The Top ETFs Over Five Years: Health Care Loses Some Ground

By Jaclyn N. McClellan

Article Highlights

- Health care ETFs occupy six spots on the top-10 best performers list.
- New top performers come from the consumer staples, homebuilders and long-term government bond categories.
- New rules were implemented this year that exclude ETFs with comparatively high expense and risk ratios.

The dominance of health care exchange-traded funds (ETFs) in terms of five-year returns is weakening compared to last year, but they still account for the majority of the 10 best-performing ETFs.

Also creeping into the top spots were consumer discretionary, consumer cyclical and long-term Treasury ETFs.

Over the last five years, health care ETFs have gained an annualized 15.3% on average. While individual health care ETFs dominate the top 10 list, the health care sector as a whole is now underperforming the homebuilders sector, which gained an annualized 15.6% on average over the last five years.

Following the homebuilders sector is the consumer staples sector and long-term government bond categories, which have gained an average of 13.9% and 13.7%, respectively. The health care sector tends to perform well through the different stages of an economic cycle because of the population's perpetual need for health care and its services. Also aiding health care's outperformance has been innovation in biotechnology, greater access to health insurance and aging of the baby boomers.

The homebuilders sector is sensitive to the economic cycle and tends to perform well when the economy is strengthening and trends in interest rates are favorable.

The consumer staples sector has often been regarded as "recession-proof" because consumers are going to buy the necessities no matter the economic conditions. The paradox in the current top categories list is that consumer staples and consumer discretionary (homebuilders in this case) have very different levels of sensitivity to economic cycles. A closer look, however, shows that the two sectors' impressive five-year performance figures come from different time periods within the last five years.

The homebuilders sector's five-year outperformance is largely attributable to its outperformance in 2012, following the recovery of the real estate sector after 2009. Low interest rates have supported decent relative performance since 2012: The sector gained 21.6% in 2013, 3.9% in 2014 and 2.7% in 2015.

On the other hand, the consumer staples sector has been more consistent on a comparative basis, gaining 9.7% in 2011, 11.1% in 2012, 30.6% in 2013, 13.4% in 2014, 7.4% in 2015 and 9.7% year-to-date through June 2016. Consumer staples stocks tend to have higher dividend yields, and increased demand for yield has helped their performance. As investors continue to rotate into safe-haven assets, the increased demand for yield is leading prices higher (and, subsequently, pushing yields lower). This trend toward yield is demonstrated by the long-term government bond category, which has gained 27.2% on average over the trailing 12 months and is the fourth-best-performing sector over the last five years.

There are 36 ETFs within the health care category, compared to three in the homebuilders category and 14 in the consumer staples category. The number of ETFs within a category will affect the category averages.

Changes to the ETFs Included

This year, new requirements have been implemented for ETFs to be included in the top list. First, ETFs with expense ratios more than 10% above the average of their respective category average are eliminated. Secondly, ETFs with a category risk index more than 50% above the average for their respective category are disqualified. Some investors may retort, "Who cares if the risk and expense are higher…I'm getting more return!" While they are likely familiar with the phrase "past performance is not indicative of future performance," it's a concept worth revisiting.

Exchange-traded funds are, for the most part, designed to passively track an index. While active ETFs are entering the market, only 9% (156) of ETFs are actively managed as of June 30, 2016. Higher expense ratios require higher returns just to break even with lower-cost funds. Additionally, past research has shown that funds with higher expense ratios underperform over time. We aren't advocating that you purchase ETFs based solely on expense ratios, but if there is a less expensive alternative in the same category it may be worth investigating.

