

## Cambria Finds Itself in Great Company

Today, a post that we're quite proud to share with you.

There are many ways to evaluate asset managers. There's whether or not the manager actually invests in his/her own fund (most don't)... There's the management fee itself (often too high)... For active managers, there's whether he/she actually follows the fund's stated, unique strategy (many do so poorly, and instead, end up becoming "closet indexers")... Then, of course, there's a bottom-line analysis of risk-adjusted returns (where most fail to beat a simple index fund).

Another metric is the independent rating system from respected financial services firm, Morningstar. The shop rates funds from one to five stars, based on how well they've performed (after adjusting for risk) in comparison to similar funds. Within each Morningstar Category, the top 10% of funds receive five stars, the next 22.5% four stars, the middle 35% three stars, the next 22.5% two stars, and the bottom 10% receive one star. Funds are rated for up to three time periods—three-, five-, and 10 years—and these ratings are combined to produce an overall rating. Ratings are objective, based entirely on a mathematical evaluation of past performance.

Obviously, issuing a fund that receives a Morningstar Rating™ of four- or five-star ratings is challenging – let alone being an ETF provider that issues *multiple* funds that receive four- or five-star ratings. Yet, we're proud to announce that Cambria has done just that. Below are the four Cambria funds with a four- or five-star Morningstar Rating™.\*

**Cambria Global Value ETF: Morningstar Rating™:** ★★★★★

Overall Morningstar Rating™ out of 53 Foreign Small/Mid Value funds as of 10/31/2018

**Cambria Shareholder Yield ETF: Morningstar Rating™:** ★★★★★

Overall Morningstar Rating™ out of 363 Mid-Cap Value funds as of 10/31/2018

**Cambria Foreign Shareholder Yield ETF: Rating™:** ★★★★★

Overall Morningstar Rating™ out of 53 Foreign Small/Mid Value funds as of 10/31/2018

**Cambria Global Asset Allocation ETF: Morningstar Rating™:** ★★★★★

Overall Morningstar Rating™ out of 393 World Allocation funds as of 10/31/2018

Not bad!

But this doesn't quite tell the whole story. You see, Cambria is positioned as one of the highest-rated ETF shops in the entire investment industry as measured by the Morningstar Rating™ system. Let's dig into the details to illustrate.

We screened all ETF issuers that had at least five funds with a Morningstar Rating™. We did this to eliminate the smaller ETF issuers that only offer one or two funds. This established a universe of 26 fund families. We then averaged the Morningstar Rating™ score for each fund family. (This was a simple average. For instance, if a firm had four rated funds, two of which had 5-star ratings and two of which had 1-star ratings, the "average rating" would be a 3.)

Where did Cambria come in?

Number #5 out of 26 firms!

Below, we present the top five firms with the highest average Morningstar Rating™ of their funds as of 11/01/18 – a pretty impressive list:

1. Oppenheimer
2. Fidelity
3. Charles Schwab
4. Vanguard Group

**5. Cambria**

Of course, to be objective, it's important to remember that a Morningstar Rating™ reflects *past* returns. It's not designed to predict performance going forward. In that way, it's more of a report card than a crystal ball. However, the rating system might be a helpful tool for identifying potential investments. One paper from [Morningstar](#) reports: "While the star rating has inherent limitations given its reliance on past performance, our analysis suggests that it can be a useful starting point for fund research. Indeed, the star rating appears to point investors toward cheaper funds that are easier to own and likelier to outperform in the future, qualities that correspond with investor success."

Additionally, we believe it might be helpful to view the Morningstar Rating™ system as a way to see the forest rather than the trees – meaning, we believe the ratings might be less about analyzing the performance of any one, given fund, and more so about identifying the handful of stand-out ETF shops that have created multiple funds that have outperformed their peers.

In any case, we're proud that Cambria finds itself positioned amidst such successful, respected ETF shops, and we look forward to doing all we can to see more of our funds land four- and five- star ratings in the future.

If you have any interest in discussing one of our funds, or how our products might benefit your investment approach or portfolio, I'd be happy to chat. After all, we're pleased to say that over 30,000 investors have now turned to Cambria for investment solutions. If you're curious whether we might be right for you, please reach out to me at [mf@cambriainvestments.com](mailto:mf@cambriainvestments.com) to set up a call.

Good investing,

Meb

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**The Morningstar Rating™ for funds, or "star rating", is calculated for managed products (including mutual funds, variable annuity and variable life subaccounts, exchange-traded funds, closed-end funds, and separate accounts) with at least a three-year history. Exchange-traded funds and open-ended mutual funds are considered a single population for comparative purposes. It is calculated based on a Morningstar Risk-Adjusted Return measure that accounts for variation in a managed product's monthly excess performance, placing more emphasis on downward variations and rewarding consistent performance. The top 10% of products in each product category receive 5 stars, the next 22.5% receive 4 stars, the next 35% receive 3 stars, the next 22.5% receive 2 stars, and the bottom 10% receive 1 star. The Overall Morningstar Rating for a managed product is derived from a weighted average of the performance figures associated with its three-, five-, and 10-year (if applicable) Morningstar Rating metrics. The weights are: 100% three-year rating for 36-59 months of total returns, 60% five-year rating/40% three-year rating for 60-119 months of total returns, and 50% 10-year rating/30% five-year rating/20% three-year rating for 120 or more months of total returns. While the 10-year overall star rating formula seems to give the most weight to the 10-year period, the most recent three-year period actually has the greatest impact because it is included in all three rating periods.**

\*Two of Cambria's Funds received star ratings below 4 stars. These ratings were used in the average calculation. The Cambria Value and Momentum ETF received a 2 star overall rating out of 194 long/short equity funds as of 10/31/2018. The Cambria Global Momentum ETF received a 3 star overall rating out of 393 world allocation funds as of 10/31/2018.

Opinions expressed by Morningstar or author are for informational purposes only and should not be considered investment advice.

Investing involves risk, including the possible loss of principal.

**To determine if this Fund is an appropriate investment for you, carefully consider the Fund's investment objectives, risk factors, charges and expense before investing. This and other information can be found in the Fund's full or summary prospectus which may be obtained by calling 855-383-4636 (ETF INFO) or visiting our website at [www.cambriafunds.com](http://www.cambriafunds.com). Read the prospectus carefully before investing or sending money.**

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