



## ETF & Mutual Fund Rankings: Healthcare Sector

The Healthcare sector ranks sixth out of the 11 sectors as detailed in our [1Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Healthcare sector ranked eighth. It gets our Neutral rating, which is based on an aggregation of ratings of 27 ETFs and 86 mutual funds in the Healthcare sector as of January 9, 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 Healthcare sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 372). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Healthcare 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.<sup>1</sup> 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	
<b>Best ETFs</b>				
PJP	21%	36%	29%	<b>Very Attractive</b>
IHF	10%	70%	15%	<b>Attractive</b>
FHLC	13%	55%	29%	<b>Attractive</b>
VHT	12%	55%	29%	<b>Attractive</b>
PPH	19%	47%	28%	<b>Attractive</b>
<b>Worst ETFs</b>				
PSCH	6%	20%	63%	<b>Unattractive</b>
PTH	2%	30%	39%	<b>Unattractive</b>
BBP	14%	11%	63%	<b>Unattractive</b>
XBI	10%	10%	53%	<b>Very Unattractive</b>
FBT	16%	12%	60%	<b>Very Unattractive</b>

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

Sources: New Constructs, LLC and company filings

iShares Edge MSCI Multifactor Healthcare ETF (HCRF) is excluded from Figure 1 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

<sup>1</sup> 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	
<b>Best Mutual Funds</b>				
FSMEX	3%	50%	33%	Very Attractive
FSHCX	7%	73%	10%	Attractive
PHSYX	29%	34%	21%	Attractive
EIHSX	15%	40%	27%	Attractive
PHSRX	29%	34%	21%	Attractive
<b>Worst Mutual Funds</b>				
GGHCX	16%	35%	33%	Very Unattractive
FBDIX	22%	7%	43%	Very Unattractive
PHLAX	3%	31%	40%	Very Unattractive
HGHAX	6%	45%	30%	Very Unattractive
ICHAX	7%	52%	34%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Live Oak Health Sciences Fund (LOGSX), Saratoga Advantage Trust: Health & Biotechnology Portfolio (SBHIX), and Kinetics Mutual Funds: Medical Fund (MEDRX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

PowerShares Dynamic Pharmaceuticals Portfolio (PJP) is the top-rated Healthcare ETF and Fidelity Select Portfolios: Medical Technology and Devices Portfolio (FSMEX) is the top-rated Healthcare mutual fund. Both earn a Very Attractive rating.

First Trust NYSE Arca Biotechnology Index Fund (FBT) is the worst rated Healthcare ETF and ICON Healthcare Fund (ICHAX) is the worst rated Healthcare mutual fund. Both earn a Very Unattractive rating.

327 stocks of the 3000+ we cover are classified as Healthcare 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.

