The Top Funds Over Five Years: Health Care Remains on Top

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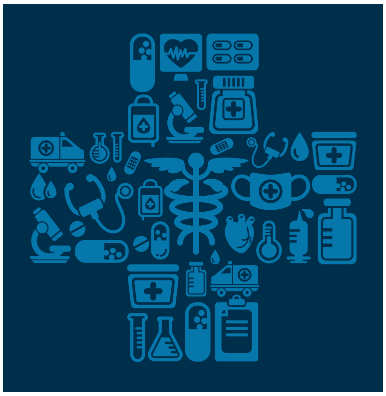
Article Highlights

- Rankings are now based on five years of performance, instead of three years.
- All of the 10 best-performing ETFs invest in the health care sector.
- Only three non-health-care-related ETFs rank in the top 20, one focused on IPOs and two focused on consumer spending.



This year, we were able to extend our analysis of the top exchange-traded funds (ETFs) to five years, as opposed to three years.

We have wanted to look at five-year performance, but up until now there were too few ETFs with long enough track records to conduct the analysis. Out of the 1,752 ETFs and exchange-traded notes (ETNs) currently listed on U.S. exchanges, only 172 have been in existence for at least 10 years, while 851 are at least five years old and 1,228 have three full years of return data. If we had previously used a five-year period, it would have resulted in several ETF categories showing too few funds.

Certain bond categories were problematic in years past and kept us from expanding the analysis to five years. For example, in the international general bond category, SPDR Barclays International Corporate Bond ETF (IBND) was just barely able to provide a five-year return record as of June 30, 2015.

Also, if we had used a five-year period last year, several ETFs that made the three-year top-performing list for their category would have been left out. For example, the Vanguard Intermediate-Term Corporate Bond Index ETF (VCIT) and the Vanguard Long-Term Corporate Bond Index ETF (VCLT) would have been excluded due to their launch date of November 19, 2009. Both of the top three-year performers in the short-term general bond category last year, the Vanguard Short-Term Corporate Bond Index ETF (VCSH) and the SPDR Barclays Capital Short Term Corp Bond (SCPB), would have also been excluded had we used a five-year period.

The lack of five-year performance is due to the fact that the ETF industry is still relatively young. The first ETF was created in 1993. Since then the industry has rapidly expanded, picking up the most steam within the last 10 years—especially so within the last five years. In 2006, 130 U.S. exchange-listed ETFs launched, marking the first time the number of new ETFs exceeded 100. Since 2006, every year has seen more than 100 launches; there have been 133 launches this year as of June 30, 2015. Thanks to the maturity level that the ETF industry has attained, we now have enough funds of significant size and return periods in all categories, including bonds, to expand the analysis to cover five years.

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 the "Top Mutual Funds Over Five Years: Health Care's Vitals Look Good" (March 2015 *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 the same balanced perspective that a three-year period cannot.

Health Care Dominates the Performance Rankings

The top 10 ETFs over the last five years as of June 30 are all health care funds. The sector dominates performance among ETFs to a much greater degree than in mutual funds: In this year's analysis of the top mutual funds over five years as of December 30, 2014, health care funds accounted for four of the top 10 rankings. However, the six-month lag between December and June renders the "top performers" lists not entirely comparable. Although six months is seemingly short, it can make a difference in terms of which fund categories are represented. But with both the actively managed mutual fund and index-tracking ETF universes, the influence of sector strength is evident. Last year, six of the 10 top-performing ETFs over three years were also health care funds.

Six of the funds in this year's top-10 list are holdovers from last year's top three-year performance rankings.

The SPDR S&P Biotech ETF (XBI) jumped from fourth place to first, while iShares Nasdaq Biotechnology (IBB), PowerShares Dynamic Pharmaceuticals ETF (PJP) and the SPDR S&P Pharmaceuticals ETF (XPH) remained in the top five.

The top ETFs cover a range of industries in the health care sector, such as biotechnology, pharmaceuticals,

Table 1. Top ETFs Over Five Years

Data as of 6/30/2015.

