



ETF & Mutual Fund Rankings: Technology Sector

The Technology sector ranks third out of the 11 sectors as detailed in our [1Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Technology sector ranked third as well. It gets our Neutral rating, which is based on an aggregation of ratings of 42 ETFs and 127 mutual funds in the Technology 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 Technology sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 20 to 370). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Technology 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				
XLK	23%	48%	29%	Very Attractive
IXN	13%	41%	24%	Very Attractive
TDIV	47%	29%	22%	Very Attractive
HACK	14%	16%	39%	Very Attractive
SMH	43%	36%	22%	Very Attractive
Worst ETFs				
FDN	3%	29%	63%	Unattractive
IBUY	3%	25%	51%	Unattractive
ARKW	1%	26%	51%	Unattractive
XWEB	3%	14%	56%	Very Unattractive
ARCK	0%	17%	56%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

iShares Edge MSCI Multifactor Technology ETF (TCHF), John Hancock Multifactor Technology ETF (JHMT), and First Trust NASDAQ Semiconductor ETF (FTXL) 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				
FSDCX	43%	30%	24%	Very Attractive
VITAX	16%	49%	33%	Attractive
NWJEX	21%	49%	27%	Attractive
NWJFX	21%	49%	27%	Attractive
FSCSX	11%	39%	44%	Neutral
Worst Mutual Funds				
PGTPX	4%	30%	35%	Very Unattractive
PGTMX	4%	30%	35%	Very Unattractive
PGTAX	4%	30%	35%	Very Unattractive
RAGTX	11%	35%	41%	Very Unattractive
WFSTX	11%	38%	39%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Fidelity Advisor Communications Equipment Fund (FDMIX) and ICON Information Technology Fund (ICTEX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

State Street Technology Select Sector SPDR (XLK) is the top-rated Technology ETF and Fidelity Select Communication Equipment Portfolio (FSDCX) is the top-rated Technology mutual fund. Both earn a Very Attractive rating.

ARK Innovation ETF (ARKK) is the worst rated Technology ETF and Wells Fargo Specialized Technology Fund (WSFTX) is the worst rated Technology mutual fund. Both earn a Very Unattractive rating.

427 stocks of the 3000+ we cover are classified as Technology 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.

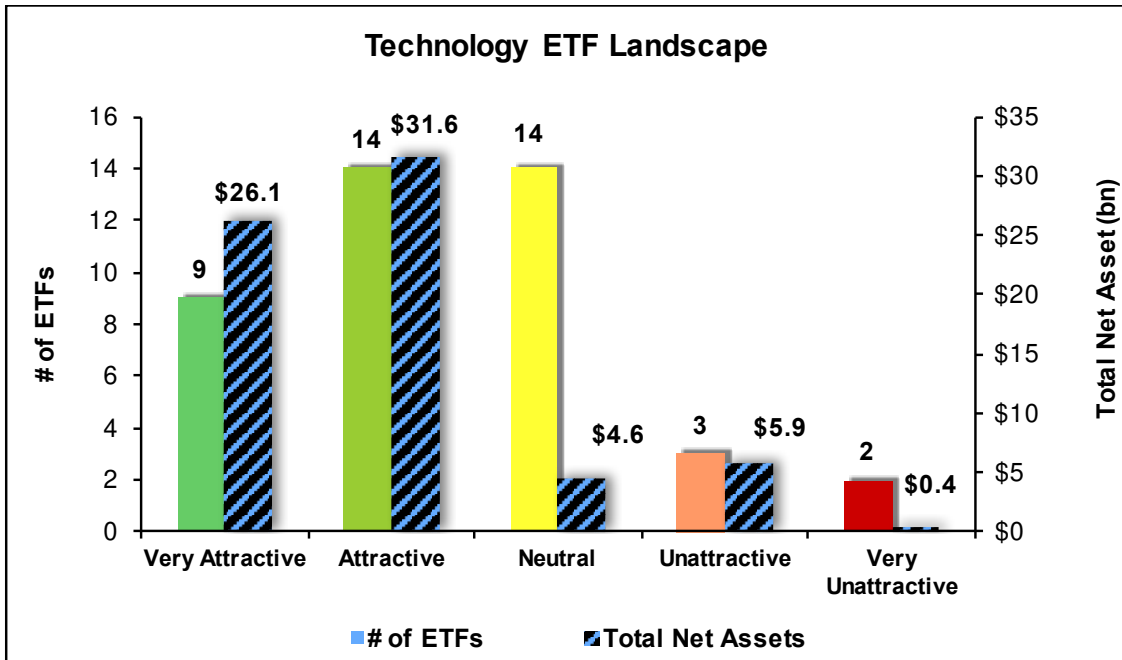
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



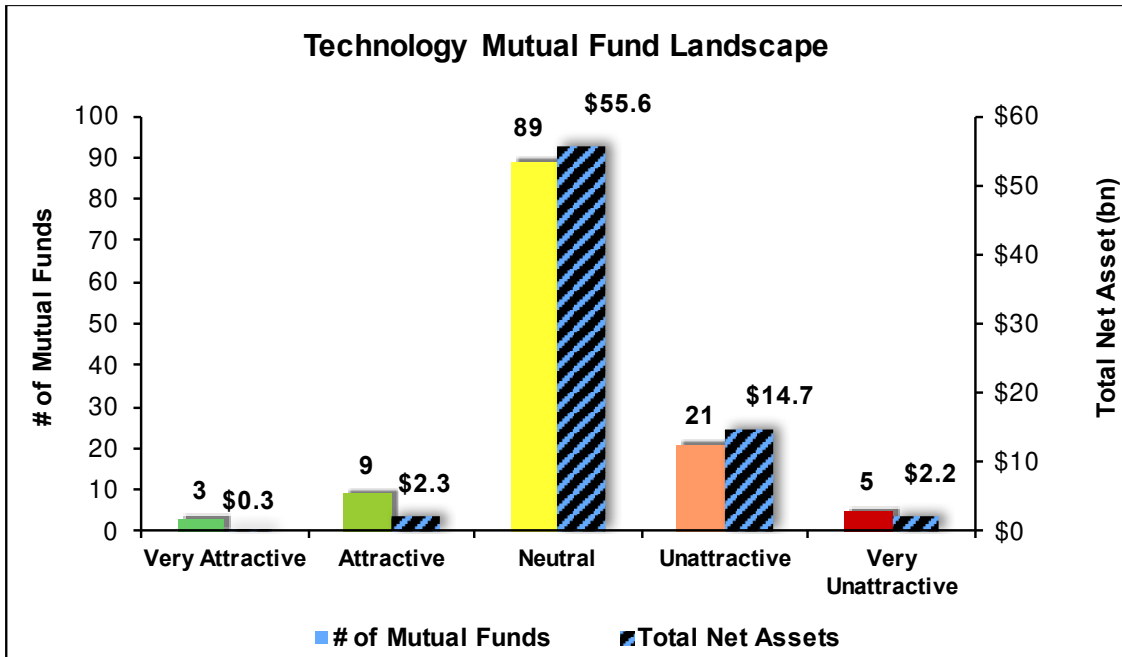
Figures 3 and 4 show the rating landscape of all Technology ETFs and mutual funds.

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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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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