



The Best ETFs for a Growth Portfolio

By David Kreinces, ETF PM (4/3/14 Updated)

Exchange-traded funds (ETFs) have been the fastest growing portfolio structure on Wall Street for many years. In fact, the world's largest asset management firms are also the largest ETF providers. So, which ETFs are best?

See the sample core growth portfolios below from [iShares](#), [Vanguard](#), [Warren Buffett](#), and [ETF PM](#):

Growth Portfolios								As of 3/31/14
Performance								
Portfolio	Symbol	% Risk Assets	10.3 Year Annualized	10.3 Year Total	Worst Year	YTD	Annual Yield	Expense Ratio
iShares	AOR	60%	6.7%	95%	-21%	1.7%	1.9%	0.30%
Vanguard	VASGX	80%	6.7%	95%	-34%	1.7%	1.9%	0.17%
Buffett	WB	90%	7.1%	101%	-32%	1.5%	1.9%	0.10%
S&P 500	SPY	100%	7.3%	106%	-37%	1.7%	2.0%	0.09%
70/30 Growth	70/30	70%	8.3%	127%	-16%	3.5%	2.3%	0.11%
ETF PM	eMAC	70%	8.4%	129%	-26%	2.8%	2.0%	0.11%

Note: All data as of 3/31/14. Index performance was used when fund performance was unavailable. Hypothetical estimates include annual rebalancing and no transaction costs. Worst Year is worst calendar year since 2000. Past performance is not an indication of future results. See full disclosures online at Vanguard, iShares, and ETF PM.

iShares Growth (AOR) – 60% Risk Assets

The iShares Growth ETF (AOR) has over \$250 million in assets with roughly 60% in developed country equities, and 40% in bonds. This core growth ETF has a trailing 10.3 year annualized return estimate of 6.7%.

Portions of the historical data for AOR were estimated with 40% IWV, 20% EFA, and 40% AGG.

Vanguard Growth (VASGX) – 80% Risk Assets

The Vanguard Growth index fund ([VASGX](#)) has over \$10 billion in assets with roughly 80% in developed country equities, and 20% in bonds. This core growth index fund has a trailing 10.3 year annualized return of 6.7%.

Historical performance for VASGX can be simulated with 55% VTI, 25% VEA, and 20% BND.

Warren Buffett (WB) – 90% Risk Assets

[Warren Buffett](#) recently provided his index fund portfolio recommendation. Buffett advises his trustee to target aggressive growth with 90% S&P 500 and 10% cash. This portfolio has a trailing 10.3 year annualized return of 7.1%.

Historical performance for WB can be simulated with 90% SPY and 10% SHY.

70/30 Growth – 70% Risk Assets

One well known growth portfolio benchmark is 70% S&P 500 and 30% Long-Term Treasuries (70/30 Growth). 70/30 Growth has a trailing 10.3 year annualized return estimate of 8.3%. On a risk adjusted basis, 70/30 Growth performed best by avoiding a larger decline in 2008.

Historical performance was estimated with 70% SPY and 30% TLT.

eMAC Growth – 70% Risk Assets

At ETF PM, we recommend a growth benchmark portfolio based on David Swensen's prescription in "Unconventional Success," and his revisions. As a leading endowment fund manager at Yale University, and a vocal critic of the conflicts of interest on Wall Street, Swensen is an ideal architect for a portfolio benchmark.

This efficient multi-asset class ([eMAC](#)) allocation is 55% global equities, 15% real estate investment trusts (REITs), and 30% treasury bonds, using six leading ETFs from Vanguard and iShares. The trailing 10.3 year annualized return estimate is 8.4%.

Historical performance was estimated with 30% VTI, 15% VEA, 10% VWO, 15% VNOQ, 15% IEF, and 15% TIP.

The Bottom Line

The eMAC investable benchmark performed best over the trailing 10.3 year period because it includes emerging markets and real estate, both of which outperformed. While nobody can consistently predict which of these strategic indexing solutions will do best, they all present a great starting point for growth investors.

David S. Kreinces is the Founder of ETF Portfolio Management (ETF PM), a revolutionary financial advisory firm that specializes in rules-based investing and risk control. He has over 20 years of professional investment experience in multiple asset classes and investment processes. He is an expert in trend following and successfully delivered gains in the crash of 2008. See www.etfpm.com and www.InvestableBenchmarks.com.