Index	Enhanced ETN	ETF Name (Ticker)	NAV Total Return (%) YTD	2014	2013	2012	2011	2010	5-Year Annualized Total Return (%) NAV	Market	3-Yr Ann'l NAV Total Return (%)	12-Mo NAV Return (%)	Total Return (%) Bull* Market	Bear* Mkt	Yield (%)	Tax-Cost Ratio (%)	Risk Index Cat (X)	Total (X)	Total Assets ($ Mil)	Avg Daily Trading Volume (Thous)	Portfolio (%) Stock	Bond	Other	Cash	% of Port in Foreign Issues	Port Turnover Ratio (%)	Number of Hldgs	% of Port in Top 10 Hldgs	Exp Ratio (%)
		Overall Five-Year Top Performers																											
I		SPDR S&P Biotech ETF (XBI)	35.8	44.7	48.5	32.9	5.3	17.6	37.8	37.8	42.7	65.3	454.3	(22.2)	0.7	0.3	1.99	3.05	2,713	1,196	100	0	0	0	1.1	86	104	12	0.35
I		iShares Nasdaq Biotechnology (IBB)	21.6	34.1	65.5	32.0	11.9	14.9	37.0	37.0	41.9	43.8	494.1	(27.3)	0.0	0.0	1.37	2.09	9,044	1,677	100	0	0	0	2.8	33	146	58	0.48
I		PowerShares Dynamic Pharmaceuticals ETF (PJP)	18.1	28.1	55.6	24.7	19.8	27.8	35.5	35.5	35.4	32.1	525.2	(28.1)	2.5	0.7	0.96	1.47	2,021	140	100	0	0	(0)	4.9	47	24	48	0.58
I		First Trust NYSE Arca Biotech ETF (FBT)	21.7	47.6	50.1	40.9	(16.4)	36.9	32.1	32.1	41.5	50.8	584.4	(29.7)	0.1	0.0	1.44	2.22	3,596	136	100	0	0	0	2.9	58	31	38	0.58
I		SPDR S&P Pharmaceuticals ETF (XPH)	15.8	29.5	60.7	11.0	12.8	22.3	29.4	29.3	32.1	26.9	457.9	(24.5)	0.6	1.1	1.17	1.80	1,135	85	100	0	0	0	3.0	68	40	31	0.35
I		iShares US Pharmaceuticals (IHE)	15.9	29.8	40.5	13.4	21.2	12.6	27.9	27.9	28.1	30.3	398.1	(29.2)	0.8	0.4	0.90	1.36	1,161	52	100	0	0	0	6.9	31	40	59	0.45
I		PowerShares Dynamic Biotech & Genome ETF (PBE)	16.6	36.4	61.7	14.0	(8.2)	31.1	27.8	27.8	36.2	33.6	373.4	(36.6)	0.3	0.1	1.45	2.22	560	49	100	0	0	0	0.0	95	31	47	0.59
I		First Trust Health Care AlphaDEX ETF (FXH)	14.2	25.4	47.5	20.8	5.8	19.0	26.0	26.0	30.7	29.2	423.7	(35.5)	0.0	0.1	0.88	1.34	4,133	414	100	0	0	0	4.8	81	74	26	0.66
I		iShares US Healthcare Providers (IHF)	20.9	27.2	36.7	17.3	9.5	11.3	26.0	25.9	30.6	39.2	383.3	(49.3)	0.1	0.1	0.86	1.32	1,029	159	100	0	0	0	0.4	14	52	58	0.45
I		Guggenheim S&P 500 Eq Weight HC ETF (RYH)	12.2	29.8	40.8	20.5	6.4	10.8	25.4	25.4	29.9	29.8	347.6	(35.6)	0.4	0.2	0.70	1.08	798	43	100	0	0	0	1.8	23	56	20	0.40
		Large-Cap Stock Category Average	0.9	12.9	32.9	15.0	2.5	16.0	17.2	17.1	17.1	6.7	233.3	(50.6)	1.7	0.6	1.00	1.03	4,023	1,073	100	0	0	0	2.4	27	446	26	0.39
I		First Trust US IPO ETF (FPX)	8.6	11.9	48.0	30.0	3.1	18.3	24.9	24.8	27.2	14.0	371.0	(51.4)	0.6	0.3	1.24	1.28	774	114	100	0	0	0	8.4	46	101	45	0.60
I		PowerShares QQQ ETF (QQQ)	4.3	19.1	36.6	18.1	3.4	19.9	21.5	21.5	20.2	15.3	315.4	(49.7)	1.1	0.6	1.15	1.18	38,792	26,229	100	0	0	0	4.5	5	108	47	0.20
I		Guggenheim S&P 500 Pure Growth ETF (RPG)	2.5	13.9	43.3	15.0	0.4	27.1	21.2	21.2	20.7	5.7	323.7	(49.2)	0.6	0.3	1.15	1.19	2,152	106	100	0	0	0	4.7	46	106	20	0.35
I		PowerShares Buyback Achievers ETF (PKW)	1.7	11.6	45.6	13.8	10.0	18.0	20.5	20.4	20.4	9.0	289.8	(49.2)	0.5	0.3	1.11	1.14	2,899	230	100	0	0	0	0.2	68	212	35	0.68
I		Fidelity Nasdaq Composite Tr Stk ETF (ONEQ)	5.8	14.6	39.7	17.2	(1.0)	17.8	20.0	20.0	20.6	14.4	283.9	(51.1)	0.9	0.5	1.11	1.14	587	18	100	0	0	0	6.1	7	1,930	32	0.21
		Mid-Cap Stock Category Average	2.7	10.0	35.6	15.8	(0.7)	24.3	17.3	17.2	18.3	5.5	263.7	(52.8)	1.7	0.5	1.00	1.17	1,975	126	99	0	1	0	2.6	61	357	18	0.40
I		Guggenheim Spin-Off ETF (CSD)	2.3	1.4	51.8	27.0	3.8	21.9	20.4	20.1	20.9	0.6	366.6	(63.0)	1.6	0.3	1.30	1.52	519	41	99	0	1	0	12.3	81	40	46	0.66
I		iShares Morningstar Mid-Cap (JKG)	2.9	15.6	32.5	17.7	2.1	26.1	19.7	19.6	19.6	8.6	296.9	(52.5)	1.4	0.4	0.92	1.08	528	11	100	0	0	0	0.4	50	218	10	0.25
I		PowerShares DWA Momentum ETF (PDP)	5.2	12.1	31.8	17.9	1.8	26.4	19.0	19.0	18.3	10.8	258.7	(55.5)	0.4	0.2	0.87	1.02	2,002	170	100	0	0	0	1.9	73	107	24	0.65
I		Guggenheim S&P MidCap 400 Pure Gr ETF (RFG)	8.8	(0.3)	35.7	16.9	0.4	34.7	19.0	19.0	17.0	6.1	328.6	(46.9)	0.6	0.3	1.17	1.36	766	30	99	0	1	0	0.0	75	88	22	0.35
I		WisdomTree MidCap Earnings ETF (EZM)	3.0	8.4	40.2	17.8	1.4	25.5	18.8	18.7	20.8	3.9	328.5	(50.6)	1.2	0.5	1.10	1.27	774	20	100	0	0	0	0.1	—	616	6	0.38
		Small-Cap Stock Category Average	3.4	5.3	39.7	17.0	(1.9)	26.5	17.7	17.6	17.8	4.8	295.7	(53.9)	1.3	0.5	1.00	1.38	1,886	646	99	0	0	0	1.4	32	656	11	0.30
I		SPDR S&P 600 Small Cap Growth ETF (SLYG)	7.5	3.7	42.5	14.4	3.5	30.2	20.0	20.0	18.7	9.5	330.5	(54.1)	1.0	0.8	0.99	1.36	560	14	100	0	0	0	0.0	54	353	9	0.15
I		iShares Russell 2000 Growth (IWO)	8.8	5.7	43.4	14.7	(2.9)	29.1	19.4	19.4	20.3	12.5	285.0	(52.2)	0.7	0.3	1.08	1.49	7,253	791	100	0	0	0	0.8	30	1,168	4	0.25
