



ETF & Mutual Fund Rankings: Consumer Cyclical Sector

The Consumer Cyclical sector ranks fifth out of the 11 sectors as detailed in our [1Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Consumer Cyclical sector, previously named “Consumer Discretionary”, ranked fifth as well. It gets our Neutral rating, which is based on an aggregation of ratings of 16 ETFs and 11 mutual funds in the Consumer Cyclical sector as of January 3, 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 Cyclical sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 373). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Consumer Cyclical 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 | | | | |
| XRT | 37% | 23% | 18% | Very Attractive |
| PEJ | 23% | 37% | 32% | Attractive |
| FXD | 35% | 42% | 23% | Attractive |
| FDIS | 26% | 43% | 28% | Neutral |
| VCR | 26% | 43% | 28% | Neutral |
| Worst ETFs | | | | |
| RTH | 56% | 22% | 22% | Neutral |
| IYC | 34% | 39% | 26% | Neutral |
| JHMC | 32% | 45% | 21% | Neutral |
| PBS | 15% | 31% | 45% | Neutral |
| PEZ | 14% | 24% | 48% | Neutral |

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

Sources: New Constructs, LLC and company filings

Four ETFs (PMR, RCD, FTXD, PSCD) 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 | | | | |
| FDSLX | 6% | 76% | 13% | Very Attractive |
| FSRPX | 27% | 33% | 33% | Neutral |
| FBMPX | 27% | 43% | 23% | Neutral |
| FSCPX | 15% | 45% | 35% | Neutral |
| VCDAX | 26% | 43% | 28% | Neutral |
| Worst Mutual Funds | | | | |
| FCNIX | 15% | 45% | 35% | Neutral |
| FCECX | 15% | 45% | 35% | Neutral |
| FACPX | 15% | 45% | 35% | Neutral |
| ICCAX | 30% | 38% | 17% | Unattractive |
| FCNAX | 15% | 45% | 35% | Unattractive |

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

Sources: New Constructs, LLC and company filings

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

State Street SPDR S&P Retail ETF (XRT) is the top-rated Consumer Cyclical ETF and Fidelity Select Leisure Portfolio (FDSLX) is the top-rated Consumer Cyclical mutual fund. Both earn a Very Attractive rating.

PowerShares DWA Consumer Cyclical Momentum Portfolio (PEZ) is the worst rated Consumer Cyclical ETF and Fidelity Advisor Consumer Discretionary Fund (FCNAX) is the worst rated Consumer Cyclical mutual fund. PEZ earns a Neutral rating and FCNAX earns an Unattractive rating.

448 stocks of the 3000+ we cover are classified as Consumer Cyclical 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.

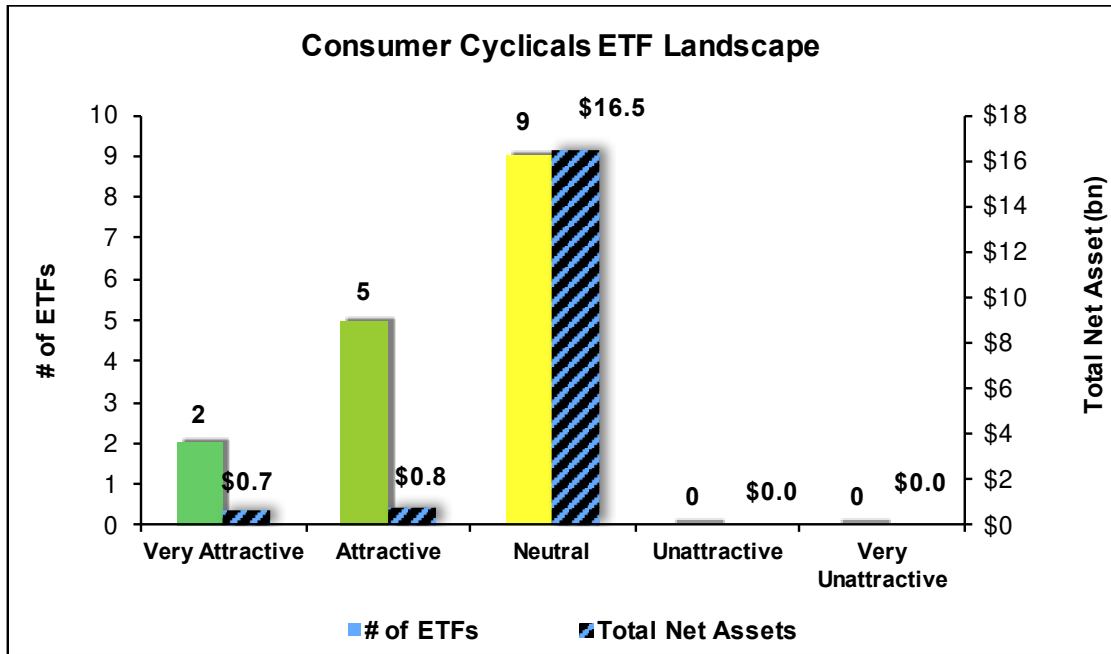
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



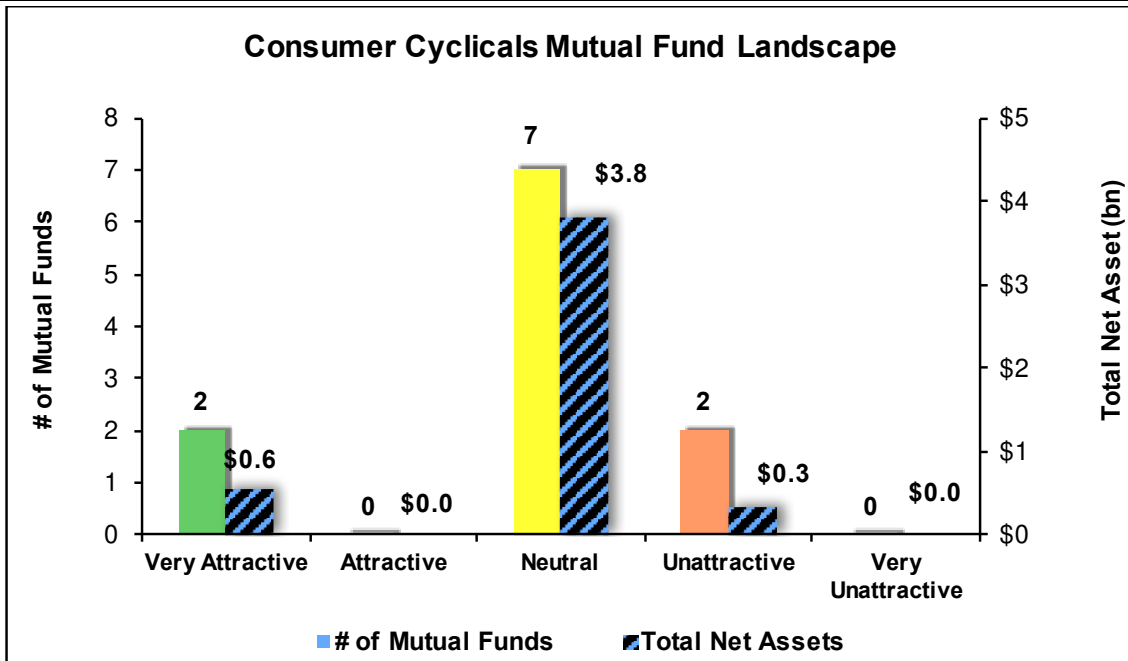
Figures 3 and 4 show the rating landscape of all Consumer Cyclical ETFs and mutual funds.

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 and Kyle Guske II 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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