ETF & Mutual Fund Rankings: Consumer Non-cyclicals Sector

The Consumer Non-cyclicals sector ranks first out of the 11 sectors as detailed in our 2Q18 Sector Ratings for ETFs and Mutual Funds report. Last quarter, the Consumer Non-cyclicals sector ranked first as well. It gets our Very Attractive rating, which is based on an aggregation of ratings of 12 ETFs and 21 mutual funds in the Consumer Non-cyclicals sector as of April 9, 2018. See a recap of our 1Q18 Sector Ratings here.

Figures 1 and 2 show the 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 17 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[1] empowers our unique ETF and mutual fund rating methodology, which leverages our rigorous analysis of each fund's holdings.[2] 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

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Unattractive-or-worse Stocks**	**Predictive Rating**
Best ETFs				
FSTA	70%	22%	6%	Very Attractive
VDC	68%	24%	7%	Very Attractive
XLP	72%	23%	4%	Very Attractive
RHS	51%	40%	9%	Very Attractive
IYK	56%	30%	13%	Very Attractive
Worst ETFs (only 2)				
PSL	18%	44%	31%	Neutral
PSCC	9%	34%	57%	Unattractive

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

Sources: New Constructs, LLC and company filings

First Trust NASDAQ Food & Beverage ETF (FTXG) 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] Harvard Business School features the powerful impact of our research automation technology in the case New Constructs: Disrupting Fundamental Analysis with Robo-Analysts.

[2] 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

	Allocation of Mutual Fund Holdings			
Ticker	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	Predictive Rating
Best Mutual Funds				
VCSAX	68%	24%	7%	Very Attractive
FDFAX	54%	24%	10%	Very Attractive
FDIGX	54%	24%	10%	Very Attractive
RYCIX	48%	33%	12%	Very Attractive
RYCAX	48%	33%	12%	Very Attractive
Worst Mutual Funds				
PGCIX	15%	23%	32%	Neutral
PGCNX	15%	23%	32%	Unattractive
PGCKX	15%	23%	32%	Unattractive
PGCMX	15%	23%	32%	Unattractive
PGCOX	15%	23%	32%	Unattractive

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

Sources: New Constructs, LLC and company filings

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

Fidelity MSCI Consumer Staples Index ETF (FSTA) is the top-rated Consumer Non-cyclicals ETF and Vanguard Consumer Staples Index Fund (VCSAX) is the top-rated Consumer Non-cyclicals mutual fund. Both earn a Very Attractive rating.

PowerShares S&P Small Cap Consumer Staples Portfolio (PSCC) is the worst rated Consumer Non-cyclicals ETF and Putnam Global Consumer Fund (PGCOX) is the worst rated Consumer Non-cyclicals mutual fund. Both earn an Unattractive rating.

