



ETF & Mutual Fund Rankings: Energy Sector

The Energy sector ranks last out of the 11 sectors as detailed in our [4Q17 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Energy sector ranked last as well. It gets our Very Unattractive rating, which is based on an aggregation of ratings of 22 ETFs and 98 mutual funds in the Energy sector as of October 5, 2017. See a recap of our [3Q17 Sector Ratings here](#).

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Energy sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 137). This variation creates drastically different investment implications and, therefore, ratings.

Investors should not buy any Energy ETFs or mutual funds because none get an Attractive-or-better rating. If you must have exposure to this sector, you should buy a basket of Attractive-or-better rated stocks and avoid paying undeserved fund fees. Active management has a [long history](#) of not paying off.

Our [Robo-Analyst technology](#) empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.¹ 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	Unattractive-or-worse Stocks	
Best ETFs				
PHO	21%	35%	41%	Neutral
FIW	0%	39%	56%	Neutral
FENY	2%	1%	93%	Very Unattractive
VDE	2%	1%	92%	Very Unattractive
XLE	2%	0%	94%	Very Unattractive
Worst ETFs				
FXN	6%	11%	78%	Very Unattractive
PSCE	3%	6%	85%	Very Unattractive
XOP	2%	2%	83%	Very Unattractive
PXI	4%	3%	85%	Very Unattractive
FCG	0%	6%	77%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

PowerShares Wilder Hill Progressive Energy Portfolio (PUW), PowerShares Dynamic Oil & Gas Services Portfolio (PXJ) and First Trust NASDAQ Clean Edge Green Energy Fund (QCLN) are excluded from Figure 1 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

¹ Ernst & Young's recent white paper "[Getting ROIC Right](#)" proves the superiority of our holdings research and analytics.

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	Unattractive-or-worse Stocks	
Best Mutual Funds				
VENAX	2%	1%	93%	Very Unattractive
IENSX	0%	0%	82%	Very Unattractive
IENIX	0%	0%	82%	Very Unattractive
MAGRX	6%	6%	61%	Very Unattractive
CGEYX	4%	14%	57%	Very Unattractive
Worst Mutual Funds				
ICEAX	0%	7%	85%	Very Unattractive
WEGBX	0%	3%	86%	Very Unattractive
BPEAX	5%	7%	58%	Very Unattractive
SEPCX	8%	19%	59%	Very Unattractive
SBMBX	8%	19%	59%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

ICON Natural Resources Fund (ICBMX) is excluded from Figure 2 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

PowerShares Water Resources Portfolio (PHO) is the top-rated Energy ETF and Vanguard Energy Index Fund (VENAX) is the top-rated Energy mutual fund. PHO earns a Neutral rating and VENAX earns a Very Unattractive rating.

First Trust Natural Gas ETF (FCG) is the worst rated Energy ETF and Saratoga Advantage Energy and Basic Materials Portfolio (SBMBX) is the worst rated Energy mutual fund. Both earn a Very Unattractive rating.

167 stocks of the 3000+ we cover are classified as Energy stocks.