I		iShares S&P Small-Cap 600 Growth (IJT)	7.5	3.7	42.6	14.5	3.5	27.8	19.3	19.3	18.8	9.5	291.3	(51.4)	0.9	0.3	0.99	1.38	3,470	129	100	0	0	0	0.0	50	355	9	0.25
I		Vanguard Small-Cap Growth ETF (VBK)	6.6	4.0	38.2	17.7	(1.4)	30.9	18.8	18.8	18.1	6.4	296.9	(53.4)	1.0	0.3	0.93	1.28	4,734	124	100	0	0	0	1.2	26	742	6	0.09
I		SPDR S&P 600 Small Cap ETF (SLY)	4.1	5.6	41.0	16.2	0.9	27.4	18.6	18.6	18.6	6.6	307.6	(53.4)	1.3	1.0	0.98	1.35	411	12	100	0	0	0	0.3	18	601	5	0.15
		Micro-Cap Stock Category Average	4.3	1.9	45.0	19.0	(11.9)	25.4	16.2	16.1	18.2	5.1	224.3	(58.7)	1.7	0.5	1.00	1.50	263	20	98	0	2	0	3.0	55	716	5	0.66
I		Wilshire Micro-Cap ETF (WMCR)	5.4	4.1	48.1	21.3	(15.8)	24.2	17.6	17.2	19.5	5.9	227.8	(60.8)	3.4	0.8	0.95	1.42	20	3	93	0	7	0	0.3	29	806	5	0.56
I		iShares Micro-Cap (IWC)	6.0	3.5	45.4	19.4	(9.5)	28.8	17.3	17.3	19.1	8.3	259.2	(57.5)	1.2	0.4	1.02	1.53	948	71	99	0	0	1	1.8	26	1,438	3	0.60
		Preferred Stock Category Average	0.2	11.1	(1.4)	15.9	0.0	14.2	8.1	8.0	4.2	1.3	221.5	(58.4)	5.7	2.1	1.00	0.59	2,086	402	13	8	78	1	8.8	41	133	25	0.50
I		PowerShares Financial Preferred ETF (PGF)	2.4	14.0	(0.9)	20.7	(1.6)	16.5	9.3	9.2	6.6	5.7	280.3	(62.5)	5.9	2.5	0.75	0.44	1,422	210	22	0	78	(0)	14.6	9	88	33	0.63
I		PowerShares Preferred ETF (PGX)	2.1	15.3	(1.8)	14.5	3.3	12.2	8.1	8.1	6.4	5.7	171.8	—	6.1	2.6	0.79	0.45	2,766	746	19	0	82	(0)	9.4	—	213	23	0.50
		Market Volatility Category Average	(14.9)	(23.3)	(25.2)	(18.1)	(21.0)	(43.0)	(47.6)	(47.6)	(27.8)	(21.3)	(94.7)	—	0.0	0.0	1.00	4.17	162	4,176	75	0	0	25	0.0	0	4	125	1.08
I	N	iPath S&P 500 VIX ST Futures ETN (VXX)	(35.5)	(26.2)	(66.0)	(78.1)	(4.6)	(72.2)	(60.1)	(60.1)	(56.1)	(28.8)	(99.7)	—	0.0	0.0	1.19	4.95	1,277	49,334	—	—	—	—	—	0	—	—	0.89
		Communications Sector Category Average	3.1	4.5	33.1	12.8	(2.7)	15.9	13.9	14.0	15.0	3.3	173.4	(51.2)	2.0	1.0	1.00	1.36	291	97	100	0	0	0	24.6	46	83	54	0.37
I		Vanguard Telecommunication Services ETF (VOX)	2.5	4.0	24.3	16.5	(2.3)	19.6	14.0	14.0	12.2	1.5	157.1	(47.5)	2.6	1.1	0.96	1.31	924	70	100	0	0	0	0.0	19	34	71	0.12
		Consumer Discretionary Sector Category Average	3.7	6.0	40.0	21.8	2.0	29.1	20.4	20.4	18.7	9.4	330.1	(51.1)	1.2	0.4	1.00	1.38	1,172	507	100	0	0	0	20.1	46	132	35	0.43
I		SPDR S&P Retail ETF (XRT)	3.4	9.9	42.2	20.7	9.7	37.0	23.9	23.9	20.0	14.9	437.0	(47.5)	1.0	0.5	1.13	1.56	1,110	1,870	100	0	0	0	0.0	40	103	11	0.35
		Consumer Staples Sector Category Average	2.9	13.4	30.6	11.1	9.7	17.6	17.2	17.2	16.4	10.0	204.0	(32.4)	1.9	0.7	1.00	1.21	1,296	716	100	0	0	0	13.4	39	73	51	0.39
I		First Trust Cnsmr Staples AlphaDEX ETF (FXG)	4.5	21.0	41.9	9.4	13.1	19.8	21.6	21.6	23.5	12.3	271.2	(35.1)	1.6	0.7	1.15	1.39	2,543	353	100	0	0	(0)	0.0	100	38	46	0.67
		Energy Sector Category Average	(4.0)	(8.8)	31.1	(0.8)	(11.6)	12.8	3.8	3.8	5.5	(23.2)	70.3	(56.8)	3.5	1.0	1.00	2.12	801	578	98	1	0	0	26.8	35	59	49	0.93
I	N	Credit Suisse X-Links CushgMLPInfrasETN (MLPN)	(9.5)	6.2	38.9	0.5	10.2	—	12.5	12.4	11.9	(17.7)	—	—	5.0	1.9	0.79	1.68	695	67	—	—	—	—	—	—	—	—	0.85
I	N	UBS ETRACS Alerian MLP Infras ETN (MLPI)	(11.2)	6.9	27.8	3.4	15.9	—	11.6	11.4	8.3	(17.6)	—	—	5.3	2.0	0.76	1.61	2,330	238	—	—	—	—	—	—	—	—	0.85
		Financial Sector Category Average	3.4	6.3	39.8	23.2	(13.6)	14.8	13.7	13.7	19.6	7.0	236.5	(68.9)	2.5	0.9	1.00	1.40	1,151	1,478	98	0	2	1	11.6	21	118	41	0.91
I		First Trust Financials AlphaDEX ETF (FXO)	2.4	8.7	40.4	21.3	(7.3)	19.1	16.4	16.4	19.4	8.0	300.8	(61.2)	1.3	0.6	0.79	1.11	1,093	565	100	0	0	0	1.6	55	171	11	0.80
I		SPDR S&P Regional Banking ETF (KRE)	9.3	2.0	47.3	16.9	(5.7)	20.0	15.9	15.8	19.4	11.4	173.0	(54.1)	1.6	0.7	1.23	1.74	2,775	5,094	100	0	0	0	2.8	28	93	13	0.35
		Health Sector Category Average	17.1	26.2	45.6	20.6	7.6	14.6	26.7	26.7	30.3	29.9	365.5	(33.9)	0.7	0.3	1.00	1.53	1,984	452	100	0	0	0	9.3	41	86	41	0.46
I		SPDR S&P Biotech ETF (XBI)	35.8	44.7	48.5	32.9	5.3	17.6	37.8	37.8	42.7	65.3	454.3	(22.2)	0.7	0.3	1.99	3.05	2,713	1,196	100	0	0	0	1.1	86	104	12	0.35
I		iShares Nasdaq Biotechnology (IBB)	21.6	34.1	65.5	32.0	11.9	14.9	37.0	37.0	41.9	43.8	494.1	(27.3)	0.0	0.0	1.37	2.09	9,044	1,677	100	0	0	0	2.8	33	146	58	0.48
		Homebuilders Sector Category Average	6.7	3.9	21.6	68.2	(4.8)	13.9	21.0	20.9	19.2	11.7	301.4	(60.3)	0.4	0.1	1.00	2.14	1,006	1,443	100	0	0	0	1.5	27	39	47	0.51
I		SPDR S&P Homebuilders ETF (XHB)	7.5	3.2	25.5	57.5	(0.9)	17.5	21.8	21.8	20.3	12.4	320.0	(57.2)	0.5	0.2	0.92	1.97	1,755	2,730	100	0	0	0	3.1	31	36	33	0.35

