Questions and Answers from AAII + Better Investing: Portfolio-Building With ETFs Webinar

Question: How can I check if the price of the ETF's share is good?

Answer: Here are some things to think about to get started. Unlike a stock, the share price of an ETF by itself doesn't tell you whether it's "good" or "bad." ETFs are funds, so what really matters is the relationship between the market price (what it's trading at) and the value of what's inside (called the net asset value, or NAV). The key concept is the premium or discount to NAV: *Premium:* Market price > NAV and *Discount:* Market price < NAV. Check to see if it is trading close to NAV. Large gaps may mean the ETF is temporarily mispriced or illiquid. Has it underperformed or outperformed its benchmark and how closely does it mirror the index? Are you buying after a large run-up, or during a pullback? You can also look at a similar ETF. Check one-year, three-year, and five-year performance data. Expense ratios are a good data point to keep in mind (lower is better) when doing your research.

Question: I have access to Morningstar through my public library. Could you highlight the key benefits from using the AAII website rather than simply going direct to the Morningstar website.

Answer: AAII's ETF screener allows searching and filtering per an investor's strategy. It takes that data further by interpreting and applying it to individual investor's strategies. The screener provides AAII A+ Investor grades for NAV and price returns, category risk and expense ratios. Other ETF features and tools also allow a personalized approach bringing additional analysis for grouping and comparing with multiple criteria.

Question: Is there a way to look at total return (that including dividends)?

Answer: Yes. The calendar year-end return, include income and capital gains.

Question: Can you compare ETF performance on a single chart, or download data to xls?

Answer: Yes. You can sort from ascending to descending (and vice versa) on the column within each tab in the screener or you can export to Excel for more advanced sorting. The ETF compare functionality will allow you to see everything on one page.

Question: Is it possible to display Sharpe and Sortino ratios for ETFs?

Answer: The AAII ETF screener, evaluator and comparison tools do not currently display Sharpe and Sortino ratios but we do show alpha, beta and standard deviation. We will consider this for a future product enhancement.

Question: Is there a screening criteria that measures ETF assets?

Answer: Yes. You would select “Share Class Assets” in the filter then you can enter a threshold of greater than, equal to or less than. For example, I frequently use that filter to provide only ETFs that have more than $50 million assets.

Question: What's the difference between a grade of A & B etc.

Answer: The AAII A+ Investor letter grades for funds and ETFs are calculated by segmenting the ETFs in the respective mutual fund and ETF categories into quintiles (20% increments) and then assigning an A grade for funds or ETFs (or their overall categories) that rank in the top 20% for any performance-related fields and in the bottom 20% for any risk and expense fields.

Note that the grades refer to an ETF’s ranking within its category, which makes for better apples-to-apples comparisons.

Question: Is it possible to screen out funds with low A+ Investor Grades?

Answer: Absolutely! You would use the return rank within category filters to select the ETFs. You may have to experiment a little starting with 80%-100% then adjusting based on how many pass the filter. For category risk rank, you would want to use the lower end of the scale to select lower risk ETFs as you would when filtering on the expense ratio category rank.

Question: When you save a sorted ETF screen, where is it stored, on one's computer or in the cloud of AAII? And who has access to it other than the creator?

Answer: You and the AAII tech team are the only ones who have access to saved screens (set of filters). We save the filters in our database in the “cloud” which runs against the current data.

Question: 89 ETFs really? I really think you need to bring that down to a manageable number. Is this for complete newbies?

Answer: The U.S. large-blend ETF category is very expansive which is why so many ETFs passed this screener. You could apply additional filters to narrow further. AAII’s ETF screener definitely makes researching ETFs easier and more approachable for those who are new to ETFs and for new AAII subscribers.

Question: What time of month is ETF data updated?

Answer: Morningstar provides updated data as of the end of each month. We update it on our website when available from Morningstar and during the first week of the new month.

Question: What is the difference between the expense ratio and the tax cost ratio.

Answer: The tax-cost ratio measures how much a fund's annualized return is reduced by the taxes paid on distributions, assuming the maximum marginal tax rate. The expense ratio is the annual fee that investors pay to cover the fund's operating costs, expressed as a percentage of the fund's average assets under management (AUM).

Question: How can ETFs be screened for high-medium-low dividends levels?

Answer: Yes. You would look at the Yield which can be found under the Portfolio tab of the ETF screener. Income for the most recent 12 months divided by the month-end net asset value. The yield figure is useful for investors seeking income and also to compare the income emphasis of funds within and among investment categories.

Question: Does this list any Yeildmax ETFs?

Answer: Yes. You could filter on those with the Fund family filter.

Question: What is the subscription cost for this AAII ETF system?

Answer: We have the following special offer good until the end of the year. A+ Investor 1-Year Subscription $97 and AAII Platinum 1-Year Subscription $198.