

Best-in-Class ETF Recommendations 2026

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2026 Best-in-Class Equity ETF Recommendations			
Asset Classes	Non-Traditional Index Funds		Trad. Index Funds
EQUITIES	Avantis ETF	DFA ETF	Vanguard
US Large Cap Blend	Avantis U.S. Large Cap Equity ETF (AVLC)	Dimensional U.S. Equity Market ETF (DFUS)	Vanguard S&P 500 ETF (VOO)
US Large Cap Value	Avantis U.S. Large Cap Value ETF (AVLV)	Dimensional US Large Cap Value ETF (DFLV)	Vanguard Value Index Fund ETF (VTV)
US Small Cap Blend	Avantis U.S. Small Cap Equity ETF (AVSC)	Dimensional US Small Cap ETF (DFAS)	Vanguard Small-Cap Index Fund ETF (VB)
US Small Cap Value	Avantis U.S. Small Cap Value ETF (AVUV)	Dimensional US Small Cap Value ETF (DFSV)	Vanguard SMP Small-Cap 600 Value Index Fund ETF (VIOV)
US REIT	Avantis Real Estate ETF (AVRE) – ~30% Int'l	Dimensional US Real Estate ETF (DFAR)	Vanguard Real Estate ETF (VNQ)
Int'l Large Cap Blend	Avantis International Equity ETF (AVDE)	Dimensional Int'l Core Equity Market ETF (DFAI)	Vanguard FTSE Dev. Markets ETF (VEA)
Int'l Large Cap Value	Avantis Int'l Large Cap Value ETF (AVIV)	Dimensional International Value ETF (DFIV)	Vanguard Int'l Hi Div Yld Indx ETF (VYMI)
Int'l Small Cap Blend	Avantis International Small Cap Equity ETF (AVDS)	Dimensional International Small Cap ETF (DFIS)	Vanguard FTSE All-Wld ex-US SmCp ETF (VSS)
Int'l Small Cap Value	Avantis International Small Cap Value ETF (AVDV)	Dimensional Int'l Small Cap Value ETF (DISV)	<i>NA – Use AVDV, DISV, or more VYMI & VSS</i>
Emerging Markets	Avantis Emerging Markets Equity ETF (AVEM)	Dimensional Em. Markets Core Eq. 2 ETF (DFEM)	Vanguard FTSE Em. Markets ETF (VWO)

2026 Best-in-Class Fixed Income ETF Recommendations		
FIXED INCOME	For Tax-Deferred Accounts	For Taxable Accounts
Intermediate Term Treasury Bonds	SPDR® Bimbg Barclays (SPTI) or Vanguard Int. Term Trs (VGIT) 50%	SPDR® Bimbg Barclays (SPTI) or Vanguard Int. Term Trs (VGIT) 15%

Short-Term Treas. or Muni Bonds	Vanguard Short-Term Govt. Bond (VGSH) 30%	iShares (SUB) or Vanguard Short-Term Tax-Exempt Bond (VTES) 40%
TIPS or Short-Term Tax-Exempt Bonds	Vanguard Short-Term Infl. Prot. Securities (VTIP) 20%	Vanguard Short-Term Infl. Prot. Securities (VTEB) 45%

FAQ

Q1 – What’s the difference between traditional and non-traditional index funds?

The United States Securities and Exchange Commission characterizes them like this.

“Unlike traditional index funds, which track a market index, these funds use custom-built indexes to select the fund’s investments. By tracking a custom-built index, a non-traditional index fund may seek to achieve performance greater than a particular market or sector.”

The Avantis and DFA funds we recommend are non-traditional index funds. One clear advantage of non-traditional index funds over traditional index funds is that they don’t have to signal to the market all their trading in advance. Some studies estimate this advantage to be worth 1% to 2% per year or more in annual returns for some asset classes.

Another advantage is that they can be more selective in the stocks they choose and the timing of their trades.