life sciences and health care providers. This year's top two funds (SPDR S&P Biotech ETF and iShares Nasdaq Biotechnology) both invest in biotechnology stocks, but share none of their 10 largest holdings. This is because they track different indexes and use different weighting methodologies, which can significantly impact holding composition, performance, volatility, turnover and expenses.

The SPDR S&P Biotech ETF follows an equal-weight strategy, which skews its portfolio more toward smaller-cap, early-stage biotech firms. Equal-weight ETFs tend to outperform market-capitalization-weighted ETFs when smaller stocks outperform the larger ones. This is because every stock in an equal-weight index has the same weight, irrespective of how large or small the companies they represent are. While the higher allocation to smaller companies can boost relative performance, it can also lead to higher price volatility, as is evident by SPDR S&P Biotech's total risk index of 3.05. The equal-weighting of the index also leads to higher turnover. The ETF's turnover of 86% is the second-highest of all the funds that made the top-10 list, second to only the 95% turnover for PowerShares

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

Data as of 6/30/2015.

Index	Enhanced ETN	ETF Name (Ticker)	NAV Total Return (%) YTD	2014	2013	2012	2011	2010	5-Year Annualized Total Return (%) NAV	Market	3-Yr Ann'l NAV Total Return (%)	12-Mo NAV Return (%)	Total Return (%) Bull* Market	Bear* Mkt	Yield (%)	Tax-Cost Ratio (%)	Risk Index Cat (X)	Total (X)	Total Assets ($ Mil)	Avg Daily Trading Volume (Thous)	Portfolio (%) Stock	Bond	Other	Cash	% of Port in Foreign Issues	Port Turnover Ratio (%)	Number of Hldgs	% of Port in Top 10 Hldgs	Exp Ratio (%)
		Industrials Sector Category Average	**0.2**	**5.2**	**34.4**	**17.4**	**(8.2)**	**20.4**	**12.9**	**12.9**	**15.9**	**(0.4)**	**203.8**	**(53.4)**	**1.5**	**0.6**	**1.00**	**1.35**	**562**	**346**	**99**	**0**	**0**	**0**	**28.7**	**27**	**97**	**39**	**0.51**
I		iShares US Aerospace & Defense (ITA)	**4.5**	9.9	**57.1**	14.1	**5.0**	16.5	**20.8**	**20.8**	**24.9**	**11.6**	**301.9**	(53.8)	1.1	0.4	0.91	1.22	530	35	100	0	0	0	0.0	15	37	55	0.44
I		Vanguard Industrials ETF (VIS)	(2.0)	8.5	41.9	17.1	(2.2)	**27.1**	**17.4**	**17.4**	18.1	2.0	**268.7**	(58.2)	1.6	0.5	0.90	1.20	2,096	81	100	0	0	0	0.3	5	355	38	0.12
		Natural Resources Sector Category Average	**(2.0)**	**(7.0)**	**6.7**	**11.1**	**(18.2)**	**18.8**	**6.4**	**6.5**	**2.0**	**(13.6)**	**138.8**	**(56.4)**	**2.3**	**0.7**	**1.00**	**1.77**	**402**	**172**	**99**	**0**	**1**	**1**	**46.4**	**22**	**84**	**49**	**0.53**
I		Vanguard Materials ETF (VAW)	0.1	**5.9**	24.9	17.3	(9.4)	**24.3**	**14.6**	**14.6**	13.4	**(2.1)**	**213.1**	(56.0)	1.8	0.6	**0.71**	1.26	1,277	44	100	0	0	0	0.6	4	125	48	0.12
I		Materials Select Sector SPDR ETF (XLB)	0.4	**7.3**	25.8	14.8	(11.0)	20.4	**14.1**	**14.1**	**13.6**	**(0.7)**	190.9	(54.2)	2.0	0.9	**0.71**	1.25	2,578	3,296	100	0	0	0	0.0	7	30	64	0.15
		Precious Metals Sector Category Average	**(6.7)**	**(14.6)**	**(49.6)**	**(11.5)**	**(30.1)**	**44.8**	**(17.4)**	**(17.4)**	**(24.8)**	**(37.3)**	**(38.9)**	**(32.9)**	**0.8**	**0.4**	**1.00**	**4.17**	**732**	**3,389**	**99**	**0**	**0**	**0**	**89.6**	**32**	**37**	**61**	**0.58**
I		Market Vectors Gold Miners ETF (GDX)	**(3.6)**	(12.3)	(53.9)	(9.1)	**(15.9)**	34.0	(18.8)	(18.7)	(25.9)	**(32.3)**	(44.5)	**(32.9)**	0.7	0.4	0.99	4.13	6,046	30,394	100	0	0	0	86.5	18	46	54	0.53
		Real Estate Sector Category Average	**(5.4)**	**27.6**	**1.8**	**19.4**	**6.6**	**26.8**	**13.1**	**13.0**	**8.2**	**2.5**	**271.6**	**(63.2)**	**4.6**	**1.8**	**1.00**	**1.54**	**1,972**	**899**	**97**	**(296)**	**0**	**299**	**3.1**	**18**	**91**	**422**	**0.41**
I		Vanguard REIT ETF (VNQ)	(6.2)	30.3	**2.4**	17.7	8.6	**28.4**	**14.2**	14.2	8.6	3.8	**307.0**	(64.4)	4.1	1.4	1.01	1.55	23,802	4,601	100	0	0	0	0.0	8	148	37	0.12
I		SPDR Dow Jones REIT ETF (RWR)	(5.9)	**31.7**	1.0	16.8	9.1	27.8	14.1	**14.2**	8.4	**4.9**	**308.0**	(66.5)	3.3	1.3	1.01	1.56	2,863	380	100	0	0	0	0.0	6	93	44	0.25
		Real Estate Global Sector Cat Average	**1.0**	**8.8**	**4.4**	**34.5**	**(12.3)**	**17.6**	**11.3**	**11.5**	**9.7**	**(0.2)**	**190.5**	**(67.4)**	**3.4**	**1.7**	**1.00**	**1.42**	**900**	**92**	**98**	**0**	**2**	**1**	**80.6**	**13**	**224**	**33**	**0.50**
I		SPDR Dow Jones Global Real Estate ETF (RWO)	(2.9)	**19.1**	2.9	25.1	**(2.7)**	**24.1**	**12.9**	**13.1**	8.9	**1.3**	**237.8**	—	3.0	1.5	**0.94**	1.33	1,915	212	98	0	1	1	42.7	7	226	28	0.50
I		SPDR Dow Jones International RelEst ETF (RWX)	1.3	5.8	5.1	36.4	(14.1)	**21.1**	11.8	12.1	9.7	(2.7)	185.2	**(66.5)**	3.0	1.9	0.98	1.39	4,968	418	97	0	2	1	97.0	8	134	40	0.59
		Technology Sector Category Average	**4.8**	**14.0**	**35.1**	**12.0**	**(7.3)**	**20.2**	**16.8**	**16.8**	**18.5**	**10.1**	**256.2**	**(52.1)**	**0.8**	**0.3**	**1.00**	**1.50**	**1,203**	**490**	**100**	**0**	**0**	**0**	**16.5**	**39**	**91**	**44**	**0.51**
I		First Trust Dow Jones Internet ETF (FDN)	**9.6**	2.4	**53.4**	**20.9**	(5.7)	**36.7**	**23.0**	**23.0**	**23.9**	12.8	**387.9**	(50.6)	0.0	0.0	1.10	1.64	2,966	214	100	0	0	0	0.0	27	42	57	0.54
I		iShares North American Tech-Software (IGV)	7.2	13.4	30.6	**16.9**	(7.2)	**24.5**	**18.5**	**18.5**	17.3	**15.8**	248.3	**(46.4)**	0.2	0.1	0.97	1.45	1,202	147	100	0	0	0	1.1	13	65	55	0.48
		Utilities Sector Category Average	**(7.7)**	**18.7**	**15.7**	**5.4**	**4.6**	**3.7**	**9.6**	**9.7**	**8.5**	**(5.1)**	**93.1**	**(39.3)**	**3.4**	**1.2**	**1.00**	**1.44**	**646**	**1,007**	**100**	**0**	**0**	**0**	**23.9**	**24**	**61**	**45**	**0.41**
I		Vanguard Utilities ETF (VPU)	(10.7)	26.9	14.9	2.0	**18.9**	6.9	**12.5**	**12.5**	8.5	(3.8)	118.2	(38.0)	3.7	1.3	1.09	1.57	1,673	107	100	0	0	0	0.0	7	82	48	0.12
I		iShares US Utilities (IDU)	(10.9)	**27.4**	14.7	1.3	**18.6**	**7.3**	12.4	12.4	8.3	(3.7)	118.0	(39.7)	3.6	1.0	1.09	1.57	544	167	100	0	0	0	0.0	8	61	50	0.45
		Commodities: Agriculture Category Average	**(5.0)**	**(4.2)**	**(11.9)**	**(4.0)**	**(11.6)**	**33.4**	**(0.5)**	**(0.6)**	**(8.3)**	**(16.6)**	**5.2**	**(28.3)**	**0.0**	**0.0**	**1.00**	**2.20**	**55**	**37**	**12**	**0**	**85**	**3**	**11.1**	**0**	**16**	**88**	**1.01**
I	N	ELEMENTS Rogers Intl Cmdty Agri TR ETN (RJA)	(1.2)	(7.6)	(11.9)	1.0	(16.0)	35.2	0.8	0.8	(6.5)	(11.5)	8.9	(33.6)	0.0	0.0	**0.77**	1.69	161	92	—	—	—	—	—	0	—	—	0.75
		Commodities: Energy Category Average	**(3.7)**	**(41.2)**	**4.1**	**(7.8)**	**(7.0)**	**(6.4)**	**(10.7)**	**(10.7)**	**(16.1)**	**(46.6)**	**(21.1)**	**(56.9)**	**0.0**	**0.0**	**1.00**	**3.46**	**287**	**6,838**	**0**	**0**	**61**	**39**	**0.0**	**5**	**16**	**60**	**0.89**
