



ETF & Mutual Fund Rankings: Energy Sector

The Energy sector ranks last out of the 11 sectors as detailed in our [1Q18 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 28 ETFs and 104 mutual funds in the Energy sector as of January 8, 2018. See a recap of our [4Q17 Sector Ratings here](#).

Figures 1 and 2 show the five 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 22 to 333). 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 Worst Ratings – Top 5

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
Best ETFs				
No ETFs that receive a Neutral-or-better rating				
Worst ETFs				
ERGF	5%	0%	92%	Very Unattractive
XOP	3%	2%	96%	Very Unattractive
FCG	2%	4%	78%	Very Unattractive
PXI	4%	0%	85%	Very Unattractive
FXN	6%	0%	91%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Six ETFs (ETHO, PUW, TBLU, QCLN, PXE, PXJ) 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 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				
No mutual funds that receive a Neutral-or-better rating				
Worst Mutual Funds				
ICBAX	2%	21%	63%	Very Unattractive
HRSFX	4%	19%	59%	Very Unattractive
HRSAX	4%	19%	59%	Very Unattractive
SEPCX	9%	11%	66%	Very Unattractive
SBMBX	9%	11%	66%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Four mutual funds (ALTEX, INNNX, RGLIX, BACIX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

There are no Energy ETFs or mutual funds that receive a Neutral-or-better rating and meet our liquidity minimums.

First Trust Energy AlphaDEX Fund (FXN) is the worst rated Energy ETF and Saratoga Energy and Basic Materials Portfolio (SBMBX) is the worst rated Energy mutual fund. Both earn a Very Unattractive rating.

184 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.

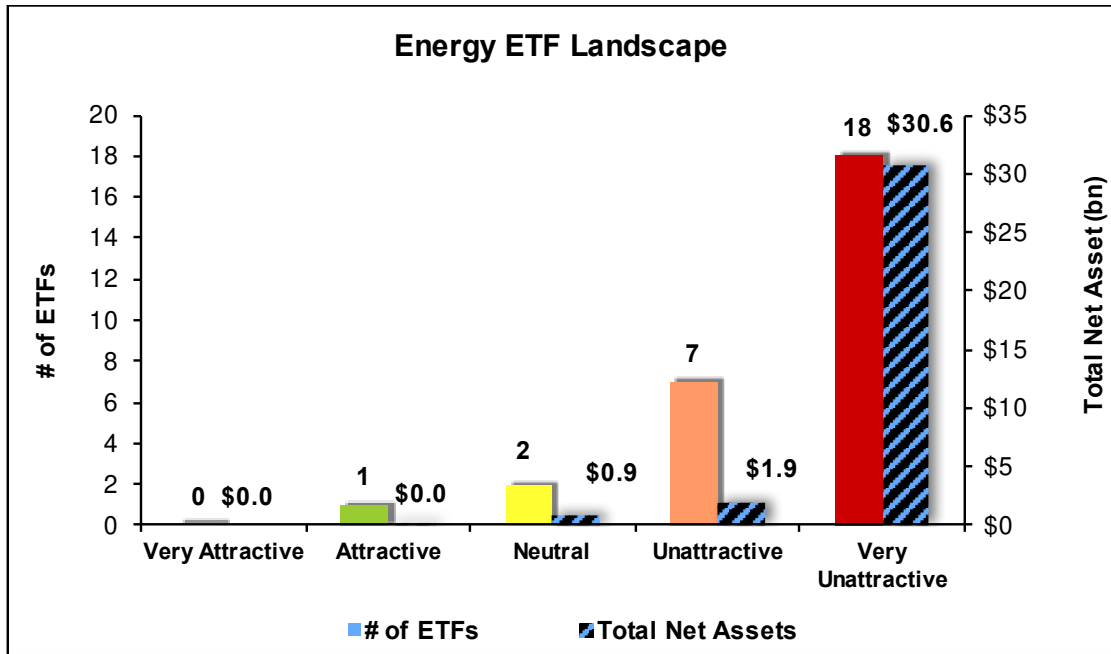
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



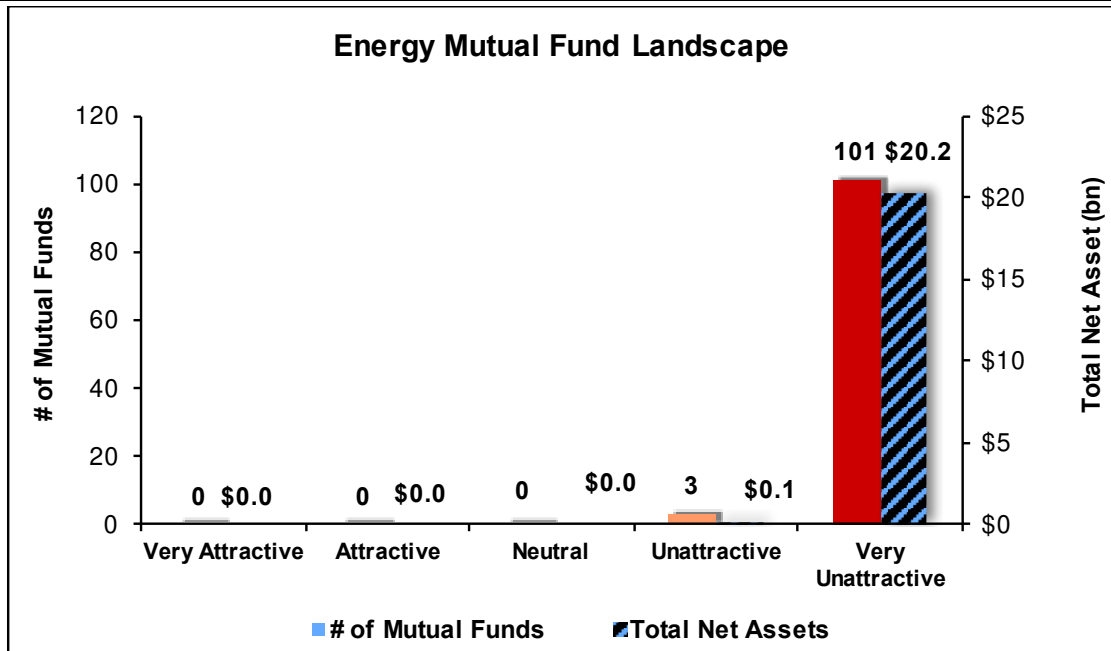
Figures 3 and 4 show the rating landscape of all Energy ETFs and mutual funds.

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

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

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Ratings & screeners on 3000 stocks, 450 ETFs and 7000 mutual funds help you make prudent investment decisions.

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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