Of course, the flexibility of non-traditional index funds could also lead them to drift from their target allocation or introduce more subjective and less systematic management. Neither Avantis nor DFA shows signs of these disadvantages. You can see this in Morningstar’s Portfolio Historical Stock Style section, or with Portfolio Visualizer’s Factor Analysis tool. These show that Avantis and DFA funds exhibit little to no style drift and that their performance is overwhelmingly explained by the parts of the market they are exposed to.

Q2 – What makes Avantis and DFA funds so great?

Both fund families deliver meaningful exposure to the overall stock market, small-cap stocks, and value companies at a reasonable cost. And the increase in expected returns for these exposures exceeds the increase in the expense ratio they charge. Moreover, their internal systematic trading processes aim to subtly increase exposure to other attributes that further improve expected returns. Those attributes include positive momentum and stronger financials, such as profitability.

The downside of Avantis and DFA funds is the same as the downside of our Sound Investing Portfolios. They’re different. To achieve a different return, they follow a different path, which may lag the S&P 500 or the broader stock market for months, years, or decades. That’s why the “A” in DFA stands for “Advisors.” The initial thought was that only people with an advisor would be able to stay the course and benefit from such different investing approaches.

Our hope is that the education you receive from The Merriman Financial Education Foundation will be sufficient to enable you to benefit from these attributes as a buy-and-hold investor without having to pay for and rely on an investment advisor.

Q3 – Why aren’t you evaluating and choosing from all of the available ETFs as you did before?

When we started this process, almost 10 years ago, DFA didn’t offer ETFs, and Avantis didn’t exist. Today, they both offer comprehensive ETF coverage of our target asset classes and consistently rank among the top ETFs in every equity asset class we recommend. There are no other ETF providers as rooted in the academic research on which we base our portfolio construction as DFA and Avantis. By focusing on these two ETF families, we aim to simplify the message and direct investors to *funds and companies* they can trust for the long term.

For investors who prefer traditional index ETFs, we recommend Vanguard because it is investor-owned, low-cost, widely available, and offers broader coverage of our recommended asset classes than many other fund families.

Q4 – Should I switch to the new recommendations?

This is something only you can decide. If your funds are in taxable accounts, you should consider the tax implications of selling the old funds vs. the potential benefits of the new ones. If your funds are in tax-deferred accounts, the taxes don’t matter, but your confidence in the recommendations does. If you believe the new recommendations will serve you better based on the rationale given and any additional research you do, then go ahead and switch. Ultimately, it’s probably more important to have an investment strategy you believe in and can stick with than having the ideal funds.

Q5 – What about “sustainable,” “socially responsible,” or other personal-values-oriented ETFs?

DFA has three “Sustainability” equity ETFs – US Sustainability Core 1 (DFSU), International Sustainability Core 1 (DFSI), and Emerging Markets Sustainability Core 1 (DFSE).

Avantis has three “Responsible” equity ETFs – Avantis Responsible U.S Equity (AVSU), Avantis Responsible International Equity (AVSD), and Avantis Responsible Emerging Markets (AVSE).

Since these are all essentially large-cap blend funds, it’s not possible to create an all-sustainable or all-responsible set of ETF recommendations for our Sound Investing portfolios. For investors who align with DFA or Avantis sustainable or responsible methodologies, these funds could be used to fill large-cap blend allocations in their portfolios. Whether they will under- or outperform in the future is hard to say, but for their brief histories, the difference in returns has been small.

Q6 – What about worldwide ETFs, like AVGE or DFAW?

Although these tilt toward small and value companies, they don’t provide as much exposure to those segments as our Sound Investing portfolios. Consequently, although they offer the convenience of a single fund, their long-term expected returns are lower.

Q7 – What about worldwide all-value ETFs, like AVGV?

Although the label says “value,” the ETF closely resembles a 60%/40% US/Int’l Ultimate Buy-and-Hold portfolio. Using Morningstar’s ETF analytics and portfolio X-Ray of an all Avantis implementation of the Ultimate Buy-and-Hold portfolio, I get the following metrics:

P/E -- 14.6 for UB&H, 13.6 for AVGV

Average Company Market Cap -- \$15.9B for UB&H, \$22.9B for AVGV

Expense Ratio -- 0.23% for UB&H, 0.26% for AVGV

Not surprisingly, the returns have been similar as well.

