



Best & Worst ETFs & Mutual Funds: Financials Sector

The Financials sector ranks 10th out of the 10 sectors as detailed in my [Sector Rankings for ETFs and Mutual Funds](#) report. It gets my Dangerous rating, which is based on an aggregation of ratings of 46 ETFs and 243 mutual funds in the Financials sector as of October 10, 2014. Prior reports on the best & worst ETFs and mutual funds in every sector are [here](#).

Figures 1 and 2 show the five best and worst-rated ETFs and mutual funds in the sector. Not all Financials sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 22 to 541). This variation creates drastically different investment implications and, therefore, ratings. The best ETFs and mutual funds allocate more value to Attractive-or-better-rated stocks than the worst ETFs and mutual funds, which allocate too much value to Neutral-or-worse-rated stocks.

To [identify the best](#) and [avoid the worst](#) ETFs and mutual funds within the Financials sector, investors need a [predictive rating](#) based on (1) the [stocks ratings](#) of the holdings, (2) the [all-in expenses](#) of each ETF and mutual fund, and (3) the fund's rank compared to all other ETFs and mutual funds. As a result, only the cheapest funds with the best holdings receive Attractive or better ratings. Investors need not rely on backward-looking ratings. My fund rating methodology is detailed [here](#).

Investors seeking exposure to the Financials sector should buy one of the Attractive-or-better rated ETFs or mutual funds from figures 1 and 2. My report on the number of good stocks in this sector is [here](#).

Get my ratings on all ETFs and mutual funds on my [mutual fund and ETF screener](#).

Figure 1: ETFs with the Best & Worst Ratings – Top 5

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	
Best ETFs				
KIE	54%	26%	18%	Very Attractive
IYG	13%	50%	35%	Very Attractive
REM	50%	20%	15%	Very Attractive
IAK	56%	11%	26%	Attractive
FXO	31%	30%	32%	Attractive
Worst ETFs				
URE	7%	21%	68%	Dangerous
REZ	11%	32%	54%	Very Dangerous
ROOF	4%	17%	68%	Very Dangerous
KBWY	0%	12%	84%	Very Dangerous
FNIO	0%	0%	99%	Very Dangerous

* Best ETFs exclude ETFs with TNAs less than \$100 million for inadequate liquidity.

Sources: New Constructs, LLC and company filings

PowerShares KBW Property & Casualty Insurance ETF (KBWP), State Street SPDR KBW Insurance ETF (KIE), and State Street SPDR KBW Mortgage Finance ETF (KME) are excluded from Figure 1 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.



Figure 2: Mutual Funds with the Best & Worst Ratings – Top 5

Ticker	Allocation of Mutual Fund Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	
Best Mutual Funds				
FSVLX	33%	39%	22%	Very Attractive
FSPCX	52%	18%	20%	Attractive
DVFX	28%	33%	18%	Attractive
PRISX	14%	39%	28%	Attractive
DFFCX	28%	33%	18%	Neutral
Worst Mutual Funds				
IREEX	3%	21%	74%	Very Dangerous
DAREX	4%	17%	77%	Very Dangerous
RYHRX	6%	17%	66%	Very Dangerous
RYCRX	6%	17%	66%	Very Dangerous
RYREX	6%	17%	66%	Very Dangerous

* Best mutual funds exclude funds with TNAs less than \$100 million for inadequate liquidity.

Sources: New Constructs, LLC and company filings

ICON Financial Fund (ICFSX) and Hennessy Large Cap Financial Fund (HLFNX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

State Street SPDR KBW Insurance ETF (KIE) is my top-rated Financials ETF and Fidelity Select Consumer Finance Portfolios (FSVLX) is my top-rated Financials mutual fund. Both earn my Very Attractive rating.

iShares FTSE NAREIT Industrial/Office Capped Index (FNIO) is my worst-rated Financials ETF and Rydex Series Real Estate Funds (RYREX) is my worst-rated Financials mutual fund. Both earn my Very Dangerous rating.