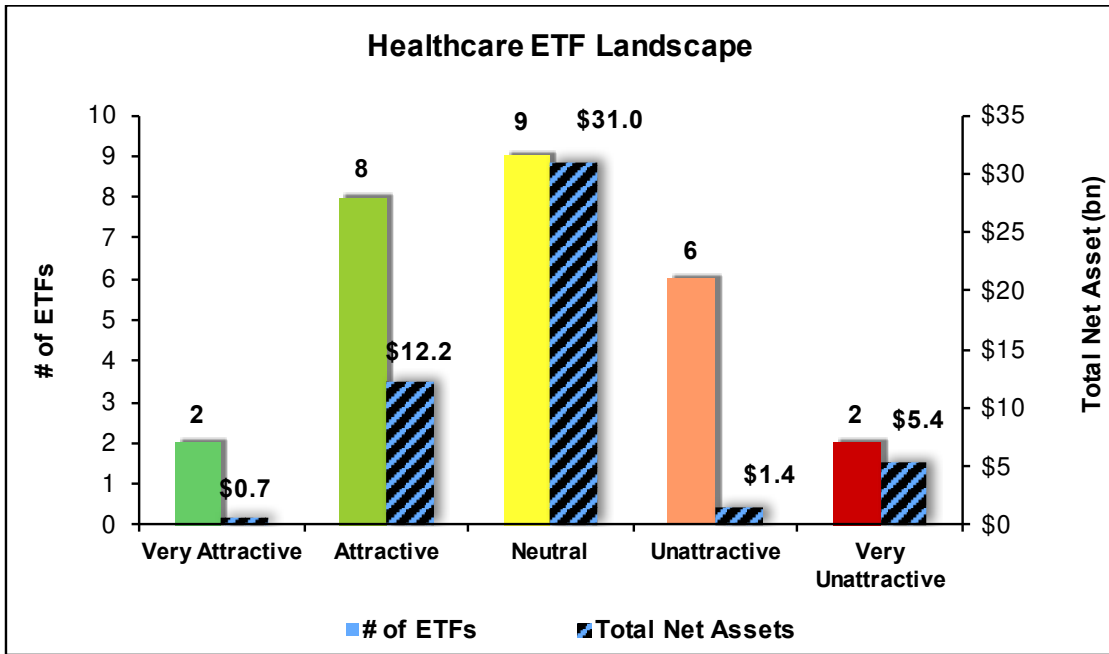
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



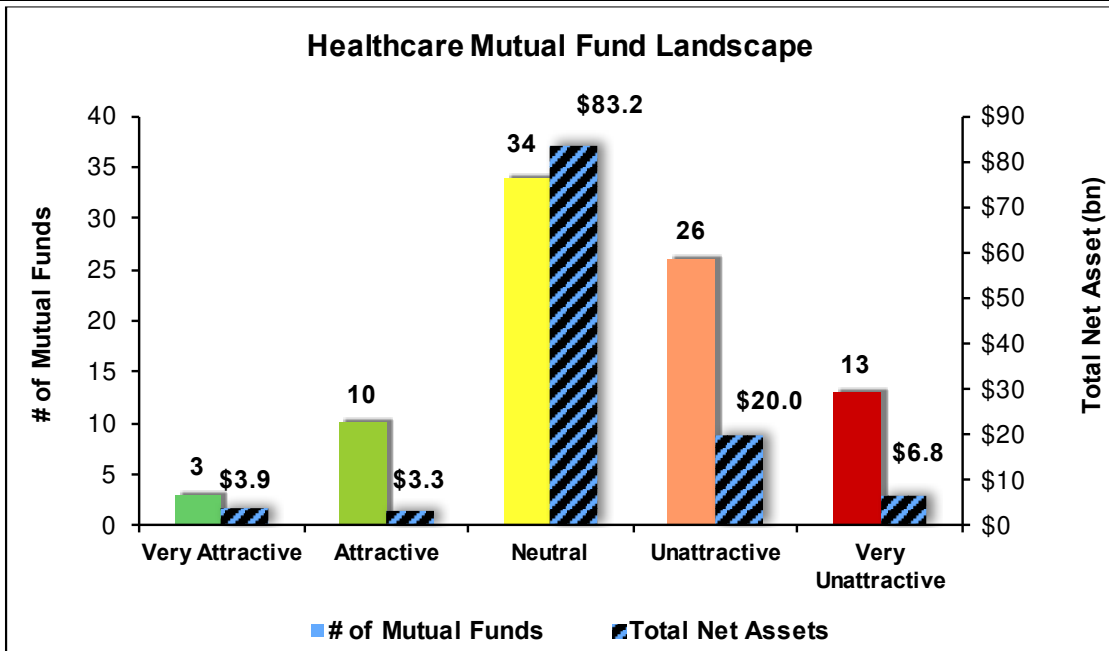
Figures 3 and 4 show the rating landscape of all Healthcare ETFs and mutual funds.

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, Peter Apockotos, and Kyle Guske II 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.

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### ***To fulfill the Duty of Care, research should be:***

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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