So, if someone had the faith to stick with it and wanted to use AVGV instead of one of our Sound Investing equity portfolios, I’d be hard-pressed to argue against it.

Q8 – What do I do if the best-in-class ETFs aren’t available in my retirement account?

Morningstar and Portfolio Visualizer offer many free tools to help you choose, and we also provide a list of alternative mutual funds (plus some ETFs) below.

Q9 – When and how will the Portfolio Configurator, M1 Pies, and Merriman Aggressive Glidepath Calculators be updated to reflect these new recommendations?

This requires some thought since there is no longer a single set of Best-in-Class ETFs. We hope to agree on and implement updates to all three within the next few months.

Equity Mutual Fund Alternative Recommendations (with some ETFs)			
Asset Class	Fidelity	Schwab	Vanguard
US Large Cap Blend	Fidelity® ZERO Large Cap Index (FNILX)	Schwab S&P 500 Index Fund (SWPPX)	Vanguard 500 Index Admiral Shares (VFIAX)
US Large Cap Value	Fidelity® Large Cap Value Index (FLCOX)	Schwab Fdmtl U.S. Large Co (SFLNX)	Vanguard Value Index Admiral Shares (VVIAX)
US Small Cap Blend	Fidelity® Small Cap Index (FSSNX)	Schwab Small Cap Index (SWSSX)	Vanguard Tax-Managed Small-Cap Admiral Shares ² (VTMSX)
US Small Cap Value	Fidelity Small Cap Value (FISVX)	Schwab Fdmtl U.S. Small Co (SFSNX)	Vanguard Small-Cap Value Index Admiral Share (VSIAX)
US REIT	Fidelity® Real Estate Index Fund (FSRNX)	Schwab Fdmtl Global Real Estate (SFREX)	Vanguard Real Estate Index Admiral (VGSLX)
Int'l Large Cap Blend	Fidelity® ZERO International Index (FZILX)	Schwab International Index (SWISX)	Vanguard Developed Markets Index Admiral Shares (VTMGX)
Int'l Large Cap Value	<i>iShares MSCI EAFE Value (ETF) (EFV)</i>	Schwab Fdmtl International Large Co (SFNNX)	Vanguard International Value (VTRIX)
Int'l Small Cap Blend	<i>Schwab Fundamental International Small Company Index (ETF) (FNDC)</i>	Schwab Fdmtl International Small Cap (SFILX)	Vanguard FTSE All-World ex-US Small Cap Index Admiral (VFSAX)
Int'l Small Cap Value	<i>N/A – Use Avantis or DFA funds, or a combination of large-value and small-blend to fill this allocation</i>		
Emerging Markets	Fidelity® Emerging Markets Index Fund (FPADX)	Schwab Fdmtl Emerging Mkts Large Cap (SFENX)	Vanguard Emerging Mkts Stock Index Admiral Shares (VEMAX)
¹ OCTFX has been closed to new investors. Present holders of this fund, or participants of 401k plans that offer OCTFX can and should continue to hold and add to their positions.			

Fixed Income Mutual Fund Alternative Recommendations

Asset Class	Fidelity	Schwab	Vanguard
Int.-Term Treasury Bonds	Fidelity® Intermediate Treasury Bond Index Fund (FUAMX)	Schwab U.S. Aggregate Bond Index (SWAGX)	Intermediate-Term Government Bond Index Admiral Shares (VSIGX)
Short-Term Treasury Bonds	Fidelity Short Term Treasury Bond Index (FUMBX)	Schwab Short-Term Bond Index (SWSBX)	Short-Term Government Bond Index Admiral Shares (VSBSX)
Treasury Infl.-Prot. Securities	Fidelity® Inflation-Protected Bond Index Fund (FIPDX)	Schwab Treasury Infl. Protected Sec. (SWRSX)	Short-Term Inflation-Protected Securities Index Admiral Shares (VTAPX)