



ETF & Mutual Fund Rankings: Consumer Non-cyclicals Sector

The Consumer Non-cyclicals sector ranks first out of the 11 sectors as detailed in [our 1Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Consumer Non-cyclicals sector, previously named “Consumer Staples” ranked first as well. It gets our Very Attractive rating, which is based on an aggregation of ratings of 12 ETFs and 15 mutual funds in the Consumer Non-cyclicals sector as of January 8, 2018. See a recap of our [4Q17 Sector Ratings here](#).

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Consumer Non-cyclicals sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 18 to 111). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Consumer Non-cyclicals 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.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				
FXG	38%	45%	9%	Very Attractive
FSTA	45%	47%	6%	Very Attractive
VDC	45%	46%	7%	Very Attractive
XLP	46%	49%	5%	Very Attractive
RHS	44%	44%	11%	Very Attractive
Worst ETFs				
IYK	31%	53%	14%	Very Attractive
PBJ	41%	28%	20%	Attractive
PSL	20%	33%	41%	Attractive
FTXG	29%	47%	23%	Neutral
PSCC	13%	20%	65%	Neutral

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

Sources: New Constructs, LLC and company filings

John Hancock Multifactor Consumer Staples ETF (JHMS) and iShares Edge MSCI Multifactor Consumer Staples ETF (CNSF) 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				
FDFAX	43%	40%	11%	Attractive
FDIGX	43%	40%	11%	Attractive
FSHOX	16%	52%	25%	Attractive
RYCIX	35%	42%	15%	Attractive
RYCAX	35%	42%	15%	Attractive
Worst Mutual Funds				
FDTGX	43%	40%	11%	Attractive
PGLOX	22%	36%	18%	Neutral
FDAGX	43%	40%	11%	Neutral
RYPDX	35%	42%	15%	Neutral
ICRAX	37%	37%	7%	Unattractive

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

Sources: New Constructs, LLC and company filings

Vanguard Consumer Staples Index Fund (VCSAX), Fidelity Select Automotive Portfolio (FSAVX), and ICON Consumer Staples Fund (ICLEX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

First Trust Consumer Staples AlphaDEX Fund (FXG) is the top-rated Consumer Non-cyclicals ETF and Fidelity Select Consumer Staples Portfolio (FDFAX) is the top-rated Consumer Non-cyclicals mutual fund. FXG earns a Very Attractive rating and FDFAX earns an Attractive rating.

PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC) is the worst rated Consumer Non-cyclicals ETF and ICON Consumer Staples Fund (ICRAX) is the worst rated Consumer Non-cyclicals mutual fund. PSCC earns a Neutral rating and ICRAX earns an Unattractive rating.

140 stocks of the 3000+ we cover are classified as Consumer Non-cyclicals 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.

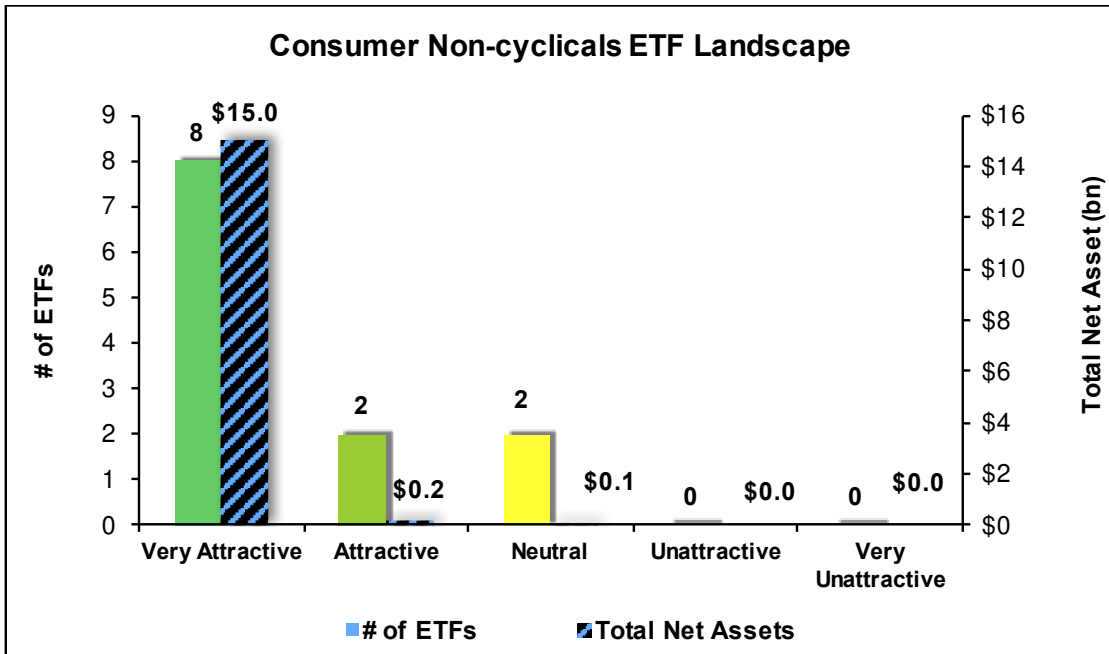
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



