



ETF & Mutual Fund Rankings: Financials Sector

The Financials sector ranks third out of the 11 sectors as detailed in our [2Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Financials sector ranked second. It gets our Neutral rating, which is based on an aggregation of ratings of 29 ETFs and 49 mutual funds in the Financials sector as of April 9, 2018. See a recap of our [1Q18 Sector Ratings here](#).

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Financials sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 24 to 404). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Financials 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 – Top 5

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
Best ETFs				
IYG	15%	56%	29%	Very Attractive
FFTY	7%	45%	23%	Very Attractive
KBWB	12%	55%	33%	Very Attractive
XLF	16%	51%	33%	Attractive
KCE	22%	43%	27%	Attractive
Worst ETFs				
PSCF	14%	34%	40%	Neutral
KIE	25%	41%	30%	Neutral
KBE	8%	51%	39%	Neutral
KBWP	34%	38%	27%	Unattractive
KBWD	26%	32%	27%	Unattractive

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

Sources: New Constructs, LLC and company filings

PowerShares DWA Financial Momentum Portfolio (PFI) is excluded from Figure 1 because its 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

Ticker	Allocation of Mutual Fund Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
Best Mutual Funds				
FSVLX	40%	37%	17%	Very Attractive
FSLBX	27%	42%	26%	Attractive
HISFX	16%	48%	13%	Attractive
HSFNX	16%	48%	13%	Attractive
FSRBX	13%	51%	27%	Attractive
Worst Mutual Funds				
RYKCX	12%	51%	30%	Unattractive
SFPCX	27%	48%	24%	Very Unattractive
SFPAX	27%	48%	24%	Very Unattractive
RYFNX	17%	41%	38%	Very Unattractive
RYBKX	12%	51%	30%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

iShares U.S. Financial Services ETF (IYG) is the top-rated Financials ETF and Fidelity Select Consumer Finance Portfolio (FSVLX) is the top-rated Financials mutual fund. Both earn a Very Attractive rating.

PowerShares KBW High Dividend Yield Financial Portfolio (KBWD) is the worst rated Financials ETF and Rydex Series Banking Fund (RYBKX) is the worst rated Financials mutual fund. KBWD earns an Unattractive rating and RYBKX earns a Very Unattractive rating.

433 stocks of the 3000+ we cover are classified as Financials 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.

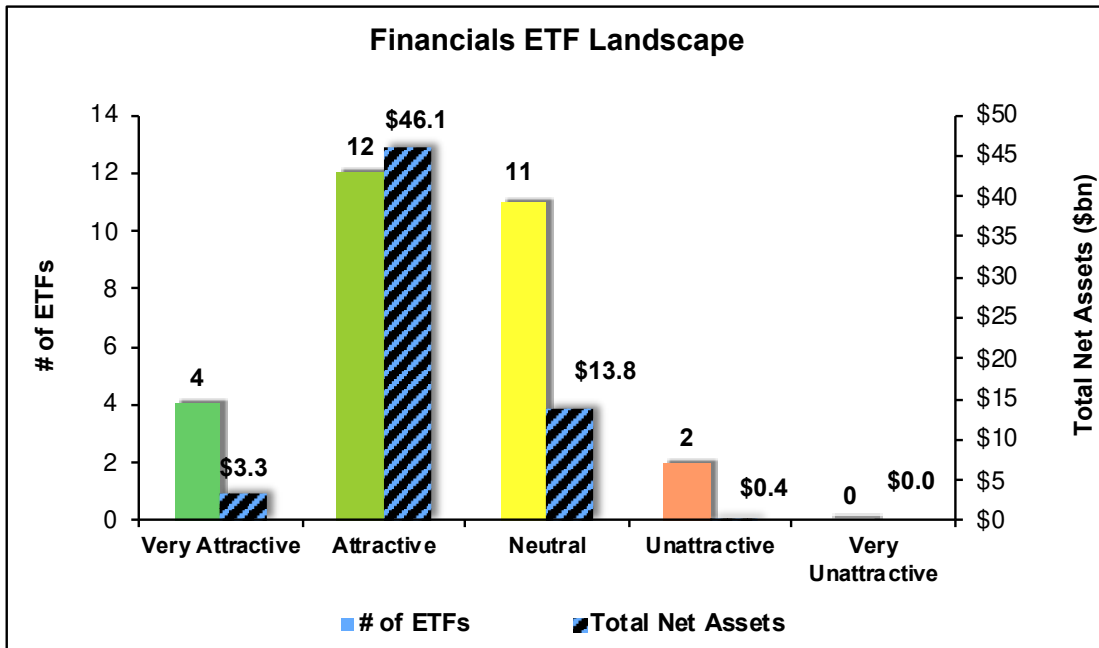
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



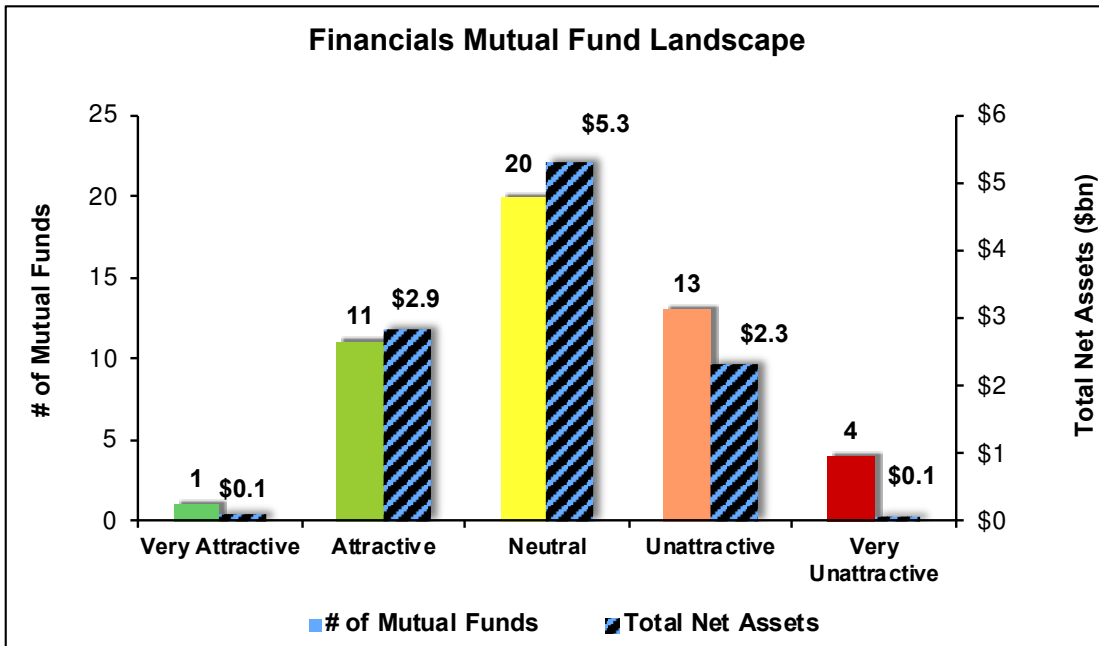
Figures 3 and 4 show the rating landscape of all Financials ETFs and mutual funds.

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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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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