



## 4Q17 Sector Ratings Recap

At the beginning of each quarter, we rank each sector from best to worst with our [Sector Ratings Report](#). These rankings are forward looking and are indicative of how each sector should perform going forward.

We also highlight the top ETFs or mutual funds, along with the worst, or ones to avoid. This analysis is available to our platinum and higher members. This information allows you to make better decisions when allocating your portfolio, which funds to avoid, or which funds to buy. Some of the best include FSTA, IHF, FSRBX, and FDLX. Some of the worst include FCG, ICIAX, IYZ, and RYUTX.

Last quarter's [Sector Ratings can be found here](#). Last quarter's [Sector Recap is available here](#).

The following is our analysis of each sector for the fourth quarter of 2017.

- [Consumer Discretionary](#)
- [Consumer Staples](#)
- [Energy](#)
- [Financials](#)
- [Health Care](#)
- [Industrials](#)
- [Information Technology](#)
- [Materials](#)
- [Real Estate](#)
- [Telecom Services](#)
- [Utilities](#)

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

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## ***New Constructs® – Profile***

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### ***How New Constructs Creates Value for Clients***

We find it. You benefit. Cutting-edge technology enables us to scale our [forensic accounting expertise](#) across 3000+ stocks. We shine a light in the dark corners of SEC filings so our clients can make safer, more informed decisions.

Our [stock rating methodology](#) instantly informs you of the quality of the business and the fairness of the stock's valuation. We do the diligence on earnings quality and valuation so you don't have to.

In-depth risk/reward analysis underpins our ratings. Our rating methodology grades every stock, ETF, and mutual fund according to what we believe are the 5 most important criteria for assessing the quality of an equity. Each grade reflects the balance of potential risk and reward of buying that equity. Our analysis results in the 5 ratings described below. Very Attractive and Attractive correspond to a "Buy" rating, Very Dangerous and Dangerous correspond to a "Sell" rating, while Neutral corresponds to a "Hold" rating.

QUESTION: Why shouldn't fund research be as good as stock research? Why should fund investors rely on backward-looking price trends?

ANSWER: They should not.

Don't judge a fund by its cover. Take a look inside at its holdings and understand the quality of earnings and valuation of the stocks it holds. We enable you to choose the best fund based on its stock-picking merits so you do not have to rely solely on backward-looking technical metrics.

The drivers of our [forward-looking fund ratings](#) are Portfolio Management (i.e. the aggregated ratings of its holdings) and Total Annual Costs. The Total Annual Costs Rating ([details here](#)) captures the all-in cost of being in a fund over a 3-year holding period, the average period for all fund investors.

### ***Our Philosophy About Research***

Accounting data is not designed for equity investors, but for debt investors. [Accounting data must be translated into economic earnings](#) to understand the profitability and valuation relevant to equity investors. Respected investors (e.g. Adam Smith, Warren Buffett and Ben Graham) have repeatedly emphasized that accounting results should not be used to value stocks. [Economic earnings](#) are what matter because they are:

1. Based on the complete set of financial information available.
2. Standard for all companies.
3. A more accurate representation of the true underlying cash flows of the business.

### ***Additional Information***

Incorporated in July 2002, [New Constructs](#) is an independent publisher of investment research that provides clients with consulting and research services. We specialize in quality-of-earnings, forensic accounting and discounted cash flow valuation analyses for all U.S. public companies. We translate accounting data from 10Ks into economic financial statements, i.e. [NOPAT](#), [Invested Capital](#), and [WACC](#), to create [economic earnings models](#), which are necessary to understand the true profitability and valuation of companies. Visit the [Free Archive](#) to download samples of our research. New



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