Higher risk doesn't

Table 1. Top ETFs Over Five Years

			NAV Total Return (%)						5-Year Annualized Total Return (%)	
Index	Structure	ETF Name (Ticker)	YTD	2015	2014	2013	2012	2011	NAV	Market
		Overall Five-Year Top Performers								
I	OE	iShares Nasdaq Biotechnology (IBB)	(23.8)	11.5	34.1	65.5	32.0	11.9	19.5	19.5
I	OE	Guggenheim S&P 500 Eq Wt Cons Stapl ETF (RHS)	12.2	13.1	17.9	32.6	12.2	12.9	17.7	17.8
I	OE	PIMCO 25+ Year Zero Coupon US Trs ETF (ZROZ)	23.5	(4.9)	49.3	(21.9)	1.8	59.8	17.5	17.7
I	OE	iShares US Home Construction (ITB)	2.2	5.0	4.7	17.8	78.9	(8.9)	17.4	17.4
I	OE	Health Care Select Sector SPDR ETF (XLV)	0.3	6.8	25.2	41.2	17.6	12.4	17.1	17.1
I	OE	Vanguard Health Care ETF (VHT)	(1.2)	7.2	25.4	42.7	19.1	10.6	17.0	17.0
I	OE	iShares US Healthcare (IYH)	(0.6)	6.1	25.2	41.3	18.8	11.3	16.8	16.8
I	OE	Vanguard Extended Duration Treasury ETF (EDV)	23.0	(4.4)	45.6	(20.9)	3.2	55.8	16.7	16.7
I	OE	Guggenheim S&P 500 Eq Weight HC ETF (RYH)	(1.5)	8.2	29.8	40.8	20.5	6.4	16.5	16.5
I	OE	iShares US Pharmaceuticals (IHE)	(10.0)	8.8	29.8	40.5	13.4	21.2	16.3	16.2
		Large-Cap Stock Category Average	4.5	0.0	13.1	32.8	15.1	3.0	11.8	11.8
I	UT	PowerShares QQQ ETF (QQQ)	(3.3)	9.5	19.1	36.6	18.1	3.4	14.9	14.9
I	OE	PowerShares S&P 500 Low Volatility ETF (SPLV)	12.2	4.1	17.2	23.3	10.0	—	14.4	14.4
I	OE	SPDR S&P Dividend ETF (SDY)	15.4	(0.7)	13.8	30.1	11.5	7.3	13.9	13.9
I	OE	WisdomTree High Dividend ETF (DHS)	14.7	(0.6)	15.1	24.4	11.3	13.9	13.9	13.8
I	OE	PowerShares S&P 500 Quality ETF (SPHQ)	7.9	1.7	16.1	32.0	14.6	6.2	13.6	13.6
		Mid-Cap Stock Category Average	4.5	(3.5)	9.9	35.6	15.8	(0.9)	9.7	9.7
I	OE	iShares Select Dividend (DVY)	15.3	(2.0)	14.9	28.7	10.5	11.9	13.8	13.8
I	OE	WisdomTree MidCap Dividend ETF (DON)	12.3	(1.0)	15.3	33.0	14.8	5.1	13.6	13.6
I	OE	iShares Morningstar Mid-Cap (JKG)	5.2	(1.6)	15.6	32.5	17.7	2.1	11.9	11.9
I	OE	Vanguard Mid-Cap Value ETF (VOE)	4.5	(1.8)	14.0	37.7	16.0	(0.3)	11.7	11.8
I	OE	iShares Russell Mid-Cap Value (IWS)	8.7	(4.9)	14.5	33.1	18.3	(1.5)	11.5	11.5
		Small-Cap Stock Category Average	4.7	(5.1)	5.3	39.7	17.0	(1.9)	9.2	9.2
I	OE	WisdomTree SmallCap Dividend ETF (DES)	11.7	(5.5)	7.5	36.9	18.4	(1.8)	12.0	12.0
I	OE	SPDR S&P 600 Small Cap Value ETF (SLYV)	8.7	(6.7)	7.3	39.7	18.0	(1.5)	11.2	11.2
I	OE	iShares S&P Small-Cap 600 Value (IJS)	8.7	(6.8)	7.3	39.7	18.1	(1.5)	11.2	11.2
I	OE	iShares Core S&P Small-Cap (IJR)	6.2	(2.0)	5.7	41.4	16.3	0.9	11.2	11.2
I	OE	SPDR S&P 600 Small Cap ETF (SLY)	6.2	(2.0)	5.6	41.0	16.2	0.9	11.1	11.1
		Micro-Cap Stock Category Average	0.3	(3.1)	1.9	45.0	19.0	(11.9)	8.1	8.1
I	OE	First Trust Dow Jones Sel MicroCap ETF (FDM)	2.5	0.5	3.1	43.3	15.9	(8.6)	9.3	9.3
I	OE	iShares Micro-Cap (IWC)	(1.6)	(5.1)	3.5	45.4	19.4	(9.5)	8.1	8.2
		Preferred Stock Category Average	4.8	1.4	11.1	(1.4)	15.9	0.0	7.1	7.1
I	OE	PowerShares Preferred ETF (PGX)	5.1	8.1	15.3	(1.8)	14.5	3.3	7.7	7.7
I	OE	SPDR Wells Fargo Preferred Stock ETF (PSK)	5.4	8.2	16.5	(5.4)	13.6	0.9	6.5	6.5
		Communications Sector Category Average	7.9	0.8	4.5	33.1	12.8	(2.7)	7.7	7.6
I	OE	Vanguard Telecommunication Services ETF (VOX)	18.5	2.7	4.0	24.3	16.5	(2.3)	10.5	10.6
I	OE	iShares US Telecommunications (IYZ)	16.6	0.5	0.5	26.2	18.5	(7.3)	8.7	8.7
		Consumer Discretionary Sector Cat Average	(2.4)	0.3	5.9	42.1	22.2	2.0	9.9	9.9
I	OE	Consumer Discret Sel Sect SPDR ETF (XLY)	0.6	9.9	9.5	42.7	23.6	6.0	15.9	15.9
I	OE	iShares US Consumer Services (IYC)	(0.2)	6.2	14.1	41.5	23.6	6.7	15.8	15.7
		Consumer Staples Sector Category Average	9.7	7.4	13.4	30.6	11.1	9.7	13.9	13.9
I	OE	Guggenheim S&P 500 Eq Wt Cons Stapl ETF (RHS)	12.2	13.1	17.9	32.6	12.2	12.9	17.7	17.8
I	OE	Consumer Staples Select Sector SPDR ETF (XLP)	10.4	6.8	15.9	26.3	10.7	14.0	15.1	15.1
		Energy Sector Category Average	11.0	(27.7)	(8.5)	32.1	(0.8)	(11.6)	(5.8)	(5.8)
I	OE	Energy Select Sector SPDR ETF (XLE)	14.7	(21.5)	(8.6)	26.2	5.2	3.0	0.2	0.2
I	OE	iShares US Energy (IYE)	14.7	(22.2)	(9.6)	25.7	4.3	3.8	(0.3)	(0.3)
		Financial Sector Category Average	(3.7)	(0.5)	6.0	38.6	23.5	(13.6)	8.5	8.5
I	OE	SPDR S&P Insurance ETF (KIE)	3.2	6.0	7.6	45.6	20.9	(12.2)	13.3	13.3
I	OE	First Trust Financials AlphaDEX ETF (FXO)	0.3	1.2	8.7	40.4	21.3	(7.3)	11.3	11.3
		Health Sector Category Average	(9.8)	8.3	26.1	45.9	21.0	7.6	15.3	15.2
I	OE	iShares Nasdaq Biotechnology (IBB)	(23.8)	11.5	34.1	65.5	32.0	11.9	19.5	19.5
I	OE	Health Care Select Sector SPDR ETF (XLV)	0.3	6.8	25.2	41.2	17.6	12.4	17.1	17.1
		Homebuilders Sector Category Average	0.0	2.7	3.9	21.6	68.2	(4.8)	15.6	15.6
I	OE	iShares US Home Construction (ITB)	2.2	5.0	4.7	17.8	78.9	(8.9)	17.4	17.4

