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XTF Seeks To Become Go-To Place For ETF Research

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Of late, it's become more difficult to sort quality ETFs from the walking dead. In 2016 alone, there were more than \$200 billion of net inflows into ETFs, with over 200 new ETFs launched. At the same time, more than 100 ETFs were delisted.

Global research firm XTF offers financial advisors and investors interested in the ballooning ETF universe a powerful toolset at its website, xtf.com, to separate the wheat from the chaff.

In 2008, XTF was founded to focus solely on ETF research and analytics. The London Stock Exchange Group bought the company for an undisclosed sum in December 2015, then placed XTF along side its behemoth indexing unit, FTSE Russell.

XTF serves broker-dealers, RIAs, hedge funds and investors with extensive data covering the entire exchange-traded product market, including all 1,950 ETPs within the U.S.

Advisors using ETFs have several options to tap into ETF analysis, including industry stalwart Morningstar and the ETF-oriented list site ETFdb.com. Unlike Morningstar, XTF is focused solely on ETFs, and though ETFdb's lists and data are also comprehensive, it lacks many of XTF's search and sorting functions.

XTF's subscription model has helped it to maintain its independence and objectivity from products and indexes, says president and CEO Mel Herman.

"From the very beginning, we have never been paid by issuers or by the exchanges, we don't take fees for listing ETFs, we're totally agnostic," Herman says. "We pride ourselves on that. Even after the acquisition, we're run separately from FTSE Russell's indexing businesses. Nobody has influence over our methodology and views. In fact, we don't put out research reports, so we don't even have a view. We're just here to provide the best analytics and data for the user that we can."

XTF's search and classification system organizes ETFs along four top line categories – geography, asset class, index and investment philosophy. Each category is broken out into additional attributes. For example, under "philosophy" category, ETFs are sorted among passive, active and enhanced strategies – enhanced strategies being XTF's generic name for smart-beta and multi-factor ETFs.

Within enhanced strategies, users can view ETFs whose selection and weighting schemes are based on contango, dividend income, fundamental growth, long/short equity, market neutral, risk or volatility management, or theme. Herman says that the company will expand its ability to sort ETFs by factor exposures in the near future, enabling advisors to better compare multi-factor products.

Eventually, an ETF user could use XTF to compare several different ETFs that all trade on different exchanges and in different currencies, but follow the same index, to find the best product in the best place for their assets.

“If you’re deciding that you want to be in an emerging market ETF, you can not only zero in on all of the emerging market ETFs rather quickly, you can also see how they’re rated, what kind of exposures their giving you and how they’ve performed,” Herman says. “It allows the user to make better-informed decisions and hone in on the product that is best suited for their goals.”

XTF also allows users to search for an individual security to see how many funds hold it, and publishes top 10 lists of ETFs by outflows, trading volume, yield and other characteristics, as well as lists of top fund sponsors and of newly listed ETFs, all updated daily.

When researching an individual ETF, XTF provides details on fund composition, asset class categorization, style, sector, performance metrics, fund lows out to five years, liquidity, bid-ask spreads, efficiency, gap gains, tracking error, annualized returns, earnings yield, dividend yield and momentum. Each fund page also includes a list of similar ETFs in terms of objectives so that advisors can compare funds side-by-side to find the best product for their clients.

Fund details are available in text, spreadsheet and oftentimes graphical form. In addition to line graphs showing funds’ historical performance, XTF’s pie charts allow advisors to visualize exposures by geography, currency, sector, industry and other characteristics.

Herman says that XTF is the only site that allows investors to make visual comparisons of ETFs across multiple attributes. Five-page fact sheets for individual ETFs are updated every day and are downloadable and printable in PDF form.

XTF also analyzes and ranks products on 14 different data points, including structural integrity characteristics like tracking error, alpha, efficiency, concentration risk, expense ratio and market impact. In addition, XTF reports investment metrics like Sharpe ratios, yields and standard deviations.

An ETF’s overall rating is produced when its structural integrity characteristics and investment metrics are combined. An in-house team at XTF uses a proprietary weighting scheme to perform all of the calculations.

XTF is also in the process of rolling out a portfolio rating system, says Lars Jimmie Asplund, FTSE Russell’s managing director of global product development.

“We’re going to give the user the ability to use our ratings methodology to score his own basket of investments and the ability to back test using our historical data,” Asplund says. “Other ratings systems can’t handle that level of complexity.”

As the U.S. Department of Labor prepares to apply a more stringent fiduciary standard to advice within retirement savings plans, regulators will for the first time require ETF selection within those accounts to meet more stringent best-interest standards.

“We feel that the majority of the future growth of the ETF industry is going to come from the wealth management space,” says Asplund. “They’re being used more widely by financial advisors, and XTF was a natural place for us to go. As we start to engage more directly with advisors, XTF is going to increase in value as an asset.”

ETF proliferation itself may feed into the demand for the kind of in-depth analysis provided by XTF.

“Especially as new products come out and move beyond the simple smart-beta funds we’ve seen to date, there’s going to be a huge need for education around ETFs,” Asplund says. “Multi-factor and other enhanced strategies are difficult to analyze without in-depth tools.”