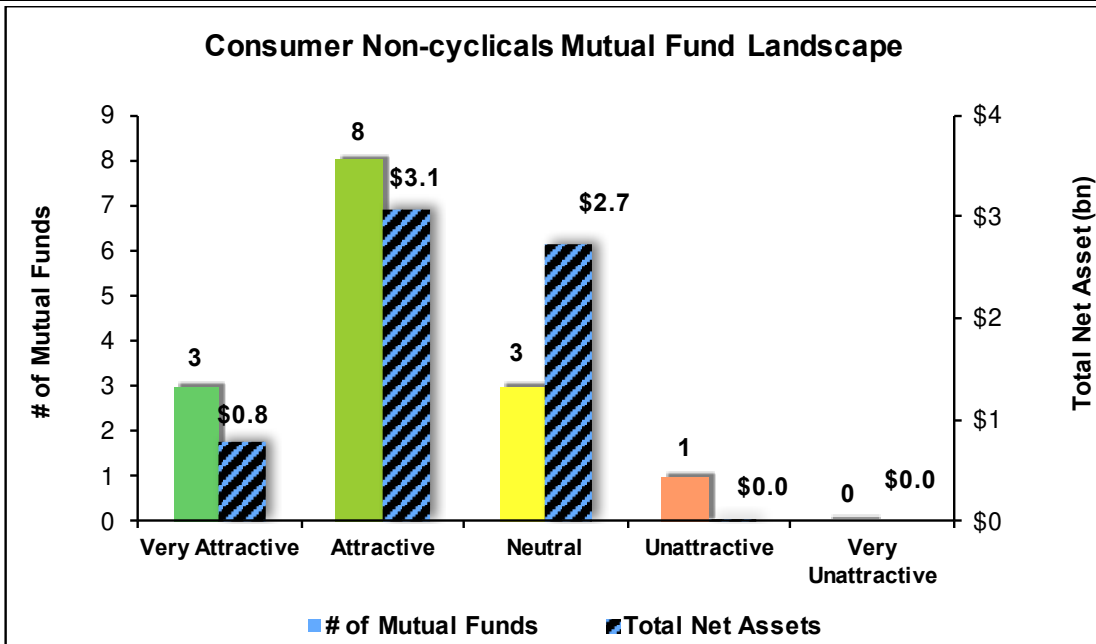
Figures 3 and 4 show the rating landscape of all Consumer Non-cyclicals ETFs and mutual funds.

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, Pete Apockotos, and Kyle Guske II receive no compensation to write about any specific stock, sector or theme.

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New Constructs leverages the latest in machine learning to analyze structured and unstructured financial data with unrivaled speed and accuracy. The firm's forensic accounting experts work alongside engineers to develop proprietary NLP libraries and financial models. Our investment ratings are based on the best fundamental data in the business for stocks, ETFs and mutual funds. Clients include many of the top hedge funds, mutual funds and wealth management firms. David Trainer, the firm's CEO, is regularly featured in the media as a thought leader on the fiduciary duty of care, earnings quality, valuation and investment strategy.

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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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