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Data as of 6/30/2016.

3-Yr Ann'l NAV Total Return (%)	12-Mo NAV Return (%)	Total Return (%) Bull* Market	Total Return (%) Bear* Mkt	Yield (%)	Tax-Cost Ratio (%)	Risk Index Cat (X)	Risk Index Total (X)	Total Assets ($ Mil)	Avg Daily Trading Volume (Thous)	Portfolio (%) Stock	Portfolio (%) Bond	Portfolio (%) Other	Portfolio (%) Cash	% of Port in Foreign Issues	Port Turnover Ratio (%)	Number of Hldgs	% of Port in Top 10 Hldgs	Exp Ratio (%)
14.2	(30.2)	315.0	(27.3)	0.1	0.0	1.41	2.29	6,450	2,006	100	0	0	0	3.4	24	189	58	0.48
18.6	24.0	319.8	(30.4)	1.6	0.7	0.94	0.97	812	49	100	0	0	0	0.0	16	37	29	0.40
16.0	31.1	—	—	1.7	1.3	1.25	1.66	443	118	0	100	0	0	0.0	18	22	52	0.16
7.7	1.1	287.3	(63.4)	0.4	0.1	1.05	1.83	1,496	3,752	100	0	0	0	1.0	14	45	61	0.43
16.4	(2.2)	257.2	(34.8)	1.5	0.6	0.70	1.15	12,448	10,348	100	0	0	0	0.0	3	57	56	0.14
16.3	(5.0)	269.7	(34.7)	1.9	0.5	0.75	1.22	5,446	159	100	0	0	0	0.2	4	362	47	0.09
15.7	(4.5)	257.6	(34.0)	2.1	0.4	0.73	1.19	1,891	98	100	0	0	0	0.0	8	122	53	0.43
15.3	30.4	98.7	—	2.5	1.5	1.15	1.54	611	107	0	100	0	0	0.0	16	75	21	0.10
17.7	(5.0)	325.3	(35.6)	0.5	0.2	0.72	1.17	490	26	99	0	1	0	0.0	22	57	19	0.40
14.9	(15.5)	320.8	(29.2)	1.0	0.4	0.96	1.56	622	21	100	0	0	0	0.0	31	41	60	0.43
11.1	3.1	246.9	(50.6)	1.8	0.7	1.00	1.05	3,705	982	99	0	0	1	1.3	40	407	27	0.38
16.2	1.6	321.9	(49.7)	1.1	0.5	1.23	1.28	34,587	26,364	100	0	0	0	3.5	11	108	50	0.20
13.9	19.4	—	—	2.0	0.9	0.89	0.92	7,639	2,368	100	0	0	0	1.0	65	101	12	0.25
13.7	17.1	275.0	(45.4)	2.3	1.8	0.96	1.00	13,976	925	100	0	0	0	0.9	28	108	18	0.35
12.5	16.3	319.9	(62.0)	3.1	1.2	0.87	0.90	1,248	129	100	0	0	0	0.0	20	438	37	0.38
13.7	9.9	212.9	(53.9)	1.8	0.6	0.89	0.94	996	227	100	0	0	0	0.0	—	100	43	0.29
9.6	(1.7)	258.4	(52.7)	1.4	0.6	1.00	1.16	1,867	138	99	0	0	1	2.3	76	357	18	0.47
13.7	17.4	276.7	(54.8)	3.1	1.0	0.90	0.94	15,702	1,125	101	0	0	(1)	2.0	20	100	24	0.39
14.0	11.6	345.4	(53.5)	2.3	1.0	1.00	1.04	1,843	102	100	0	0	0	0.0	32	396	12	0.38
11.9	0.6	299.3	(52.5)	1.7	0.5	1.08	1.12	560	13	100	0	0	0	2.4	55	208	12	0.25
11.3	1.3	291.4	(53.1)	2.8	0.7	1.03	1.06	4,994	349	100	0	0	0	2.5	20	207	12	0.08
10.8	3.0	289.5	(54.6)	2.1	0.7	1.03	1.06	7,424	492	100	0	0	0	0.8	25	567	8	0.25
7.9	(3.9)	280.2	(53.9)	—	0.5	1.00	1.36	1,792	718	99	0	0	0	0.9	44	633	11	0.36
10.1	5.0	309.1	(55.4)	2.9	1.1	0.96	1.30	1,378	82	100	0	0	0	0.7	33	707	10	0.38
9.3	0.7	288.4	(52.6)	1.5	1.8	0.98	1.33	501	30	100	0	0	0	0.6	42	458	9	0.15
9.2	0.6	259.3	(51.3)	1.4	0.5	0.98	1.33	3,696	255	100	0	0	0	0.6	39	461	9	0.25
10.2	(0.1)	275.4	(51.3)	1.4	0.4	0.95	1.28	18,216	718	100	0	0	0	0.3	17	605	5	0.12
10.1	(0.0)	307.5	(53.4)	1.4	1.2	0.95	1.28	443	17	100	0	0	0	0.3	16	602	5	0.15
6.5	(6.7)	201.3	(58.7)	1.5	0.5	1.00	1.39	198	15	98	0	1	0	2.9	39	725	6	0.66
9.4	(2.0)	233.0	(55.2)	1.5	0.4	1.01	1.39	45	2	100	0	0	0	0.7	63	259	11	0.60
6.0	(11.9)	216.4	(57.5)	1.5	0.4	1.08	1.50	704	51	100	0	0	0	1.4	25	1,440	3	0.60
5.0	5.9	254.8	(58.4)	5.7	2.2	1.00	0.52	2,503	722	13	7	79	1	6.6	32	137	25	0.54
8.5	11.2	202.3	—	5.7	2.3	0.68	0.35	4,288	2,392	21	0	79	0	6.3	12	245	22	0.50
8.1	12.2	—	—	5.3	2.4	0.82	0.43	561	99	18	0	81	0	4.1	48	147	16	0.45
9.2	5.6	184.0	(51.2)	2.1	1.0	1.00	1.21	385	127	100	0	0	0	23.8	22	83	54	0.35
11.8	18.8	205.3	(47.5)	4.1	1.3	0.89	1.07	1,555	151	100	0	0	0	0.0	18	33	69	0.10
11.2	15.6	172.4	(51.3)	1.6	0.7	1.02	1.24	809	804	100	0	0	0	0.0	24	25	61	0.43
6.7	(6.4)	304.3	(51.1)	1.5	0.4	1.00	1.34	776	621	100	0	0	0	16.8	30	118	37	0.45
13.0	3.6	397.0	(50.9)	1.6	0.5	0.92	1.23	9,653	6,146	100	0	0	0	0.8	6	88	53	0.14
13.0	1.4	331.2	(45.7)	1.0	0.3	0.88	1.17	869	43	100	0	0	0	1.8	8	190	45	0.43
14.2	14.5	246.3	(32.4)	1.8	0.6	1.00	1.05	1,370	812	100	0	0	0	11.6	17	72	52	0.39
18.6	24.0	319.8	(30.4)	1.6	0.7	0.94	0.97	812	49	100	0	0	0	0.0	16	37	29	0.40
14.5	18.7	230.7	(25.8)	2.3	0.9	0.96	1.00	10,059	10,467	100	0	0	0	0.0	3	37	62	0.14
(6.5)	(17.1)	42.2	(55.8)	4.4	1.3	1.00	2.19	766	968	98	1	0	0	25.1	30	52	52	0.65
(2.1)	(6.4)	93.7	(45.4)	2.8	0.9	0.79	1.73	14,341	15,101	100	0	0	0	0.3	6	39	66	0.14
(2.8)	(7.0)	80.1	(43.9)	2.6	0.7	0.81	1.76	1,278	1,555	100	0	0	0	0.6	7	81	68	0.43
6.0	(7.2)	213.1	(68.9)	3.2	1.0	1.00	1.39	886	2,158	98	0	1	1	11.7	19	122	40	0.89
11.5	6.4	367.2	(67.7)	1.7	0.6	0.87	1.20	580	95	100	0	0	0	2.5	17	48	25	0.35
8.8	(0.9)	297.2	(61.2)	1.6	0.6	0.83	1.16	722	372	100	0	0	0	2.2	80	172	10	0.64
14.4	(16.0)	286.7	(33.9)	0.7	0.4	1.00	1.63	1,084	624	100	0	0	0	10.6	27	84	42	0.47
14.2	(30.2)	315.0	(27.3)	0.1	0.0	1.41	2.29	6,450	2,006	100	0	0	0	3.4	24	189	58	0.48
16.4	(2.2)	257.2	(34.8)	1.5	0.6	0.70	1.15	12,448	10,348	100	0	0	0	0.0	3	57	56	0.14
6.3	(6.2)	287.3	(60.3)	0.3	0.1	1.00	1.74	921	3,661	100	0	0	0	1.0	20	41	53	0.39
7.7	1.1	287.3	(63.4)	0.4	0.1	1.05	1.83	1,496	3,752	100	0	0	0	1.0	14	45	61	0.43