The Danger Within

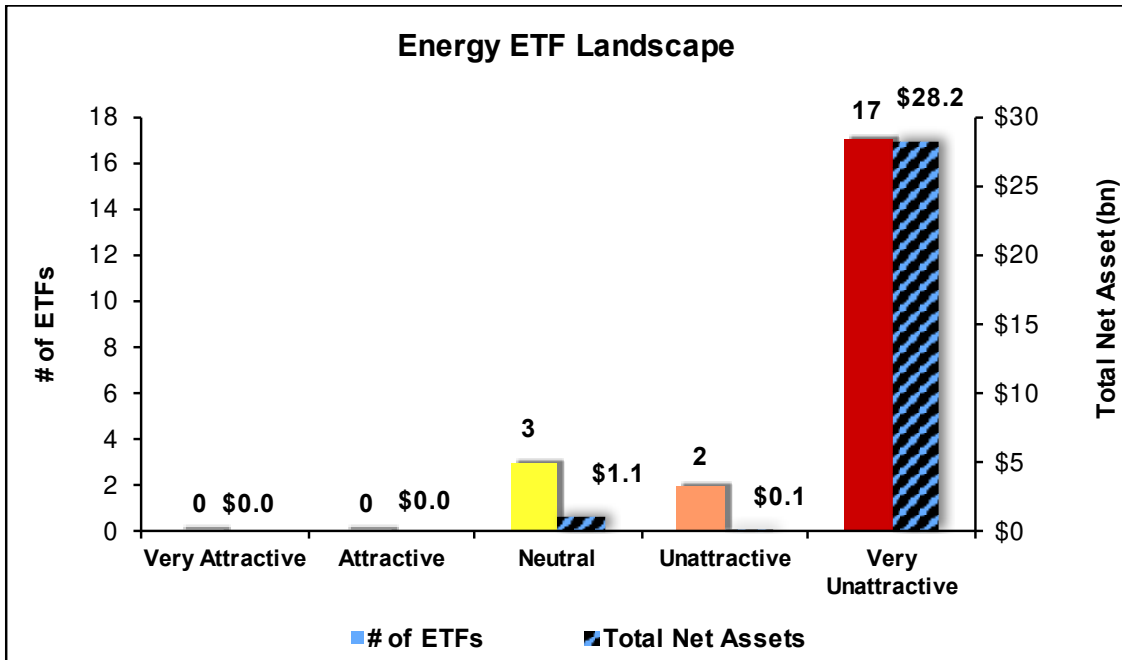
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, [see what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

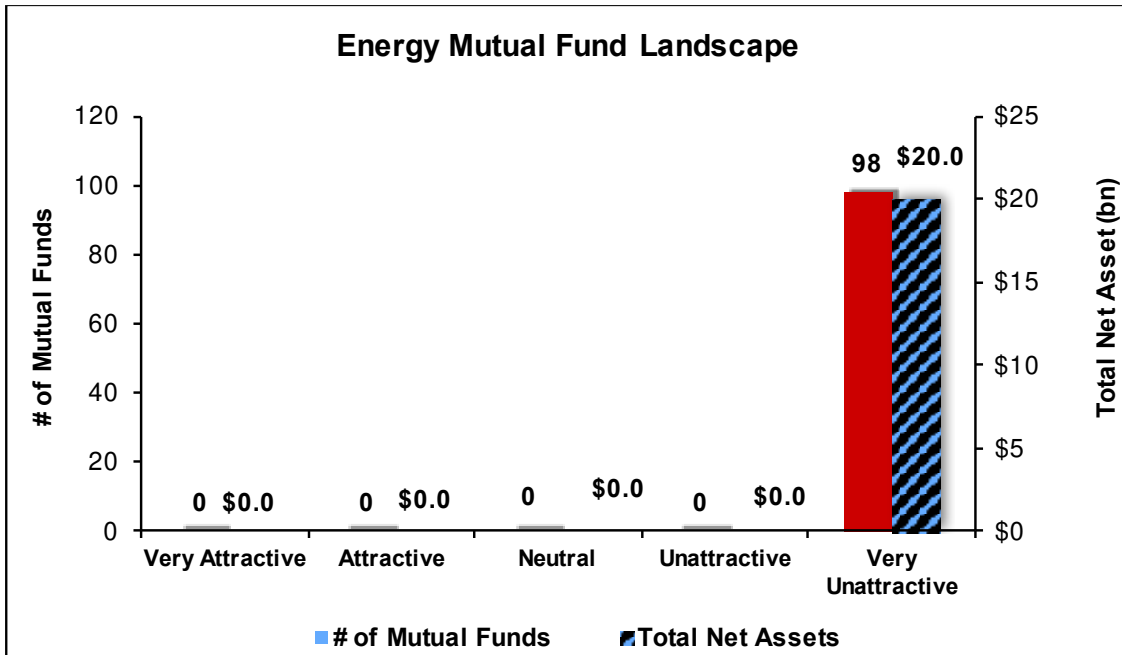
Figures 3 and 4 show the rating landscape of all Energy ETFs and mutual funds.

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

This article originally published on [October 6, 2017](#).

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

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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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