I		PowerShares DB Oil ETF (DBO)	(5.5)	(44.0)	**6.6**	(9.0)	1.3	2.5	(9.3)	(9.3)	(15.9)	(52.3)	(19.7)	**(43.5)**	0.0	0.0	0.79	2.75	581	233	0	0	107	(7)	0.0	—	14	107	0.75
		Commodities: Precious Metals Cat Average	**(3.6)**	**(9.7)**	**(27.9)**	**6.4**	**(5.9)**	**53.6**	**(4.7)**	**(4.6)**	**(13.2)**	**(18.1)**	**3.7**	**6.9**	**1.0**	**0.0**	**1.00**	**2.44**	**1,481**	**534**	**0**	**0**	**103**	**(3)**	**0.0**	**0**	**4**	**103**	**0.67**
I		iShares Gold Trust (IAU)	(2.5)	**(0.4)**	(27.9)	**8.4**	**8.7**	27.9	**(1.5)**	**(1.4)**	**(10.1)**	**(11.2)**	**22.2**	**18.2**	0.0	0.0	**0.77**	1.88	6,316	2,298	0	0	100	0	0.0	0	1	100	0.25
		Commodities: Miscellaneous Category Average	**(6.2)**	**(13.9)**	**(10.9)**	**(0.8)**	**(17.4)**	**15.9**	**(6.4)**	**(6.2)**	**(9.9)**	**(23.6)**	**1.3**	**(48.7)**	**0.0**	**0.0**	**1.00**	**2.09**	**188**	**75**	**9**	**(1)**	**55**	**37**	**1.4**	**0**	**17**	**64**	**0.78**
I	N	ELEMENTS Rogers Intl Cmdty TR ETN (RJI)	**(1.3)**	(22.8)	**(5.3)**	1.2	**(7.5)**	18.1	**(2.4)**	**(2.3)**	**(8.2)**	(27.5)	9.7	(45.7)	0.0	0.0	**0.71**	1.47	549	257	—	—	—	—	—	0	—	—	0.75
		Balanced Category Average	**0.1**	**5.2**	**9.1**	**9.7**	**0.9**	**9.5**	**7.4**	**7.4**	**6.2**	**(0.8)**	**101.7**	**—**	**3.8**	**1.3**	**1.00**	**0.60**	**254**	**51**	**43**	**34**	**2**	**20**	**17.6**	**21**	**69**	**69**	**0.86**
I		PowerShares CEF Income Composite ETF (PCEF)	0.7	5.1	4.2	**15.8**	0.6	—	7.3	7.3	5.5	(3.2)	—	—	8.4	3.2	1.28	0.76	664	154	28	71	4	(4)	29.5	—	147	24	1.88
		Balanced: Global Category Average	**(1.4)**	**1.8**	**5.3**	**6.9**	**(2.3)**	**5.8**	**4.7**	**4.7**	**4.1**	**(5.3)**	**112.1**	**—**	**2.3**	**0.9**	**1.00**	**0.73**	**118**	**22**	**50**	**33**	**5**	**11**	**31.6**	**53**	**52**	**69**	**0.92**
I		iShares Core Growth Allocation (AOR)	**1.6**	**6.2**	**15.9**	**11.4**	**1.2**	**11.1**	**10.1**	**10.1**	**9.8**	**2.5**	**112.1**	—	2.1	0.6	**0.89**	0.66	465	81	60	34	1	5	34.3	12	10	100	0.24
		Global Stock Category Average	**1.0**	**3.6**	**20.4**	**13.7**	**(5.5)**	**8.8**	**10.2**	**10.3**	**11.1**	**(3.4)**	**150.0**	**(56.5)**	**2.7**	**1.2**	**1.00**	**1.11**	**556**	**65**	**97**	**0**	**1**	**1**	**51.6**	**13**	**611**	**24**	**0.56**
I		Vanguard Total World Stock ETF (VT)	**3.6**	4.0	23.0	**17.3**	(7.7)	**13.1**	**12.4**	**12.4**	13.6	1.1	166.9	—	2.3	0.9	0.91	1.00	4,361	439	99	0	0	0	48.0	7	7,139	7	0.17
I		iShares MSCI ACWI (ACWI)	2.5	4.6	22.9	**16.0**	(7.6)	**12.3**	12.0	12.1	13.2	0.8	160.7	—	2.0	0.6	**0.89**	0.99	6,465	1,070	100	0	0	0	48.3	5	1,259	9	0.33
		Foreign Stock Category Average	**4.7**	**(4.2)**	**18.7**	**15.3**	**(12.5)**	**11.9**	**8.5**	**8.8**	**10.1**	**(5.3)**	**133.6**	**(57.1)**	**2.9**	**1.1**	**1.00**	**1.29**	**1,950**	**479**	**97**	**0**	**2**	**1**	**95.9**	**27**	**671**	**21**	**0.47**
I		iShares MSCI EAFE Small-Cap (SCZ)	**9.9**	(5.0)	**29.2**	**19.9**	(14.9)	**22.3**	**12.5**	**12.8**	**15.5**	**(0.9)**	**192.8**	—	2.4	0.9	0.94	1.20	4,875	751	98	0	1	2	97.5	17	1,542	3	0.40
I		WisdomTree International SmallCp Div ETF (DLS)	**9.0**	(7.1)	**27.4**	**21.5**	(12.1)	18.2	**11.9**	**12.2**	**14.8**	(4.0)	**176.8**	(59.5)	2.8	1.5	0.99	1.27	1,082	143	98	0	2	0	97.8	—	916	4	0.58
		Foreign Stock: Europe Category Average	**4.9**	**(7.0)**	**27.6**	**20.7**	**(14.0)**	**4.1**	**9.8**	**10.1**	**13.5**	**(7.4)**	**127.4**	**(60.9)**	**3.0**	**0.9**	**1.00**	**1.67**	**1,281**	**798**	**98**	**0**	**1**	**1**	**98.0**	**18**	**148**	**45**	**0.47**
I		WisdomTree Europe SmallCap Dividend ETF (DFE)	**12.0**	(6.3)	**47.2**	**28.0**	(19.4)	**18.6**	**16.2**	**16.2**	**23.3**	(2.2)	**237.4**	(64.9)	2.6	1.2	0.95	1.59	986	173	98	0	2	0	97.9	—	363	11	0.58
I		iShares MSCI Switzerland Capped (EWL)	5.8	(0.8)	26.5	20.2	**(7.3)**	**13.7**	**12.8**	**13.0**	15.4	(2.0)	**167.2**	**(46.4)**	2.4	0.7	**0.73**	1.22	1,205	703	100	0	0	0	99.8	5	41	72	0.48
		Foreign Stock: Latin America Cat Average	**(8.7)**	**(14.9)**	**(14.8)**	**12.9**	**(19.5)**	**28.5**	**(5.4)**	**(5.5)**	**(10.4)**	**(26.0)**	**72.4**	**(56.6)**	**5.2**	**1.3**	**1.00**	**2.45**	**261**	**728**	**98**	**0**	**1**	**1**	**96.5**	**42**	**59**	**51**	**0.62**
I		iShares MSCI Mexico Capped (EWW)	**(3.3)**	**(10.1)**	**(1.5)**	**31.3**	**(12.3)**	27.5	**5.0**	**5.1**	**(0.7)**	**(14.1)**	**162.5**	(59.3)	1.6	0.4	**0.66**	1.61	1,508	1,861	99	0	0	1	98.7	19	61	59	0.48
I		iShares Latin America 40 (ILF)	(5.8)	(11.5)	**(12.5)**	5.3	(18.4)	15.2	(3.9)	(3.9)	(8.0)	(20.5)	50.4	**(53.9)**	2.3	0.8	0.91	2.22	671	375	100	0	0	0	98.2	11	43	58	0.49
		Foreign Stock: Pacific/Asia Cat Average	**8.7**	**7.2**	**6.8**	**18.9**	**(20.1)**	**15.8**	**6.4**	**6.5**	**10.4**	**10.9**	**151.6**	**(55.7)**	**2.0**	**0.8**	**1.00**	**1.92**	**822**	**753**	**98**	**0**	**1**	**1**	**97.6**	**30**	**189**	**40**	**0.59**
I		WisdomTree Japan Hedged Equity ETF (DXJ)	**16.0**	10.5	**41.9**	17.1	(15.2)	(1.4)	**14.0**	**14.1**	**26.5**	**29.2**	121.8	**(40.2)**	1.2	1.6	0.85	1.64	18,154	4,872	100	0	0	0	100.0	—	329	34	0.48
I		iShares MSCI Hong Kong (EWH)	11.3	4.6	10.4	**27.6**	(16.3)	**22.4**	**11.8**	**12.0**	**15.1**	11.3	**179.6**	(55.2)	2.2	1.2	0.80	1.52	3,659	2,378	98	0	0	2	98.0	6	43	65	0.48
		Foreign Stock: Emerging Mkts Cat Average	**1.9**	**(7.5)**	**(0.9)**	**17.6**	**(22.0)**	**20.9**	**1.5**	**1.5**	**1.1**	**(10.6)**	**103.9**	**(59.4)**	**2.7**	**1.0**	**1.00**	**1.82**	**1,401**	**1,044**	**98**	**0**	**1**	**0**	**98.0**	**33**	**286**	**35**	**0.60**
I		iShares MSCI South Africa (EZA)	2.1	**4.6**	(6.8)	17.9	**(14.8)**	**33.3**	**7.2**	**7.4**	3.9	**(2.1)**	**155.2**	(55.7)	2.1	0.7	1.04	1.91	429	382	98	0	2	0	98.2	4	56	62	0.62
I		WisdomTree Emerging Markets SmCp Div ETF (DGS)	1.4	(2.0)	(2.6)	**22.3**	(20.6)	**28.9**	**4.7**	**4.7**	3.7	(6.2)	**143.0**	**(54.8)**	2.8	1.3	**0.75**	1.36	1,349	147	97	0	3	0	97.0	—	595	8	0.63
		General Bond: Short-Term Category Average	**0.8**	**0.9**	**1.5**	**4.5**	**1.8**	**3.0**	**1.9**	**1.9**	**1.6**	**0.7**	**14.5**	**4.7**	**1.4**	**0.5**	**1.00**	**0.09**	**1,732**	**218**	**0**	**73**	**1**	**26**	**16.0**	**214**	**392**	**18**	**0.31**
I		Guggenheim BulletShrs 2015 Corp Bd ETF (BSCF)	0.2	0.6	**1.6**	**6.6**	**3.5**	—	**3.1**	**2.9**	**1.7**	0.3	—	—	0.8	0.5	1.13	0.09	433	109	0	2	0	98	0.5	—	127	2	0.25
I		Vanguard Short-Term Corporate Bond ETF (VCSH)	1.0	**2.0**	1.4	5.7	2.9	**5.5**	**3.1**	**3.0**	**2.4**	**1.2**	—	—	1.9	0.8	2.00	0.18	10,347	608	0	99	0	1	20.3	56	1,834	3	0.12