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

The Danger Within

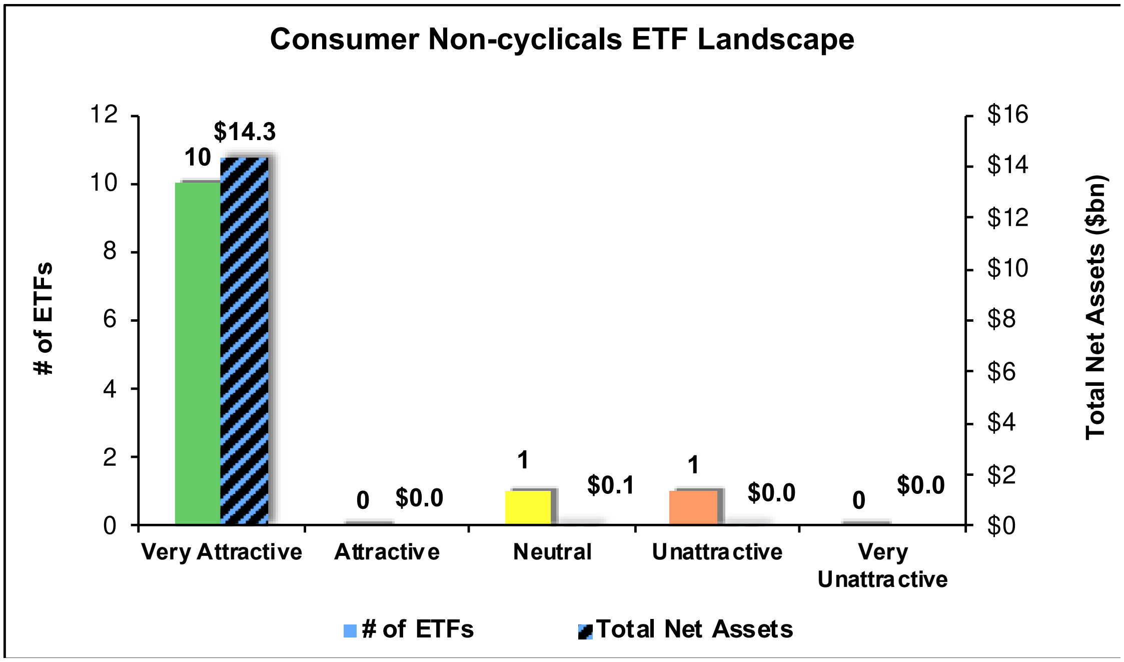
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's 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.

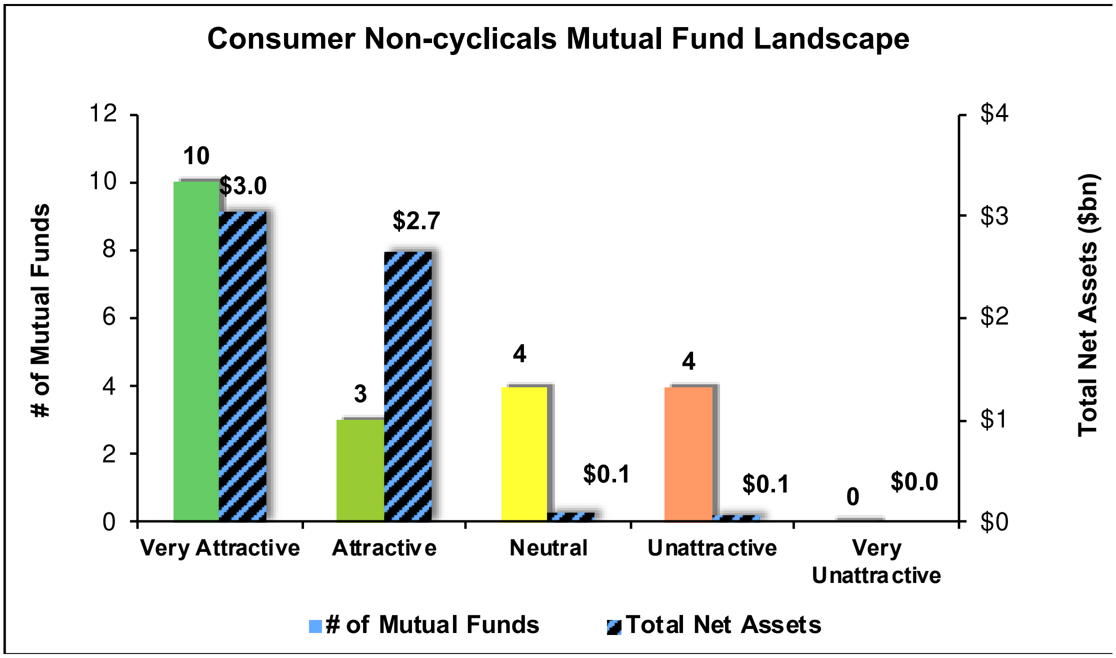
Figures 3 and 4 show the rating landscape of all Consumer Non-cyclicals ETFs and mutual funds.

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 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.

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.

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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