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Aug. 16, 2014 1:44 a.m. ET

ELECTRONIC INVESTOR

Where to Shop for ETFs

Two Websites, XTF.com and ETF Database offer comprehensive listings and helpful ratings that keep you in liquid funds.

Exchange-traded funds have been about as good to the stock market as an accommodative Federal Reserve. What's really special, though, is that they can be good for investors even when the Fed isn't so cooperative. As that time gradually approaches, it's good to know where to research online for ETFs: Two of the best spots are XTF (xtf.com) and ETF Database (ETFdb.com).

This isn't about looking for leveraged, inverse, or other narrowly focused funds. It's about finding the "safest" funds, which also happen to be the largest and cheapest. Offered by well-capitalized providers like State Street (ticker: STT) and Vanguard Group, they're broad in both assets under management and number of constituents. Many hold shares in hundreds of different companies, letting investors spread risk across an entire market sector or asset class in one trade.

Most can be found on ETF Database's Best ETFs list (etfdb.com/best-etfs). It's a table of several dozen funds on which ETFdb has bestowed A+ ratings in each of six parameters -- liquidity, cost, performance, volatility, dividend payouts, and holding concentration. Each gets profiled in great detail.

The name "Best" is a bit misleading: Individual needs vary, and no one security is best for every portfolio. But ETFdb's list is a good start on whittling down a very diverse fund universe. Free site registrants can examine a half-dozen top choices for each major market theme, such as emerging markets or commodities.

NATURALLY, XTF has its own ranking method -- a 14-factor system that adds measures such as integrity, tax efficiency, and risk. But no matter the yardstick, the same large ETFs tend to make everyone's short list. For example, XTF gives the Vanguard REIT ETF (VNQ) a 10 out of 10 rating, while ETFdb's rates it A+. Both consider it the best overall pick among real estate ETFs.

Instead of ETFdb's many curated lists, XTF emphasizes search with a very sophisticated screener to explore its database of 1,600 U.S.-listed funds. Registered users can search by fund name, constituent investments, or major themes. Both Websites offer several ways to compare and contrast the full battery of ETF metrics for traders and investors alike.

Traders like their liquidity: index-wide ETFs often are among the most traded issues of the day. With tight bid/ask spreads and annual expense ratios that often dip below 0.10%, they're much cheaper than mutual fund alternatives. Updated intraday, they offer transparency not found in mutual funds, many of whose metrics are updated quarterly.

This aspect lets XTF show traders how ETFs, their constituents, and the market segments they represent fare throughout the trading day and over different time periods. For \$39 monthly, Gold subscribers can follow the ebb and flow of individual funds and categories on color-coded heat maps of countries, asset classes, sectors, industries, and other ways of slicing the market. For \$99 monthly, Platinum users can also see how money is flowing among these subsets and export the data to Excel spreadsheets.

MANY TRADER favorites also are no-brainer options for building long-term portfolios, since they're broad enough to be asset-class proxies needed for diversification. ETFdb has put together model portfolios using a good sampling of them (etfdb.com/portfolios). The most conservative includes a Who's Who of popular market tickers including SPY, VO, IJR, EEM, BND, TIP, and, of course, VNQ. Many of these also can be found in more aggressive portfolios, but in different proportions to fit different risk profiles.

While ETFdb's Best ETFs list is free for registered visitors, the portfolio builder and pro versions of its screener and other tools require a \$199 annual ETFdb Pro subscription.

With less Fed largess and a little more volatility entering the market, ETFs could provide investors a needed cushion for the possibly bumpier road ahead.

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