lead to higher returns, either, which brings us to the relative risk limitation. While higher risk *can* lead to higher return, as is the case with some of the ETFs that were excluded from this year's top list, better performance is not guaranteed in the future. Risk applies to the downside and upside; while it may boost returns during rising markets, it can also lessen returns during declining markets. We don't know which asset classes, investment styles, sectors or industries will be in favor in the future. We do know that higher-risk funds are more likely to sustain comparatively bigger swings in monthly and annual returns, calling into question their ability to continue to outperform.

An example of a higher-risk ETF excluded this year is the SPDR S&P Biotech (XBI). Over the last five years, this ETF has returned an annualized 17.9%, but its total risk index is 3.19, almost double its category average of 1.63. If SPDR S&P Biotech had been included, it would have been among the top-performing ETFs over the last five years, but it's worth noting that the ETF has declined 22.7% this year (as of June 30), compared to the health care category average decline of 9.8%. SPDR S&P Biotech's standard deviation (variance of returns) of 34.9% is

Table 1. Top ETFs Over Five Years (con't)

Index	Structure	ETF Name (Ticker)	NAV Total Return (%) YTD	2015	2014	2013	2012	2011	5-Year Annualized Total Return (%) NAV	Market
I	OE	SPDR S&P Homebuilders ETF (XHB)	(1.5)	0.6	3.2	25.5	57.5	(0.9)	14.0	13.9
		Industrials Sector Category Average	6.7	(7.4)	5.7	34.3	16.9	(8.2)	6.7	6.7
I	OE	iShares US Aerospace & Defense (ITA)	6.2	4.0	9.9	57.1	14.1	5.0	15.3	15.3
I	OE	iShares US Industrials (IYJ)	7.7	(2.1)	6.9	39.9	17.4	(1.3)	11.1	11.1
		Natural Resources Sector Category Average	13.3	(19.3)	(6.4)	8.3	11.4	(18.4)	(4.0)	(4.0)
I	OE	Vanguard Materials ETF (VAW)	9.5	(10.1)	5.9	24.9	17.3	(9.4)	5.8	5.8
I	OE	Materials Select Sector SPDR ETF (XLB)	7.5	(8.6)	7.3	25.8	14.8	(11.0)	5.6	5.6
		Precious Metals Sector Category Average	124.5	(26.9)	(14.0)	(54.1)	(10.3)	(26.6)	(13.7)	(13.7)
I	OE	VanEck Vectors Gold Miners ETF (GDX)	102.0	(24.9)	(12.3)	(53.9)	(9.1)	(15.9)	(12.0)	(12.0)
I	OE	VanEck Vectors Junior Gold Miners ETF (GDXJ)	121.8	(19.5)	(21.6)	(61.0)	(16.0)	(34.6)	(18.9)	(19.1)
		Real Estate Sector Category Average	12.2	0.6	27.7	1.9	19.5	6.5	11.4	11.3
I	OE	Vanguard REIT ETF (VNQ)	13.5	2.4	30.3	2.4	17.7	8.6	12.4	12.4
I	OE	Schwab US REIT ETF (SCHH)	10.8	4.3	31.9	1.1	16.9	—	12.2	12.2
		Real Estate Global Sector Category Average	6.1	(1.0)	9.7	4.5	33.4	(11.4)	5.8	5.6
I	OE	SPDR Dow Jones Global Real Estate ETF (RWO)	8.9	1.0	19.1	2.9	25.1	(2.7)	8.8	8.7
I	OE	Vanguard Global ex-US Real Estate ETF (VNQI)	6.0	(1.3)	2.6	3.3	41.6	(16.6)	5.1	4.9
		Technology Sector Category Average	0.1	4.7	14.3	35.8	12.0	(7.3)	10.4	10.3
I	OE	First Trust Dow Jones Internet ETF (FDN)	(3.4)	21.8	2.4	53.4	20.9	(5.7)	14.8	14.8
I	OE	Technology Select Sector SPDR ETF (XLK)	2.2	5.6	17.8	26.0	15.5	2.7	13.1	13.1
		Utilities Sector Category Average	18.6	(4.8)	18.2	15.7	5.4	4.6	9.0	9.0
I	OE	Vanguard Utilities ETF (VPU)	23.6	(4.8)	26.9	14.9	2.0	18.9	13.7	13.7
I	OE	Utilities Select Sector SPDR ETF (XLU)	23.2	(4.9)	28.6	13.0	1.1	19.6	13.6	13.6
		Commodities: Agriculture Category Average	9.8	(15.5)	(4.7)	(11.9)	(4.5)	(13.6)	(8.5)	(8.5)
I	DC	PowerShares DB Agriculture ETF (DBA)	6.6	(16.8)	2.3	(13.2)	(2.9)	(11.0)	(7.2)	(7.0)
		Commodities: Energy Category Average	8.0	(44.9)	(43.7)	5.0	(7.6)	(7.0)	(19.6)	(19.7)
I	DC	PowerShares DB Oil ETF (DBO)	0.9	(41.5)	(44.0)	6.6	(9.0)	1.3	(20.5)	(20.4)
		Commodities: Precious Metals Cat Average	25.9	(15.6)	(10.1)	(29.5)	6.5	(5.5)	(9.2)	(9.0)
I	GT	iShares Gold Trust (IAU)	24.2	(11.7)	(0.4)	(27.9)	8.4	8.7	(2.8)	(2.7)
		Commodities: Miscellaneous Cat Average	8.5	(25.0)	(13.6)	(11.0)	(0.8)	(17.4)	(13.5)	(13.3)
I	DU	iPath Bloomberg Cmdty TR ETN (DJP)	14.8	(27.8)	(19.0)	(10.8)	(1.9)	(14.5)	(12.3)	(12.1)
		Balanced Category Average	5.4	(4.0)	4.5	8.8	9.3	0.8	3.5	3.5
I	OE	iShares Core Moderate Allocation (AOM)	4.4	(1.2)	4.4	10.4	8.5	2.1	5.0	4.9
		Balanced: Global Category Average	6.0	(6.6)	3.0	6.2	8.2	(1.1)	3.0	3.0
I	OE	iShares Core Aggressive Allocation (AOA)	2.7	(1.0)	6.0	22.4	15.1	(1.8)	7.2	7.1
I	OE	iShares Core Growth Allocation (AOR)	3.5	(1.1)	6.2	15.9	11.4	1.2	6.3	6.3
		Global Stock Category Average	4.5	(5.4)	3.3	20.4	13.7	(5.5)	3.6	3.5
I	OE	Vanguard Total World Stock ETF (VT)	2.0	(1.9)	4.0	23.0	17.3	(7.7)	5.8	5.7
I	OE	iShares MSCI ACWI (ACWI)	1.5	(2.4)	4.6	22.9	16.0	(7.6)	5.5	5.5
		Foreign Stock Category Average	(0.9)	(3.3)	(4.2)	19.0	15.3	(12.5)	0.9	0.9
I	OE	Deutsche X-trackers MSCI EAFE Hedged Eq (DBEF)	(7.0)	4.5	5.3	25.9	18.1	—	5.8	6.3
I	OE	iShares MSCI EAFE Small-Cap (SCZ)	(3.1)	9.2	(5.0)	29.2	19.9	(14.9)	5.0	4.9
		Foreign Stock: Europe Category Average	(5.5)	0.2	(7.2)	27.6	20.7	(14.0)	0.9	1.0
I	OE	iShares MSCI Switzerland Capped (EWL)	(3.0)	0.5	(0.8)	26.5	20.2	(7.3)	4.7	4.7
I	OE	Vanguard FTSE Europe ETF (VGK)	(4.5)	(1.9)	(6.6)	24.9	21.0	(11.5)	1.5	1.4
		Foreign Stock: Latin America Cat Average	27.7	(30.3)	(14.3)	(14.4)	13.9	(20.4)	(10.1)	(10.3)
I	OE	iShares MSCI Mexico Capped (EWW)	0.9	(14.3)	(10.1)	(1.5)	31.3	(12.3)	(2.7)	(2.6)
I	OE	iShares Latin America 40 (ILF)	23.8	(31.4)	(11.5)	(12.5)	5.3	(18.4)	(10.3)	(10.3)
		Foreign Stock: Pacific/Asia Cat Average	(3.3)	(2.4)	7.9	6.6	19.0	(20.1)	0.0	(0.1)
I	OE	Deutsche X-trackers MSCI Japan Hedged Eq (DBJP)	(20.2)	9.1	7.8	51.7	19.6	—	7.6	8.0
I	OE	WisdomTree Japan Hedged Equity ETF (DXJ)	(23.6)	8.1	10.5	41.9	17.1	(15.2)	6.1	6.1
		Foreign Stock: Emerging Mkts Cat Average	7.3	(16.6)	(7.0)	(0.7)	17.6	(22.0)	(5.9)	(6.0)
I	OE	Schwab Emerging Markets Equity ETF (SCHE)	7.9	(15.8)	1.1	(3.8)	17.0	(19.3)	(3.4)	(3.4)
I	OE	Vanguard FTSE Emerging Markets ETF (VWO)	7.8	(15.4)	0.6	(5.0)	18.8	(18.7)	(3.5)	(3.6)

Data as of 6/30/2016.