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

Data as of 6/30/2015.

Index Enhanced ETN	ETF Name (Ticker)	NAV Total Return (%) YTD	2014	2013	2012	2011	2010	5-Year Annualized Total Return (%) NAV	Market	3-Yr Ann'l NAV Total Return (%)	12-Mo NAV Return (%)	Total Return (%) Bull* Market	Bear* Mkt	Yield (%)	Tax-Cost Ratio (%)	Risk Index Cat (X)	Total (X)	Total Assets ($ Mil)	Avg Daily Trading Volume (Thous)	Portfolio (%) Stock	Bond	Other	Cash	% of Port in Foreign Issues	Port Turnover Ratio (%)	Number of Hldgs	% of Port in Top 10 Hldgs	Exp Ratio (%)
	General Bond: Interm-Term Cat Average	**0.2**	**5.6**	**(1.2)**	**7.9**	**6.9**	**7.8**	**4.0**	**3.9**	**2.8**	**1.3**	**41.4**	**3.4**	**2.4**	**1.0**	**1.00**	**0.40**	**1,956**	**184**	**(0)**	**87**	**0**	**13**	**33.7**	**92**	**1,066**	**234**	**0.23**
I	Vanguard Intermediate-Term Corp Bd ETF (VCIT)	0.4	**7.5**	(1.8)	**11.4**	7.9	**10.6**	**5.7**	**5.7**	**3.8**	1.8	—	—	3.2	1.4	1.25	0.51	5,342	466	0	99	0	1	15.2	65	1,633	4	0.12
I	iShares Core US Credit Bond (CRED)	(0.9)	**7.4**	(2.3)	9.1	**8.1**	8.4	**4.7**	**4.6**	2.8	0.7	**55.1**	(3.3)	3.3	1.4	1.22	0.50	891	119	0	98	0	2	30.3	10	2,497	3	0.15
	General Bond: Long-Term Category Average	**(2.1)**	**10.9**	**(4.5)**	**10.9**	**15.4**	**10.2**	**6.4**	**6.2**	**2.8**	**0.5**	**65.1**	**(1.0)**	**3.4**	**1.5**	**1.00**	**0.75**	**2,240**	**357**	**0**	**98**	**0**	**2**	**15.7**	**26**	**924**	**10**	**0.16**
I	Vanguard Long-Term Corporate Bond ETF (VCLT)	(4.7)	**16.7**	(5.9)	**12.3**	15.9	**11.2**	**7.0**	**6.7**	**3.7**	(0.4)	—	—	4.6	1.8	1.33	0.99	945	245	0	100	0	0	13.1	54	1,572	5	0.12
I	Vanguard Long-Term Bond ETF (BLV)	(4.6)	**19.9**	(9.0)	8.5	**22.2**	10.4	6.6	6.4	2.4	**2.0**	**68.2**	**2.3**	4.1	1.8	1.39	1.03	1,187	134	0	100	0	0	13.4	39	1,979	17	0.10
	Convertible Category Average	**2.2**	**7.5**	**20.8**	**15.2**	**(6.6)**	**14.0**	**10.8**	**10.8**	**13.3**	**1.2**	**—**	**—**	**4.4**	**1.9**	**1.00**	**0.78**	**1,023**	**202**	**5**	**5**	**90**	**0**	**3.9**	**40**	**102**	**26**	**0.32**
I	SPDR Barclays Convertible Secs ETF (CWB)	**2.6**	**7.5**	**20.8**	**15.2**	**(6.6)**	**14.0**	**10.8**	**10.8**	**13.3**	**1.2**	—	—	4.4	1.9	1.00	0.78	3,045	601	5	5	90	0	3.9	40	102	26	0.40
	Corporate Bond: High-Yield Category Average	**1.7**	**0.8**	**6.5**	**14.5**	**4.6**	**11.9**	**7.3**	**7.4**	**5.5**	**(1.6)**	**108.4**	**(24.1)**	**4.8**	**2.0**	**1.00**	**0.52**	**1,278**	**703**	**0**	**83**	**3**	**14**	**27.2**	**26**	**305**	**162**	**0.50**
I	SPDR Barclays High Yield Bond ETF (JNK)	1.7	1.1	5.9	14.3	4.7	**14.1**	**7.7**	**7.8**	5.5	(2.5)	**129.7**	—	5.9	2.5	1.09	0.56	9,721	9,112	0	99	0	1	21.8	30	802	5	0.40
	Inflation-Protected Bond Category Average	**0.2**	**1.3**	**(6.9)**	**5.7**	**12.6**	**6.0**	**3.1**	**3.1**	**(1.2)**	**(2.7)**	**36.0**	**0.9**	**0.7**	**0.3**	**1.00**	**0.57**	**1,648**	**80**	**0**	**94**	**0**	**6**	**0.0**	**49**	**20**	**95**	**0.20**
I	SPDR Barclays TIPS ETF (IPE)	0.0	**4.3**	(9.4)	**7.1**	13.8	6.1	3.2	3.1	(1.0)	**(1.8)**	**36.3**	0.9	0.8	0.5	1.08	0.63	654	28	0	100	0	0	0.0	20	37	41	0.15
	Gov't Bond: Short-Term Category Average	**0.8**	**0.8**	**0.1**	**0.3**	**2.8**	**1.3**	**0.4**	**0.4**	**0.8**	**1.2**	**2.2**	**4.7**	**0.4**	**0.1**	**1.00**	**0.11**	**1,181**	**303**	**0**	**67**	**7**	**25**	**0.1**	**125**	**63**	**39**	**0.22**
I	Vanguard Short-Term Government Bond ETF (VGSH)	**0.6**	0.5	**0.3**	**0.4**	1.5	2.2	**0.7**	**0.7**	0.6	0.8	—	—	0.5	0.2	0.60	0.06	611	132	0	99	0	2	0.0	64	147	19	0.12
	Gov't Bond: Intermediate-Term Category Average	**0.8**	**7.9**	**(5.4)**	**4.0**	**16.1**	**9.1**	**4.2**	**4.2**	**1.1**	**3.7**	**17.7**	**13.6**	**1.3**	**0.4**	**1.00**	**0.63**	**702**	**91**	**0**	**85**	**42**	**(28)**	**0.1**	**47**	**93**	**76**	**0.34**
I	iShares 3-7 Year Treasury Bond (IEI)	**1.1**	3.1	**(2.0)**	2.1	8.1	6.5	2.6	2.6	**1.0**	2.3	**20.5**	**14.7**	1.3	0.4	**0.50**	0.31	4,932	349	0	99	0	1	0.0	58	72	53	0.15
	Gov't Bond: Long-Term Category Average	**(6.6)**	**36.0**	**(17.1)**	**3.8**	**46.5**	**10.1**	**7.1**	**7.1**	**0.1**	**6.8**	**41.8**	**17.0**	**1.7**	**0.7**	**1.00**	**1.68**	**902**	**920**	**0**	**91**	**36**	**(26)**	**0.0**	**40**	**34**	**90**	**0.41**
I	iShares 20+ Year Treasury Bond (TLT)	(5.3)	27.4	(13.9)	3.3	33.6	9.3	6.4	6.2	1.0	6.6	43.5	**19.8**	2.8	1.2	0.78	1.32	4,555	10,863	0	99	0	1	0.0	32	31	63	0.15
