab** and **Vanguard**
  - 7 of top 10 funds by FES (page 7)
  - 9 of 9 by investment category (page 9)
  - Highest FES across all fund families (page 10)
- Only four investment fund families have avg FES above overall avg: **Schwab, Vanguard, iShares, SPDR®** (page 10)
- Highest FES by Category: Large-Cap Blend (page 8)
- Blend (0.31) and Growth (0.28) categories score well above Value (0.19) (page 8)

1. FES Distribution by Score

Score Range	Number of Funds	% Distribution	Avg Score	Avg Expense Ratio
> 1.26	5	2.1%	1.62	0.03
< 1.25	4	1.6%	1.10	0.06
< 1.00	7	2.8%	0.86	0.06
< 0.75	19	7.8%	0.62	0.08
< 0.50	46	18.9%	0.34	0.16
< 0.25	162	66.7%	0.11	0.49
All Funds	**243**	**100.0%**	**0.26**	**0.37**

2. Top 10 Funds by FES

	Fund	Symbol	Category	FES
1	Schwab US Large-Cap ETF™	SCHX	Large Blend	1.82
2	iShares Core S&P Total US Stock Mkt ETF	ITOT	Large Blend	1.79
3	Schwab US Broad Market ETF™	SCHB	Large Blend	1.77
4	Vanguard S&P 500 ETF	VOO	Large Blend	1.38
5	Vanguard Total Stock Market ETF	VTI	Large Blend	1.33
6	Schwab US Large-Cap Growth ETF™	SCHG	Large Growth	1.24
7	iShares Core S&P 500 ETF	IVV	Large Blend	1.11
8	iShares Core S&P US Growth ETF	IUSG	Large Growth	1.05
9	Vanguard Growth ETF	VUG	Large Growth	1.01
10	Schwab US Large-Cap Value ETF™	SCHV	Large Value	0.96

3. FES by Investment Category

	Value	Blend	Growth	Avg
Large	0.24	0.39	0.36	0.33
Mid	0.12	0.20	0.17	0.17
Small	0.14	0.22	0.23	0.18
Avg	0.19	0.31	0.28	0.26

4. Best Investment Funds by Category

	Value	Blend	Growth
Large	Schwab US Large-Cap Value ETF™ (0.96)	Schwab US Large-Cap ETF™ (1.82)	Schwab US Large-Cap Growth ETF™ (1.24)
Mid	Vanguard Mid-Cap Value ETF (0.61)	Schwab US Mid-Cap ETF™ (0.78)	Vanguard Mid-Cap Growth ETF (0.65)
Small	Vanguard Small-Cap Value ETF (0.54)	Vanguard Small-Cap ETF (0.69)	Vanguard Small-Cap Growth ETF (0.67)

5. Average FES by Investment Fund Family (min 3 funds)

Fund Family	Number of Funds	Avg FES
Schwab	10	0.85
Vanguard	32	0.57
iShares	48	0.33
SPDR®	22	0.33
WisdomTree	13	0.14
FlexShares	4	0.13
PowerShares	29	0.13
VictoryShares	4	0.13
Guggenheim	15	0.12
Direxion	3	0.11
Oppenheimer	4	0.09
First Trust	24	0.08
ELEMENTS	3	0.07
WBI Tactical	8	0.03
All Other	24	0.09

Avg all funds – 0.26

Investment category definitions

Category	Definition
Large-Cap Blend	Large-blend portfolios are fairly representative of the overall U.S. stock market in size, growth rates, and price. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate. These portfolios tend to invest across the spectrum of U.S. industries, and owing to their broad exposure, the portfolios' returns are often similar to those of the S&P 500 Index.
Large-Cap Growth	Large-growth portfolios invest in big U.S. companies that are projected to grow faster than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields). Most of these portfolios focus on companies in rapidly expanding industries.
Large-Cap Value	Large-value portfolios invest primarily in big U.S. companies that are less expensive or growing more slowly than other large-cap stocks. Stocks in the top 70% of the capitalization of the U.S. equity market are defined as large-cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).
Mid-Cap Blend	The typical mid-cap blend portfolio invests in U.S. stocks of various sizes and styles, giving it a middle-of-the-road profile. Most shy away from high-priced growth stocks but aren't so price-conscious that they land in value territory. The U.S. mid-cap range for market capitalization typically falls between $1 billion and $8 billion and represents 20% of the total capitalization of the U.S. equity market. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.
Mid-Cap Growth	Some mid-cap growth portfolios invest in stocks of all sizes, thus leading to a mid-cap profile, but others focus on midsize companies. Mid-cap growth portfolios target U.S. firms that are projected to grow faster than other mid-cap stocks, therefore commanding relatively higher prices. The U.S. mid-cap range for market capitalization typically falls between $1 billion and $8 billion and represents 20% of the total capitalization of the U.S. equity market. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).
Mid-Cap Value	Some mid-cap value portfolios focus on medium-size companies while others land here because they own a mix of small-, mid-, and large-cap stocks. All look for U.S. stocks that are less expensive or growing more slowly than the market. The U.S. mid-cap range for market capitalization typically falls between $1 billion and $8 billion and represents 20% of the total capitalization of the U.S. equity market. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).
Small-Cap Blend	Small-blend portfolios favor U.S. firms at the smaller end of the market-capitalization range. Some aim to own an array of value and growth stocks while others employ a discipline that leads to holdings with valuations and growth rates close to the small-cap averages. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. The blend style is assigned to portfolios where neither growth nor value characteristics predominate.
Small-Cap Growth	Small-growth portfolios focus on faster-growing companies whose shares are at the lower end of the market-capitalization range. These portfolios tend to favor companies in up-and-coming industries or young firms in their early growth stages. Because these businesses are fast-growing and often richly valued, their stocks tend to be volatile. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. Growth is defined based on fast growth (high growth rates for earnings, sales, book value, and cash flow) and high valuations (high price ratios and low dividend yields).
Small-Cap Value	Small-value portfolios invest in small U.S. companies with valuations and growth rates below other small-cap peers. Stocks in the bottom 10% of the capitalization of the U.S. equity market are defined as small cap. Value is defined based on low valuations (low price ratios and high dividend yields) and slow growth (low growth rates for earnings, sales, book value, and cash flow).

Source: Morningstar.com