3-Yr Ann'l NAV Total Return (%)	12-Mo NAV Return (%)	Total Return (%) Bull* Market	Total Return (%) Bear* Mkt	Yield (%)	Tax-Cost Ratio (%)	Risk Index Cat (X)	Risk Index Total (X)	Total Assets ($ Mil)	Avg Daily Trading Volume (Thous)	Portfolio (%) Stock	Portfolio (%) Bond	Portfolio (%) Other	Portfolio (%) Cash	% of Port in Foreign Issues	Port Turnover Ratio (%)	Number of Hldgs	% of Port in Top 10 Hldgs	Exp Ratio (%)
5.0	(7.8)	287.4	(57.2)	0.6	0.2	0.95	1.65	1,244	3,569	100	0	0	0	1.2	25	36	45	0.35
7.9	(0.5)	208.9	(53.4)	2.0	0.6	1.00	1.33	444	492	100	0	0	0	28.9	20	100	39	0.48
16.7	5.8	325.1	(53.8)	0.9	0.4	0.91	1.20	774	66	100	0	0	0	0.0	17	39	60	0.43
11.5	6.0	283.9	(56.7)	1.4	0.4	0.90	1.18	863	103	100	0	0	0	0.2	6	214	38	0.43
(1.4)	(8.3)	129.8	(56.4)	2.1	0.7	1.00	1.86	358	423	100	0	0	0	42.9	24	79	50	0.51
8.2	(1.7)	208.0	(56.0)	2.9	0.8	0.84	1.56	1,227	80	100	0	0	0	0.1	4	122	49	0.10
8.7	(2.1)	184.7	(54.2)	2.1	0.8	0.85	1.58	2,476	5,707	100	0	0	0	0.0	9	27	66	0.14
9.0	73.2	(4.4)	(32.9)	0.8	0.4	1.00	4.67	1,440	9,621	100	0	0	0	89.8	43	37	66	0.57
5.1	57.4	(12.6)	(32.9)	0.4	0.4	0.90	4.17	9,704	79,881	100	0	0	0	86.7	24	55	61	0.52
5.9	78.2	—	—	0.3	0.2	1.02	4.76	3,611	15,067	100	0	0	0	90.7	47	50	44	0.56
11.6	18.9	353.5	(63.2)	4.2	1.9	1.00	1.35	2,613	785	94	0	5	1	2.3	116	85	49	0.39
13.4	23.9	404.4	(64.4)	3.4	1.4	1.04	1.40	34,379	4,033	100	0	0	0	0.0	11	154	36	0.12
13.4	22.7	—	—	2.3	1.1	1.05	1.41	2,543	354	100	0	0	0	0.0	12	101	43	0.07
6.1	3.6	209.9	(67.4)	2.9	1.4	1.00	1.18	750	97	98	0	2	0	81.2	20	209	31	0.54
9.5	13.2	282.5	—	3.1	1.3	0.98	1.17	2,344	236	99	0	0	0	36.6	6	234	29	0.50
4.1	0.4	—	—	3.0	1.5	0.98	1.15	3,502	362	97	0	3	0	97.0	12	660	21	0.18
13.6	0.4	262.5	(52.1)	0.8	0.3	1.00	1.46	847	402	100	0	0	0	15.0	28	78	44	0.51
16.7	7.4	423.8	(50.6)	0.0	0.0	1.12	1.63	3,068	460	100	0	0	0	0.0	28	42	56	0.54
14.5	6.8	248.1	(49.4)	1.9	0.7	0.83	1.20	12,199	10,085	100	0	0	0	0.2	5	74	60	0.14
12.0	22.4	141.4	(39.3)	2.8	1.1	1.00	1.21	1,050	947	99	0	0	0	19.1	18	55	47	0.44
15.6	31.7	187.4	(38.0)	2.9	1.2	1.03	1.24	2,636	247	100	0	0	0	0.0	7	83	48	0.10
15.8	31.2	177.8	(37.8)	3.1	1.3	1.02	1.24	9,050	12,619	100	0	0	0	0.0	4	30	59	0.14
(5.9)	(1.0)	3.2	(28.3)	0.0	0.0	1.00	1.89	51	55	22	0	68	10	16.5	0	19	79	1.00
(4.0)	(5.7)	(6.3)	(17.0)	0.0	0.0	0.61	1.14	873	756	0	0	50	50	0.0	—	18	49	0.85
(29.9)	(37.0)	(49.0)	(56.9)	0.0	0.0	1.00	3.54	337	2,456	0	0	55	45	0.0	5	22	53	0.87
(29.4)	(37.6)	(49.8)	(43.5)	0.0	0.0	0.74	2.61	467	321	0	0	49	51	0.0	—	7	49	0.75
(2.0)	9.5	16.5	6.9	1.0	0.3	1.00	2.06	2,455	1,439	0	0	91	9	0.0	0	4	91	0.65
3.2	12.5	37.4	18.2	0.0	0.0	0.73	1.50	8,838	8,653	0	0	100	0	0.0	0	1	100	0.25
(11.5)	(13.7)	(12.1)	(48.9)	0.0	0.0	1.00	1.70	174	109	5	3	37	55	2.4	3	27	48	0.76
(12.3)	(15.4)	(22.9)	(42.3)	0.0	0.0	0.84	1.42	939	370	—	—	—	—	—	0	—	—	0.75
2.9	(0.4)	94.9	—	3.5	1.6	1.00	0.66	217	40	40	37	6	17	13.8	57	83	56	1.00
5.1	2.5	77.9	—	2.0	0.7	0.75	0.49	511	115	40	56	0	3	34.3	83	11	99	0.23
3.0	(0.1)	111.6	—	2.6	0.9	1.00	0.70	149	22	48	40	7	5	30.7	58	51	75	0.83
7.1	(1.0)	162.6	—	2.2	0.7	1.28	0.88	431	37	80	18	0	2	41.7	58	11	99	0.20
6.3	0.7	113.6	—	2.1	0.7	0.97	0.67	742	90	60	37	0	3	38.1	75	11	99	0.22
5.8	(3.3)	140.4	(56.5)	2.4	1.1	1.00	1.17	476	86	95	0	1	3	49.4	31	555	30	0.52
6.5	(3.3)	158.0	—	2.3	0.8	0.92	1.06	5,628	822	99	0	0	0	45.7	7	7,465	8	0.14
6.3	(3.3)	152.0	—	2.6	0.7	0.93	1.08	5,349	1,913	100	0	0	0	46.5	6	1,306	9	0.33
2.3	(8.3)	114.7	(57.1)	2.5	1.1	1.00	1.30	1,604	657	98	0	1	0	97.3	38	620	27	0.46
5.2	(10.1)	—	—	3.2	1.5	0.83	1.08	10,837	4,130	99	0	1	0	98.9	12	935	12	0.35
7.0	(3.8)	181.8	—	2.3	0.8	0.91	1.17	5,616	949	99	0	0	1	98.6	13	1,648	3	0.40
2.7	(9.5)	103.8	(60.9)	2.7	1.0	1.00	1.50	725	828	98	0	0	2	96.7	22	150	49	0.48
3.5	(7.9)	146.1	(46.4)	2.7	0.7	0.76	1.14	1,114	1,202	99	0	0	1	98.8	7	40	69	0.48
2.4	(10.7)	110.6	(59.6)	3.5	1.2	0.86	1.28	12,729	8,079	98	0	2	1	97.1	13	1,241	15	0.12
(9.0)	(4.0)	55.0	(56.6)	1.6	1.1	1.00	2.53	295	1,409	99	0	1	0	97.2	49	58	53	0.61
(6.6)	(10.6)	134.6	(59.3)	2.7	0.6	0.57	1.44	1,048	2,862	100	0	0	0	100.0	13	63	59	0.48
(8.6)	(9.9)	35.5	(53.9)	2.0	0.7	0.96	2.42	748	2,043	98	0	2	0	96.2	18	43	50	0.49
3.1	(12.0)	128.0	(55.7)	2.5	0.9	1.00	1.81	490	1,002	99	0	0	0	99.2	45	207	41	0.58
2.5	(24.7)	—	—	1.3	2.3	0.89	1.61	1,052	1,602	100	0	0	0	99.8	14	319	20	0.45
1.0	(28.8)	57.8	(40.2)	2.1	2.1	0.95	1.72	6,772	8,391	100	0	0	0	100.0	27	349	32	0.48
(4.2)	(11.8)	79.4	(59.4)	2.6	0.9	1.00	1.77	1,053	1,430	98	0	2	0	97.8	40	322	36	0.60
(0.8)	(12.0)	—	—	2.3	1.0	0.87	1.54	1,788	596	94	0	6	0	94.4	8	806	19	0.14
(0.8)	(12.1)	104.8	(62.6)	2.5	1.0	0.87	1.53	37,874	20,148	99	0	1	0	98.5	7	4,055	17	0.15

much higher than the health care category average of 17.8%, which speaks to the ETF's volatility.

Health Care Phasing Out of Top

Last year, the top 10 ETFs over the last five years were all health care funds. This time around, as of June 30, six of the top 10 ETFs over the last five years track a health-care-related index (see the top of Table 1). Even without the added restrictions imposed on the top performers, there would still be six out of 10 health care ETFs in the top list.

Three of the funds in this year's top-10 list are holdovers from last year's top five-year performance rankings. The iShares Nasdaq Biotechnology (IBB) moved from second to first place, iShares U.S. Pharmaceuticals (IHE) moved from sixth to 10th place and Guggenheim S&P 500 Equal Weight Health Care (RYH) moved from 10th to ninth place. Had we allowed higher expense ratios and higher risk ETFs to be among the top performers, PowerShares Dynamic Pharmaceuticals (PJP) and SPDR S&P Biotech (XBI) would have bumped the iShares US Pharmaceuticals and the Guggenheim S&P 500 Equal Weight Health Care off the list.