	Gov't Bond: Other Category Average	**0.5**	**0.8**	**0.0**	**1.4**	**4.1**	**6.4**	**3.4**	**3.3**	**1.6**	**(0.1)**	**26.9**	**7.8**	**2.3**	**0.7**	**1.00**	**0.52**	**560**	**46**	**0**	**50**	**1**	**49**	**9.5**	**353**	**466**	**74**	**0.44**
I	Vanguard Mortgage-Backed Securities ETF (VMBS)	0.3	5.8	(1.3)	2.5	5.9	5.2	2.8	2.8	1.9	**2.2**	—	—	1.4	0.6	**0.50**	0.25	1,469	188	0	78	0	22	0.0	514	1,790	17	0.12
	Municipal Nat'l Bond: Short-Term Cat Average	**0.1**	**0.7**	**0.3**	**1.5**	**4.1**	**1.1**	**1.4**	**1.3**	**0.5**	**0.2**	**9.7**	**8.4**	**0.7**	**0.0**	**1.00**	**0.10**	**402**	**76**	**0**	**85**	**0**	**15**	**0.0**	**15**	**383**	**22**	**22**
I	SPDR Nuveen Barclays ST Muni Bd ETF (SHM)	**0.4**	0.9	0.9	1.3	3.5	1.4	1.4	1.5	0.9	**0.5**	12.2	**8.4**	0.9	0.0	1.33	0.14	2,609	598	0	98	0	2	0.0	17	600	10	0.20
	Municipal Nat'l Bond: Interm-Term Cat Average	**0.1**	**7.2**	**(2.7)**	**5.4**	**10.3**	**2.5**	**3.8**	**3.7**	**2.1**	**2.3**	**34.8**	**3.6**	**2.3**	**0.0**	**1.00**	**0.43**	**915**	**85**	**0**	**95**	**0**	**5**	**0.0**	**14**	**747**	**18**	**0.32**
I	Market Vectors Intermediate Muni ETF (ITM)	(0.6)	**9.0**	(3.5)	6.1	**12.6**	2.4	**4.4**	**4.3**	**2.5**	**2.4**	**36.0**	—	2.4	0.0	1.21	0.51	1,070	246	0	100	0	0	0.0	1	1,241	4	0.24
	Municipal Nat'l Bond: Long-Term Cat Average	**(1.2)**	**15.5**	**(7.2)**	**10.4**	**17.4**	**2.5**	**6.0**	**5.8**	**3.2**	**3.5**	**45.0**	**(1.1)**	**3.9**	**0.6**	**1.00**	**0.78**	**442**	**128**	**0**	**100**	**(1)**	**1**	**(0.0)**	**13**	**227**	**24**	**0.47**
I	PowerShares Build America Bond ETF (BAB)	(1.7)	15.7	**(5.1)**	11.4	20.9	**9.3**	7.5	7.3	**4.2**	3.3	—	—	4.8	2.0	0.90	0.69	690	290	0	99	0	1	0.0	—	254	20	0.27
	Municipal Nat'l Bond: High Yield Cat Average	**0.1**	**15.1**	**(7.5)**	**16.7**	**9.4**	**2.6**	**5.6**	**5.1**	**4.2**	**4.2**	**70.7**	**—**	**4.2**	**0.0**	**1.00**	**0.69**	**692**	**130**	**0**	**99**	**0**	**1**	**0.0**	**21**	**609**	**11**	**0.38**
I	Market Vectors High-Yield Municipal ETF (HYD)	**0.8**	13.8	(8.1)	16.7	**9.4**	**2.6**	**5.6**	**5.1**	3.6	**5.7**	**70.7**	—	4.9	0.0	**0.97**	0.67	1,577	311	0	100	0	0	0.0	21	1,051	8	0.35
	Municipal Bond: State Specific Category Average	**(0.1)**	**11.2**	**(3.7)**	**7.7**	**12.2**	**0.8**	**4.7**	**4.6**	**3.3**	**3.2**	**41.3**	**(0.2)**	**2.9**	**0.0**	**1.00**	**0.51**	**140**	**15**	**0**	**97**	**0**	**3**	**0.0**	**17**	**203**	**25**	**0.24**
I	iShares Cali AMT-Free Muni Bond (CMF)	(0.1)	10.0	**(1.9)**	7.7	11.9	**1.5**	4.9	4.8	**3.6**	3.0	40.2	**3.5**	2.7	0.0	**0.91**	0.47	393	18	0	98	0	2	0.0	6	579	8	0.25
	International Bond: General Category Average	**(2.9)**	**1.9**	**(1.0)**	**8.2**	**1.2**	**4.2**	**1.3**	**1.3**	**0.8**	**(6.6)**	**20.8**	**(3.6)**	**2.0**	**0.7**	**1.00**	**0.76**	**301**	**50**	**1**	**87**	**5**	**7**	**69.4**	**36**	**415**	**23**	**0.51**
I	SPDR DB Intl Govt Inflation-Prot Bd ETF (WIP)	(4.5)	(0.4)	(4.8)	**14.0**	2.5	**6.8**	**3.7**	**3.9**	(0.3)	(11.3)	**45.7**	—	0.8	0.9	1.16	0.88	770	69	0	100	0	0	99.6	19	113	23	0.50
	International Bond: Emerging Category Average	**0.6**	**0.0**	**(4.7)**	**13.8**	**2.8**	**11.6**	**6.1**	**6.1**	**1.3**	**(5.3)**	**86.6**	**(14.7)**	**4.3**	**1.7**	**1.00**	**0.80**	**564**	**111**	**1**	**88**	**2**	**9**	**87.3**	**37**	**183**	**25**	**0.50**
I	PowerShares Emerging Markets Sov Dbt ETF (PCY)	0.7	**9.2**	(9.8)	**21.0**	**8.2**	**11.7**	**6.4**	**6.3**	3.5	**(0.3)**	**91.7**	**(14.7)**	4.9	1.9	1.23	0.99	2,511	753	0	100	0	0	99.9	—	83	16	0.50
	Currency Category Average	**(2.8)**	**(5.9)**	**(2.8)**	**1.0**	**(1.8)**	**3.7**	**(1.8)**	**(1.8)**	**(4.3)**	**(9.1)**	**0.3**	**(10.8)**	**0.2**	**0.1**	**1.00**	**0.90**	**101**	**168**	**0**	**1**	**9**	**90**	**0.9**	**2**	**5**	**10**	**0.57**
I	CurrencyShares Swiss Franc ETF (FXF)	**5.8**	(10.9)	2.5	1.8	(0.7)	**10.5**	**2.4**	**2.4**	**(0.1)**	(5.7)	**21.2**	0.6	0.0	0.0	1.04	0.93	166	8	0	0	0	100	0.0	0	1	0	0.40

Source: "The Individual Investor's Guide to Exchange-Traded Funds 2015," August 2015 AAII Journal. *Data from Morningstar Inc. is through June 30, 2015.*

**Bull market is defined as 3/1/2009 through 6/30/2015. Bear market is defined as 11/1/2007 through 2/28/2009.*

Go to www.aaii.com/guides/etf-guide for the complete list of ETFs covered by AAII.