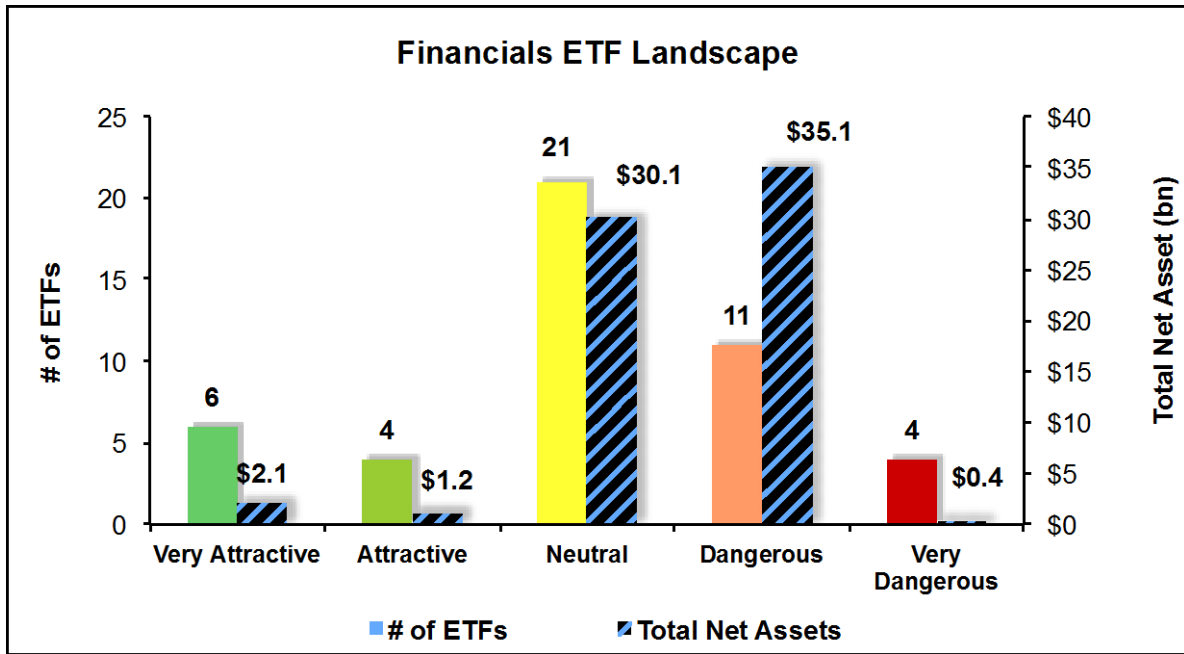
As detailed in "[Cheap Funds Dupe Investors](#)", the fund industry offers many cheap funds but very few funds with high-quality stocks, or with what I call good [portfolio management](#).

Figures 3 and 4 show the rating landscape of all Financial ETFs and mutual funds.

My [Sector Rankings for ETFs and Mutual Funds](#) report ranks all sectors and highlights those that offer the best investments.

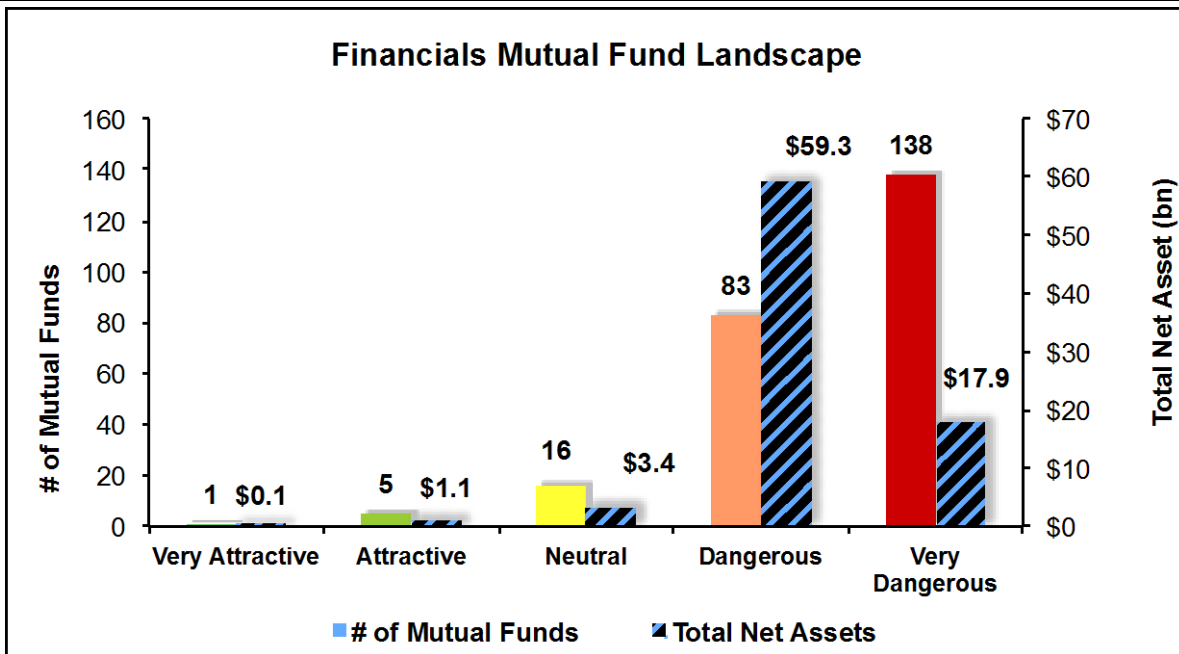


Figure 3: Separating the Best ETFs From the Worst ETFs



Sources: New Constructs, LLC and company filings

Figure 4: Separating the Best Mutual Funds From the Worst Mutual Funds



Sources: New Constructs, LLC and company filings

Review my [full list](#) of ratings and rankings along with reports on all 46 ETFs and 243 mutual funds in the Financials sector.

Sam Andrews contributed to this report.

Disclosure: David Trainer and Sam Andrews receive no compensation to write about any specific stock, sector or theme.



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