The newly added

Table 1. Top ETFs Over Five Years (con't)

Index	Structure	ETF Name (Ticker)	NAV Total Return (%) YTD	2015	2014	2013	2012	2011	5-Year Annualized Total Return (%) NAV	Market
		General Bond: Short-Term Category Average	**2.0**	**0.5**	**0.9**	**1.5**	**4.2**	**1.5**	**1.6**	**1.5**
I	OE	Vanguard Short-Term Corporate Bond ETF (VCSH)	3.1	1.3	2.0	1.4	5.7	2.9	2.8	2.8
I	OE	SPDR Barclays Short Term Corp Bd ETF (SCPB)	2.1	0.8	0.9	1.4	3.7	1.4	1.7	1.7
I	OE	Vanguard Short-Term Bond ETF (BSV)	2.5	0.9	1.3	0.2	2.0	3.0	1.7	1.6
		General Bond: Interm-Term Cat Average	**5.8**	**0.2**	**5.6**	**(1.2)**	**7.9**	**6.9**	**4.6**	**4.5**
I	OE	Vanguard Intermediate-Term Corp Bd ETF (VCIT)	7.6	0.9	7.5	(1.8)	11.4	7.9	5.9	5.9
I	OE	PIMCO Investment Grade Corporate Bd ETF (CORP)	7.9	(0.5)	7.4	(1.6)	10.2	6.7	5.4	5.5
I	OE	Vanguard Intermediate-Term Bond ETF (BIV)	6.9	1.2	7.0	(3.4)	7.0	10.6	5.0	5.1
		General Bond: Long-Term Category Average	**9.5**	**(1.7)**	**11.3**	**(4.8)**	**10.9**	**15.4**	**7.5**	**7.4**
I	OE	Vanguard Long-Term Bond ETF (BLV)	14.6	(3.4)	19.9	(9.0)	8.5	22.2	9.2	9.2
I	OE	Vanguard Long-Term Corporate Bond ETF (VCLT)	14.1	(4.6)	16.7	(5.9)	12.3	15.9	8.7	8.6
I	OE	iShares 10+ Year Credit Bond (CLY)	13.7	(4.8)	15.5	(7.1)	12.9	15.3	8.1	7.7
		Convertible Category Average	**2.2**	**0.5**	**7.5**	**20.7**	**15.1**	**(6.5)**	**6.6**	**6.7**
I	OE	SPDR Barclays Convertible Secs ETF (CWB)	2.9	(0.6)	7.5	20.8	15.2	(6.6)	6.7	6.7
		Corporate Bond: High-Yield Category Average	**7.0**	**(4.3)**	**0.8**	**6.5**	**15.0**	**4.6**	**4.3**	**4.2**
I	OE	PowerShares Fundamental HiYld CorpBd ETF (PHB)	7.4	(2.6)	1.8	4.3	12.0	5.9	4.8	4.8
I	OE	iShares iBoxx $ High Yield Corporate Bd (HYG)	7.2	(5.6)	2.0	5.9	13.8	5.9	4.7	4.7
I	OE	SPDR Barclays High Yield Bond ETF (JNK)	7.4	(7.2)	1.1	5.9	14.3	4.7	4.1	4.2
		Inflation-Protected Bond: Cat Average	**4.5**	**(1.9)**	**1.3**	**(6.9)**	**5.7**	**12.6**	**2.4**	**2.4**
I	OE	SPDR Barclays TIPS ETF (IPE)	6.4	(1.9)	4.3	(9.4)	7.1	13.8	2.6	2.6
I	OE	Schwab US TIPS ETF (SCHP)	6.2	(1.5)	3.6	(8.7)	6.8	13.4	2.5	2.5
I	OE	iShares TIPS Bond (TIP)	6.2	(1.6)	3.5	(8.6)	6.8	13.4	2.5	2.5
		Gov't Bond: Short-Term Category Average	**1.6**	**0.5**	**0.8**	**0.1**	**0.3**	**2.8**	**1.0**	**0.9**
I	OE	Vanguard Short-Term Government Bond ETF (VGSH)	1.4	0.5	0.5	0.3	0.4	1.5	0.8	0.7
I	OE	Schwab Short-Term US Treasury ETF (SCHO)	1.4	0.4	0.6	0.3	0.3	1.4	0.7	0.7
I	OE	iShares 1-3 Year Treasury Bond (SHY)	1.4	0.4	0.5	0.2	0.3	1.4	0.7	0.7
		Gov't Bond: Interm-Term Cat Average	**8.0**	**1.7**	**8.5**	**(5.8)**	**4.2**	**17.2**	**5.4**	**5.4**
I	OE	Schwab Intermediate-Term US Trs ETF (SCHR)	5.1	1.6	4.3	(2.9)	2.6	10.0	3.4	3.5
I	OE	Vanguard Intermediate-Term Govt Bd ETF (VGIT)	5.1	1.6	4.2	(2.7)	2.6	9.7	3.4	3.4
		Gov't Bond: Long-Term Category Average	**21.2**	**(3.0)**	**38.1**	**(18.0)**	**3.8**	**48.9**	**13.7**	**13.6**
I	OE	PIMCO 25+ Year Zero Coupon US Trs ETF (ZROZ)	23.5	(4.9)	49.3	(21.9)	1.8	59.8	17.5	17.7
I	OE	Vanguard Extended Duration Treasury ETF (EDV)	23.0	(4.4)	45.6	(20.9)	3.2	55.8	16.7	16.7
		Gov't Bond: Other Category Average	**1.4**	**(1.3)**	**1.0**	**0.0**	**1.4**	**4.1**	**2.0**	**2.0**
I	OE	Vanguard Mortgage-Backed Securities ETF (VMBS)	2.9	1.4	5.8	(1.3)	2.5	5.9	2.9	2.8
I	OE	iShares MBS (MBB)	3.0	1.3	6.2	(1.9)	2.2	5.9	2.7	2.7
I	OE	iShares Interm Government/Credit Bd (GVI)	4.0	0.9	2.9	(1.0)	3.6	5.6	2.7	2.7
		Muni Nat'l Bond: Short-Term Category Average	**0.8**	**0.6**	**0.8**	**0.2**	**1.5**	**4.0**	**1.1**	**1.1**
I	OE	SPDR Nuveen Barclays ST Muni Bd ETF (SHM)	1.4	1.1	0.9	0.9	1.3	3.5	1.4	1.4
		Muni Nat'l Bond: Interm-Term Cat Average	**3.6**	**2.8**	**7.2**	**(2.7)**	**5.4**	**10.3**	**4.5**	**4.5**
I	OE	VanEck Vectors AMT-Free Interm Muni ETF (ITM)	4.8	3.7	9.0	(3.5)	6.1	12.6	5.4	5.5
		Munil Nat'l Bond: Long-Term Category Average	**7.9**	**3.5**	**15.5**	**(7.2)**	**10.4**	**17.4**	**7.6**	**7.8**
I	OE	PowerShares National AMT-Free MuniBd ETF (PZA)	5.7	4.0	14.2	(6.4)	9.8	13.0	6.8	6.9
		Muni Nat'l Bond: High Yield Category Average	**5.5**	**3.3**	**15.1**	**(7.5)**	**16.7**	**9.4**	**7.7**	**8.2**
I	OE	VanEck Vectors High-Yield Municipal ETF (HYD)	6.8	4.8	13.8	(8.1)	16.7	9.4	7.5	7.5
		Muni Bond: State Specific Cat Average	**4.9**	**3.6**	**11.2**	**(3.7)**	**7.7**	**12.2**	**6.0**	**6.1**
I	OE	iShares California Muni Bond (CMF)	4.2	3.3	10.0	(1.9)	7.7	11.9	5.9	6.1
		International Bond: General Cat Average	**7.3**	**(4.8)**	**1.9**	**(1.0)**	**8.2**	**1.2**	**2.3**	**2.7**
I	OE	iShares International Treasury Bond (IGOV)	11.5	(6.9)	(2.4)	(1.6)	7.4	(0.3)	0.4	0.2
		International Bond: Emerging Cat Average	**8.2**	**(3.7)**	**0.3**	**(4.7)**	**13.8**	**2.8**	**1.0**	**0.9**
I	OE	PowerShares Emerging Markets Sov Dbt ETF (PCY)	10.6	2.0	9.2	(9.8)	21.0	8.2	6.8	6.9
		Currency Category Average	**3.8**	**(6.1)**	**(6.0)**	**(2.8)**	**1.0**	**(1.8)**	**(4.2)**	**(4.3)**
I	DC	PowerShares DB US Dollar Bullish ETF (UUP)	(2.9)	7.0	11.4	(1.3)	(2.8)	(1.5)	3.3	3.2

Source: "The Individual Investor's Guide to Exchange-Traded Funds 2016," August 2016 AAII Journal. *Data from Morningstar Inc. is through June 30, 2016.*

Data as of 6/30/2016.