Dynamic Biotech & Genome ETF (PBE), and much higher than the second-place top performer, iShares Nasdaq Biotechnology ETF, which had 33% turnover. With higher turnover, comes higher expense.

Speaking of expense, it's important to remember that ETFs are tax-efficient, but not tax-free. The tax-cost ratio measures how much a fund's annualized return is reduced by the taxes investors pay on distributions. In the case of the top two five-year performers, the SPDR S&P Biotech has a tax-cost ratio of 0.3%, while the iShares Nasdaq Biotechnology ETF's tax-cost ratio is 0.0%. This means that on average each year, investors in the SPDR Biotech ETF lost 0.3% of their investment dollars to taxes for shares held in a taxable account.

The second-place iShares Nasdaq Biotechnology tracks biotechnology (80% of its holdings) and pharmaceuticals (15% of its holdings) stocks listed on the NASDAQ. The ETF tracks a modified market-cap-weighted index where larger-cap biotechnology firms maintain a higher presence than smaller-cap holdings. As a result, the fund has comparably less volatility, with a total risk index of 2.09.

The iShares Nasdaq Biotechnology ETF's largest holdings—Celgene Corp. (CELG), Amgen Inc. (AMGN), Gilead Sciences (GILD), Regeneron Pharmaceuticals Inc. (REGN) and Biogen Inc. (BIIB)—are some of the biggest companies in the biotechnology sector. High rates of earnings growth over the past five years for most of these companies, along with their reduced sensitivity to economic trends, have helped attract investors to these stocks. The fund also benefits from the mergers and acquisitions trend in the pharmaceuticals industry.

Although market-cap-weighted indexes have their benefits, it's important to remember their caveats. While assigning a bigger weighting to larger companies can lower overall volatility, it also ensures that the larger-cap holdings have a greater effect on performance. Weak price performance by one or more of the index's top holdings would negatively impact overall returns. In the iShares Nasdaq Biotechnology ETF's case, 58% of the portfolio is in its top-10 holdings. The iShares Nasdaq Biotechnology ETF does limit the weightings of its largest holdings, however.

The SPDR S&P Biotech ETF outperformed the iShares Nasdaq Biotechnology ETF in 2010, 2012 and 2014, and has outperformed it by 14.2% this year as of the end of June. Looking further back, iShares Nasdaq Biotechnology underperformed SPDR S&P Biotech during the bear market from November 1, 2007, to February 28, 2009, but subsequently outperformed during the bull market spanning from March 1, 2009, to June 30, 2015.

Top Performers Outside of Health Care

The four funds that dropped from last year's top-10 ETF rankings are all are outside the health care sector: the iShares US Home Construction ETF (ITB), the First Trust US IPO Index ETF (FPX), the Guggenheim Spin-off ETF (CSD) and the SPDR S&P Homebuilders ETF (XHB). The shift to five-year performance helped to remove these funds out of this year's top overall list. However, First Trust US IPO Index ETF, Guggenheim Spin-off ETF and the SPDR S&P Homebuilders ETF still rank among the top performers in their respective categories this year.

The First Trust US IPO Index ranks 11th in terms of five-year performance, closely followed by two more health care ETFs: the Vanguard Health Care ETF (VHT) and the iShares US Healthcare ETF (IYH). The First Trust US IPO Index made it to the top 10 list last year and the year prior. This ETF invests in companies that completed their initial public offerings within approximately the past four years. The First Trust US IPO ETF has ranked within the top quartile for large-cap stock ETFs during three out of the past five full-calendar years (not including its top performance year-to-date). While it is slightly more risky than its category average, as illustrated by its category risk index of 1.24, the ETF's tax-cost ratio of 0.3% is below the large-cap category average of 0.6%.

Aside from the wave of outperformance by health care funds, two retail and consumer discretionary sector funds ranked among the top 20: SPDR S&P Retail ETF (XRT) in the 14th spot and the Vanguard Consumer Discretionary ETF (VCR) in the 16th spot.

What If We Ranked By Three-Year Performance?

For those curious about what the top-performing ETFs would have been if we continued to use a three-year period instead of expanding the analysis to five years, the results do not differ significantly. Seven of the 10 best-performing ETFs over the past five years also have among the best three-year returns. In order, they are: SPDR S&P Biotech ETF, iShares Nasdaq Biotechnology, First Trust NYSE Arca Biotech ETF (FBT), PowerShares Dynamic Biotech & Genome ETF, PowerShares Dynamic Pharmaceuticals ETF, SPDR S&P Pharmaceuticals ETF and First Trust Health Care AlphaDEX ETF (FXH). However, three different ETFs took second, seventh and 10th place as compared to five-year performance rankings. Market Vectors Biotech (BBH), an ETF that was incepted at the end of 2011 (and therefore lacks a five-year performance figure) ranked second-best on a three-year basis as of June 30, 2015. Seventh place would have gone to the only top ETF not tracking the health care sector, the Guggenheim Solar ETF (TAN). This ETF tracks the MAC Global Solar Energy Index and invests in U.S. stocks, foreign stocks, American depositary receipts (ADRs) and global depositary receipts (GDRs). Unlike the Market Vectors Biotech ETF, Guggenheim Solar ETF has been around since 2008. SPDR S&P Health Care Services (XHS) would have come in 10th place. The ETF was launched in September of 2011 and therefore lacks five years of return data.

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.

Table 1 on pages 8 through 13 shows the top ETFs by category. Five-year performance was calculated through June 30, 2015, to match the statistics displayed in "The Individual Investor's Guide to Exchange-Traded Funds 2015," which was published in the August 2015 *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, 2015) 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 fund shares have traded at over the period.

The online version of this article, available on AAII.com, contains a list of the 50 top-performing funds, as opposed to the top 10 displayed in the print edition.

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

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to tolerate increased risk since the downside is not as calamitous. The optimal glide path also increases exposure to equities, starting with an allocation of 40% and increasing to 80% (Figure 4). Again, the household is more willing to tolerate asset risk (price volatility) because of the safety net provided by the guaranteed income. We confirm in our model that the optimal withdrawal rate and equity allocation increase as guaranteed income increases compared to savings (Figure 5).

This is the second reason that rising equity glide paths make sense. With a pattern of declining savings, guaranteed income becomes relatively more important over time. When guaranteed income is the primary component of retirement income, it is optimal to accept more risk with exposure to equities.

We should also point out here that as guaranteed income becomes a more important component of overall retirement income, the improvement from rising equity glide paths shrinks. The certainty equivalence for the optimal glide path is only about 0.1% higher than for the static 50/50 allocation.

Conclusion

This article provides two mathematical explanations for why rising equity glide paths may improve performance, albeit by a small amount.

First, calibrating an appropriate withdrawal rate is critically important for maximizing utility. The withdrawal rate and equity allocation decisions must be coordinated. A higher withdrawal rate may require a more aggressive equity allocation. Likewise, a higher equity allocation may allow for a higher withdrawal rate. If retirees are spending from principal, as they are in our model, then a constant dollar withdrawal will become a higher percentage of the remaining portfolio. As the withdrawal percentage increases, we have shown that it is optimal for the allocation to equities to increase as well, consistent with the rising equity glide path.

Second, the results from this paper and others show that optimal equity allocations and withdrawals increase as the ratio of guaranteed income to savings increases. Again, this is consistent with the advantages of the rising equity glide path. If retirees are spending from principal, then pension and Social Security income become relatively more important sources of income. The logic follows that it is optimal to increase exposure to equities as savings shrink.

These results highlight two reasons that help explain why rising equity glide paths may be optimal for many households. ➤

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quick visit to an ETF family's website can give you the list of current holdings and information about the underlying index. 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. ➤

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