



## ETF & Mutual Fund Rankings: Financials Sector

The Financials sector ranks third out of the ten sectors as detailed in our [3Q17 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Financials sector also ranked third. It gets our Neutral rating, which is based on an aggregation of ratings of 36 ETFs and 228 mutual funds in the Financials sector as of July 12, 2017. See a recap of our [2Q17 Sector Ratings 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 47 to 581). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Financial sector should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2.

Our [Robo-Analyst technology](#) empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings. We think advisors and investors focused on prudent investment decisions should include analysis of fund holdings in their research process for ETFs and mutual funds.

**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	
<b>Best ETFs</b>				
REM	76%	13%	7%	<b>Very Attractive</b>
KBWP	75%	20%	5%	<b>Very Attractive</b>
MORT	75%	15%	6%	<b>Very Attractive</b>
XLF	52%	40%	7%	<b>Very Attractive</b>
IYG	37%	56%	5%	<b>Very Attractive</b>
<b>Worst ETFs</b>				
KBWD	33%	28%	15%	<b>Neutral</b>
FREL	21%	24%	47%	<b>Neutral</b>
VNQ	25%	27%	39%	<b>Neutral</b>
IYR	25%	24%	45%	<b>Neutral</b>
PSR	19%	23%	52%	<b>Neutral</b>

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

Sources: New Constructs, LLC and company filings

PowerShares DWA Financial Momentum Portfolio (PFI) and Oppenheimer Financials Sector Revenue ETF (RWW) 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	
<b>Best Mutual Funds</b>				
FSRBX	36%	52%	7%	<b>Very Attractive</b>
VFAIX	46%	42%	9%	<b>Very Attractive</b>
FIDSX	48%	35%	11%	<b>Attractive</b>
FFSIX	48%	35%	11%	<b>Attractive</b>
NRFNX	31%	27%	29%	<b>Attractive</b>
<b>Worst Mutual Funds</b>				
DAREX	21%	27%	42%	<b>Very Dangerous</b>
AREEX	21%	26%	42%	<b>Very Dangerous</b>
RYHRX	22%	25%	40%	<b>Very Dangerous</b>
RYCRX	22%	25%	40%	<b>Very Dangerous</b>
RYREX	22%	25%	40%	<b>Very Dangerous</b>

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

Sources: New Constructs, LLC and company filings

Fidelity Consumer Finance Portfolio (FSVLX) is excluded from Figure 2 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

iShares Mortgage Real Estate Capped ETF (REM) is the top-rated Financials ETF and Fidelity Select Banking Portfolio (FSRBX) is the top-rated Financials mutual fund. Both earn a Very Attractive rating.

PowerShares Active US Real Estate Fund (PSR) is the worst rated Financials ETF and Rydex Real Estate Fund (RYREX) is the worst rated Financials mutual fund. PSR earns a Neutral rating while RYREX earns a Very Dangerous rating.

614 stocks of the 3000+ we cover are classified as Financials stocks.

### The Danger Within

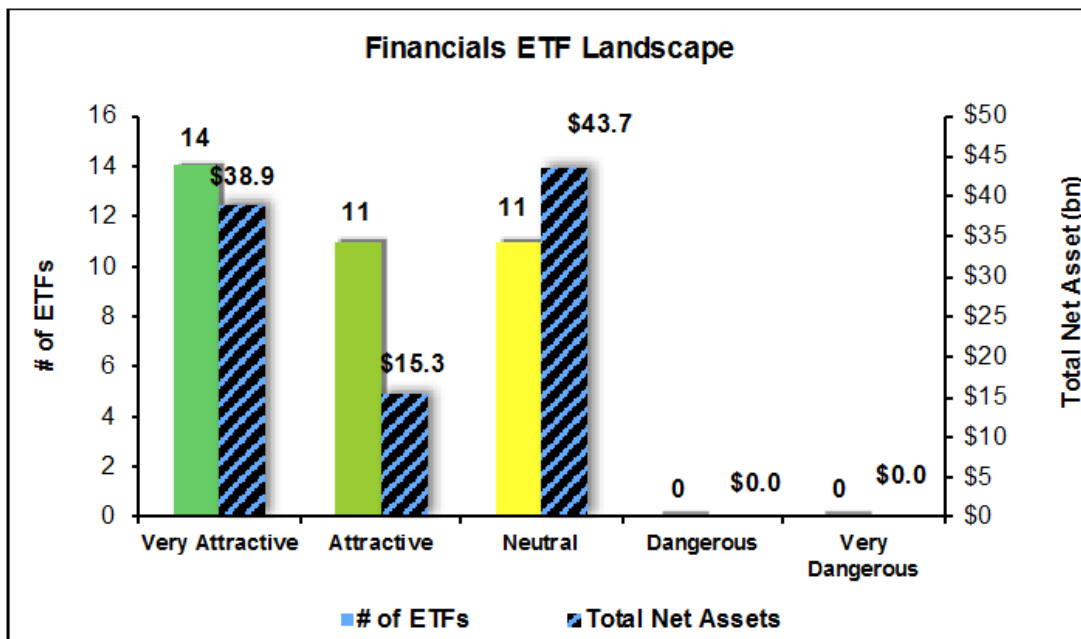
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, [see what Barron's says](#) on this matter.

PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

Analyzing each holding within funds is no small task. Our [Robo-Analyst technology](#) enables us to perform this diligence with scale and provide the [research needed](#) to fulfill the fiduciary duty of care. More of the biggest names in the financial industry (see [At BlackRock, Machines Are Rising Over Managers to Pick Stocks](#)) are now embracing technology to leverage machines in the investment research process. Technology may be the only solution to the dual mandate for research: cut costs and fulfill the fiduciary duty of care. Investors, clients, advisors and analysts deserve the latest in technology to get the diligence required to make prudent investment decisions.

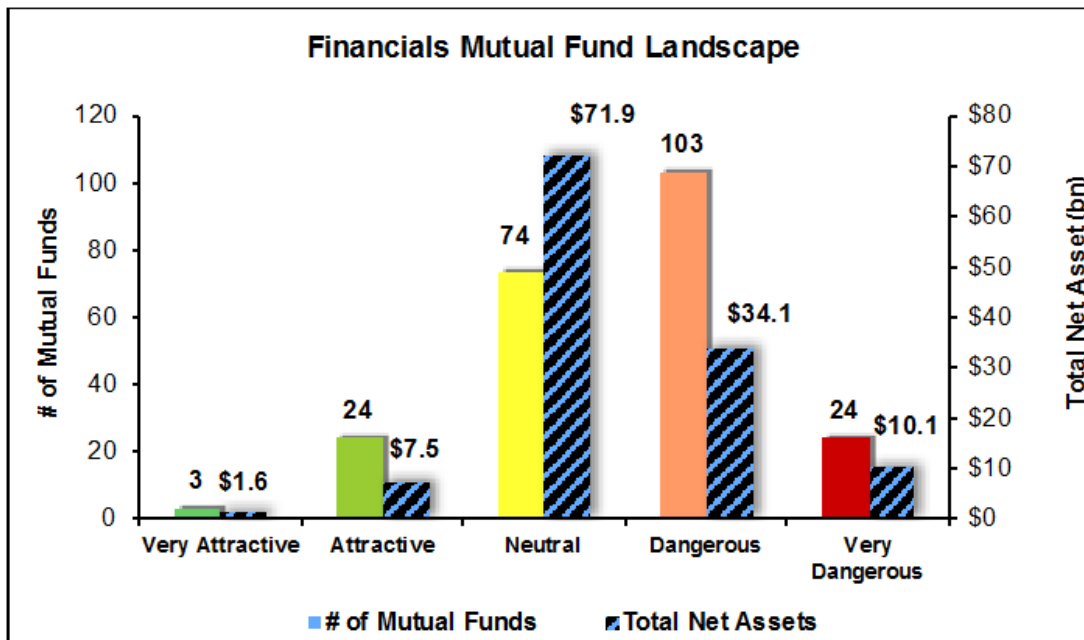
Figures 3 and 4 show the rating landscape of all Financials ETFs and mutual funds.

**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

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Disclosure: David Trainer, Kenneth James and Kyle Guske II receive no compensation to write about any specific stock, sector or theme.

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1. **Comprehensive** - All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including footnotes and the management discussion & analysis (MD&A).
2. **Un-conflicted** - Clients deserve unbiased research.
3. **Transparent** - Advisors should be able to show how the analysis was performed and the data behind it.
4. **Relevant** - Empirical evidence must provide [tangible, quantifiable correlation](#) to stock, ETF or mutual fund performance.

### ***Value Investing 2.0: Diligence Matters: Technology is Key to Value Investing With Scale***

Accounting data is only the beginning of fundamental research. It must be translated into economic earnings to truly understand profitability and valuation. This translation requires deep analysis of footnotes and the MD&A, a process that our [robo-analyst technology](#) empowers us to perform for thousands of stocks, ETFs and mutual funds.

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