3-Yr Ann'l NAV Total Return (%)	12-Mo NAV Return (%)	Total Return (%) Bull* Market	Total Return (%) Bear* Mkt	Yield (%)	Tax-Cost Ratio (%)	Risk Index Cat (X)	Risk Index Total (X)	Total Assets ($ Mil)	Avg Daily Trading Volume (Thous)	Portfolio (%) Stock	Portfolio (%) Bond	Portfolio (%) Other	Portfolio (%) Cash	% of Port in Foreign Issues	Port Turnover Ratio (%)	Number of Hldgs	% of Port in Top 10 Hldgs	Exp Ratio (%)
1.5	1.6	16.7	4.7	1.7	0.8	1.00	0.11	1,943	257	0	78	1	22	14.4	117	489	18	0.31
2.7	3.4	—	—	2.0	0.8	1.25	0.14	12,573	1,015	0	99	0	1	19.7	62	2,049	3	0.10
1.7	2.2	—	—	1.5	0.6	0.75	0.07	3,975	593	0	93	0	7	18.5	46	1,057	6	0.12
1.8	2.6	20.0	7.5	1.3	0.6	1.08	0.12	18,468	1,695	0	97	0	3	12.6	52	2,367	15	0.09
4.2	5.8	50.2	3.4	2.4	1.0	1.00	0.27	2,418	193	0	91	3	5	13.5	46	1,134	28	0.25
5.9	8.0	—	—	3.2	1.4	1.34	0.35	9,281	756	0	98	0	1	14.1	56	1,751	4	0.10
5.7	8.1	—	—	2.6	1.7	1.34	0.36	442	32	0	96	1	4	20.8	12	331	17	0.20
5.1	7.7	58.9	5.0	2.5	1.3	1.34	0.36	10,246	922	0	99	0	1	11.9	51	1,899	21	0.09
6.7	10.4	86.0	(1.0)	3.3	1.5	1.00	0.50	3,137	468	0	98	0	2	14.8	25	966	17	0.15
9.3	16.0	95.1	2.3	3.6	1.8	1.50	0.73	2,320	211	0	99	0	1	11.1	42	2,039	16	0.09
8.8	14.2	—	—	4.2	1.9	1.43	0.70	1,350	176	0	100	0	0	12.0	64	1,701	5	0.10
8.3	13.5	—	—	4.1	1.9	1.33	0.66	1,014	151	0	99	0	1	18.5	—	1,731	4	0.20
7.2	0.1	—	—	3.1	2.1	1.00	0.77	564	156	3	27	67	2	5.0	22	159	23	0.44
7.3	(0.3)	—	—	5.2	2.2	1.01	0.77	2,198	610	6	3	87	4	1.6	38	95	31	0.40
3.0	0.5	108.6	(24.1)	5.1	2.1	1.00	0.52	1,243	1,232	0	85	5	10	19.0	45	297	31	0.49
3.7	2.8	94.9	—	4.6	1.9	0.89	0.47	813	498	0	99	0	1	1.6	16	280	9	0.50
2.9	(0.1)	105.8	(24.1)	5.7	2.4	1.04	0.54	14,942	17,000	0	98	0	1	20.3	—	1,034	4	0.50
2.2	(2.0)	125.1	—	6.3	2.6	1.16	0.60	11,221	15,385	0	99	0	1	22.1	34	798	6	0.40
0.9	2.3	41.9	0.9	0.3	0.2	1.00	0.39	2,050	152	0	103	0	(3)	0.0	43	21	82	0.20
2.3	4.4	42.3	0.9	0.4	0.4	1.05	0.41	691	23	0	100	0	0	0.0	18	38	39	0.15
2.2	4.3	—	—	0.3	0.3	1.00	0.39	1,165	132	0	100	0	0	0.0	19	38	44	0.07
2.2	4.2	41.5	1.0	0.4	0.4	1.00	0.39	17,974	1,243	0	99	0	1	0.0	41	41	55	0.20
1.4	1.2	2.7	4.7	0.5	0.1	1.00	0.13	1,621	390	0	73	0	27	0.0	161	89	32	0.20
0.9	1.2	—	—	0.7	0.2	0.50	0.06	914	145	0	99	0	1	0.0	64	142	19	0.10
0.9	1.2	—	—	0.7	0.2	0.50	0.06	1,101	162	0	100	0	0	0.0	89	71	26	0.08
0.9	1.2	7.7	8.2	0.6	0.2	0.50	0.06	10,039	1,423	0	93	0	7	0.0	—	111	37	0.15
5.6	9.2	22.6	13.6	1.1	0.5	1.00	0.54	1,093	118	0	86	46	(32)	0.0	94	112	74	0.36
3.5	5.9	—	—	1.5	0.6	0.56	0.29	671	142	0	100	0	0	0.0	32	89	20	0.09
3.5	5.9	—	—	1.6	0.7	0.58	0.30	809	108	0	99	0	1	0.1	35	163	23	0.10
13.4	27.2	66.8	17.0	1.3	0.7	1.00	1.34	1,697	983	2	88	39	(29)	0.0	27	36	91	0.42
16.0	31.1	—	—	1.7	1.3	1.25	1.66	443	118	0	100	0	0	0.0	18	22	52	0.16
15.3	30.4	98.7	—	2.5	1.5	1.15	1.54	611	107	0	100	0	0	0.0	16	75	21	0.10
2.6	(0.2)	32.9	7.8	2.2	0.9	1.00	0.39	653	53	1	40	1	57	192.3	408	496	272	0.48
3.6	4.1	—	—	1.7	0.8	0.48	0.17	2,538	364	0	86	0	14	0.0	713	2,170	16	0.10
3.5	4.0	29.6	10.1	2.3	0.9	0.52	0.19	8,505	441	0	74	0	26	0.0	—	314	39	0.29
2.8	4.1	30.2	7.2	1.7	0.8	0.48	0.18	2,013	136	0	99	0	1	12.1	—	2,376	17	0.20
1.1	1.3	11.4	8.4	0.7	0.0	1.00	0.08	490	45	0	81	0	19	0.0	32	447	20	0.22
1.6	2.1	14.6	8.4	0.9	0.0	1.33	0.11	2,966	288	0	96	0	4	0.0	23	802	9	0.20
4.9	6.6	46.1	3.6	2.0	0.0	1.00	0.26	930	87	0	97	0	3	0.0	18	856	11	0.28
5.9	9.3	48.6	—	2.2	0.0	1.25	0.32	1,505	298	0	99	0	1	0.0	3	1,710	3	0.24
8.5	13.7	60.4	(1.1)	3.4	0.5	1.00	0.48	625	106	0	99	(1)	2	0.0	13	443	20	0.40
7.3	10.0	64.9	(6.9)	3.3	0.0	0.71	0.33	1,352	212	0	97	0	3	0.0	4	323	17	0.28
7.4	8.8	89.6	—	3.9	0.0	1.00	0.41	903	216	0	98	0	2	0.0	24	846	10	0.38
6.9	11.1	89.6	—	4.4	0.0	0.96	0.39	2,105	511	0	99	0	1	0.0	9	1,455	9	0.35
6.5	9.0	54.1	(0.2)	2.5	0.0	1.00	0.30	199	16	0	97	0	3	0.0	14	246	21	0.24
6.2	7.8	51.1	3.5	2.3	0.0	0.91	0.28	584	21	0	98	0	2	0.0	—	706	8	0.25
2.3	5.3	27.5	(3.6)	1.4	0.6	1.00	0.59	356	56	1	93	3	4	74.6	40	447	30	0.50
1.8	11.0	24.5	—	0.1	0.3	1.08	0.62	774	85	0	95	0	5	94.8	10	689	8	0.35
2.2	3.7	107.0	(14.7)	3.8	1.7	1.00	0.70	696	230	0	89	1	10	87.2	76	177	27	0.51
7.6	12.0	114.7	(14.7)	5.2	2.1	0.89	0.62	3,423	1,400	0	100	0	0	99.6	27	86	17	0.50
(3.2)	0.0	(0.2)	(10.8)	0.5	0.1	1.00	0.87	86	117	2	0	9	88	0.0	0	2	12	0.57
3.4	(0.5)	(5.8)	13.2	0.0	0.0	0.76	0.66	836	2,068	50	0	0	50	0.0	—	6	50	0.75

**Bull market is defined as 3/1/2009 through 6/30/2016. Bear market is defined as 11/1/2007 through 2/28/2009.*

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top performers that were not in the health care arena include the Guggenheim S&P 500 Equal Weight Consumer Staples (RHS), which has gained an annualized 17.7% over the last five years, PIMCO 25+ Year Zero Coupon U.S. Treasury (ZROZ) in third place with a five-year annualized gain of 17.5% and iShares U.S. Home Construction (ITB) and Vanguard Extended Duration Treasury (EDV), which returned an annualized 17.4% and 16.7%, respectively, over the last five years.

PIMCO 25+ Year Zero Coupon U.S. Treasury and Vanguard Extended Duration Treasury are both in the long-term government debt category and invest in U.S. Treasury STRIPS, zero-coupon bonds with a weighted maturity of over 20 years. Zero coupons are bonds without the cash flow of coupons; no interest is paid and bondholders only receive the par value of the bond (typically $100,000) at maturity. STRIPS are usually sold at a significant discount to face value and are particularly sensitive to interest rate movements. These investments are often attractive to investors who believe interest rates will hold steady or decline. The longer a security's duration, the more sensitive it will be to interest rate changes (PIMCO 25+ Year Zero Coupon U.S. Treasury has an average effective duration of 27.4 years, while Vanguard Extended Duration Treasury has an average effective duration of 24.8 years). PIMCO 25+ Year Zero Coupon U.S. Treasury and Vanguard Extended Duration Treasury have tax-cost ratios of 1.3% and 1.5%, respectively. The tax-cost ratio measures how much a fund's annualized return is reduced by taxes on distributions. Even though these two ETFs do not invest in coupon-paying bonds, they distribute cash to shareholders with proceeds from the sale and/or maturity of the bonds.

Interestingly, two ETFs that operate in opposite categories made it to the top-performing list: iShares U.S. Home Construction (ITB), which is more economically sensitive, and Guggenheim S&P 500 Equal Weight Consumer Staples (RHS), which is less economically sensitive. IShares U.S. Home Construction invests in the homebuilding segment broadly by including stocks from related industries like home furnishings, building products and home-improvement retailers. Keep the targeted focus of this ETF in mind: The fund is directly dependent on the strength of and sentiment toward the housing industry. The ETF's enticing five-year performance is boosted by its 78.9% return during 2012. It has stayed afloat since then, gaining 17.8% in 2013, 4.7% in 2014, and 5.0% in 2015; it's up 2.2% year-to-date through June. IShares U.S. Home Construction is one of two ETFs with significant exposure to the homebuilding sector included in Table 1; the other is SPDR S&P Homebuilders (XHB) which has a lower expense ratio than iShares U.S. Home Construction, but has lagged on an annualized five-year basis, gaining 14.0% (compared to ITB's 17.4%).

Guggenheim S&P 500 Equal Weight Consumer Staples' (RHS) annualized five-year performance is above that of iShares U.S. Home Construction (17.7% versus 17.4%) and it has had comparatively higher returns year-to-year since 2012, gaining 32.6% in 2013, 17.9% in 2014, and 13.1% in 2015; it is up 12.2% year-to-date through June. The iShares U.S. Home Construction ETF is able to compete with the Guggenheim S&P 500 Equal Weight Consumer Staples ETF on a five-year annualized basis because of its 78.9% gain in 2012, compared to the Guggenheim S&P 500 Equal Weight Consumer Staples ETF's gain of 12.2% in 2012.

Which Funds Were Included

The list of top ETFs was largely restricted to those with five years of annual return data and a minimum of $400 million in assets. (Exceptions were made when the performance of a smaller fund warranted it.) ETFs intended to provide double or triple the return of their underlying index or that follow inverse strategies (they rise in price when the underlying index falls) were excluded from consideration. These types of funds are designed to be held for short periods of time, not several years. Additionally, funds were excluded from consideration if their expense ratio was more than 10% above that of its category average, or their risk index was more than 50% higher than that of its category.

Table 1 also shows the top ETFs by category. Five-year performance was calculated through June 30, 2016, to match the statistics displayed in "The Individual Investor's Guide to Exchange-Traded Funds 2016," which was published in the August 2016 *AAII Journal*.

In addition to five-year performance, returns for the year to date, the last 12 months and each of the past five years, and annualized three-year returns are displayed, along with returns for the most recent bull market (March 1, 2009, through June 30, 2016) and bear market (November 1, 2007, through February 28, 2009), where available. Returns that are in the top 25% of all exchange-traded funds within their investment category are shown in boldface. Other pertinent information presented includes yield, tax-cost ratio, risk, portfolio composition and expenses. Risk numbers that are in the lowest 25% of all ETFs within the investment category are shown in boldface. Five-year annual total returns based on market value are also displayed to show how closely each fund's price performance matches its net asset value performance. The bigger the difference, the larger the premium or discount that fund shares have traded at over the period.

Why is a five-year time period desired? A five-year return is long enough that it balances consistency of performance with changing market and economic conditions. Five-year performance is used for our mutual fund comparison article ("Top Mutual Funds Over Five Years: Health Care Remains on Top," March 2016 *AAII Journal*). Although most ETFs track indexes and are not influenced by active management as the majority of mutual funds are, looking at the longer five-year performance of ETFs is beneficial because it gives

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ing point, which is that no matter what your stock or bond allocation is, there are always going to be times when you feel bad that you didn't invest enough in stocks and there are always going to be times when you feel bad that you didn't invest enough in bonds.

The trick is to find that stock/bond allocation where you feel at those points about half the time each. Let's say your allocation is 60% stocks/40% bonds. If half the time you feel bad that you don't have enough in stocks and half the time you feel bad that you don't have enough in bonds, then you know that's the right allocation. If at 60% you feel bad that you have too much stocks all the time, then you have too much in stocks. Bonds allow you to sleep at night.

For most people, over the long term it probably is optimal to be 100% in stocks, but almost nobody can execute that optimal strategy. So, a suboptimal strategy that you can execute is better than an optimal one you can't. For most people, the best path is one that involves owning a large amount of bonds so they can sleep at night during the bad times.

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William "Bill" Bernstein is a neurologist, co-founder of the investment firm Efficient Frontier Advisors and the author of several books. Find out more at www.aaii.com/authors/william-bernstein. Charles Rotblut is a vice president at AAII and editor of the AAII* Journal. *Follow him on Twitter at twitter.com/CharlesRAAII.

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the same balanced perspective that a shorter period cannot.

The online version of this article, available on AAII.com, contains a list of the 50 top-performing funds, expanding on the top 10 displayed at the beginning of Table 1 on pages 8 and 9.

Look Beyond Performance

There is always a temptation to look more favorably at the best-performing funds. Though performance does matter, it is just one factor to consider.

You should also consider your portfolio needs. A basic allocation of ETFs holding domestic stocks with varying market capitalizations, international stocks, government bonds, corporate bonds and international bonds will serve most investors well. Once this basic portfolio allocation is established, other asset classes—such as real estate and commodities—and more specialized funds can be added.

Sector and country funds can boost a portfolio's returns, but prudence is required when using them. Make sure you understand the factors that have driven a sector's performance over the past few years and how likely it is that those trends will continue in the future. You cannot safely navigate a winding road by only using a rear-view mirror. Country-specific ETFs can allow you to target specific markets but can be more volatile and expose you to exchange-rate risks.

Be sure you fully understand the index that the ETF is designed to follow. Similar-sounding indexes can have different return characteristics. They can also either hold different stocks or weight the same stocks differently. A quick visit to an ETF family's website can give you the list of current holdings and information about the underlying index it tracks. Many index providers also give more detailed information about their indexes on their own websites. (Type the index's name into an Internet search engine, such as Google, to find the specific website.)

Finally, use this rule of thumb when looking at ETFs: "Just because you can invest in something, doesn't mean you should." Buy only those ETFs that you fully understand; avoid those tracking indexes or investing in sectors or countries with risks that you cannot identify. ➤

Jaclyn N. McClellan is an associate financial analyst at AAII and editor of* Computerized Investing. *Find out more about the author at www.aaii.com/authors/jaclyn-mcclellan.