ETF & Mutual Fund Rankings: Healthcare Sector

The Healthcare sector ranks fifth out of the 11 sectors as detailed in our 2Q18 Sector Ratings for ETFs and Mutual Funds report. Last quarter, the Healthcare sector ranked sixth. It gets our Neutral rating, which is based on an aggregation of ratings of 25 ETFs and 77 mutual funds in the Healthcare 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 Healthcare sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 363). 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[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

	Allocation of ETF Holdings			
Ticker	**Attractive-or-better Stocks**	**Neutral Stocks**	**Unattractive-or-worse Stocks**	**Predictive Rating**
Best ETFs				
IHF	51%	33%	12%	Very Attractive
PJP	28%	27%	29%	Attractive
XLV	33%	43%	23%	Attractive
PPH	14%	54%	24%	Attractive
FHLC	27%	41%	29%	Attractive
Worst ETFs				
OLD	10%	29%	36%	Unattractive
PBE	17%	20%	43%	Unattractive
XHE	1%	28%	51%	Unattractive
FBT	15%	10%	52%	Unattractive
BBP	12%	18%	52%	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 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.

[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				
FSHCX	58%	28%	6%	Very Attractive
EIHSX	27%	31%	24%	Attractive
ERHSX	27%	31%	24%	Attractive
ECHSX	27%	31%	24%	Attractive
VHCIX	29%	40%	28%	Attractive
Worst Mutual Funds				
RYCFX	26%	16%	41%	Very Unattractive
HGHAX	15%	30%	34%	Very Unattractive
ICHAX	25%	31%	42%	Very Unattractive
RYHEX	21%	38%	34%	Very Unattractive
RYBOX	26%	16%	41%	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) and Saratoga Health & Biotechnology Portfolio (SBHIX, SHPCX) are excluded from Figure 2 because their total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

iShares U.S. Healthcare Providers ETF (IHF) is the top-rated Healthcare ETF and Fidelity Select Health Care Services Portfolio (FSHCX) is the top-rated Healthcare mutual fund. Both earn a Very Attractive rating.

ETFis Series Virtus LifeSci Biotech Products ETF (BBP) is the worst rated Healthcare ETF and Rydex Series Biotechnology Fund (RYBOX) is the worst rated Healthcare mutual fund. Both earn a Very Unattractive rating.

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

The Danger Within

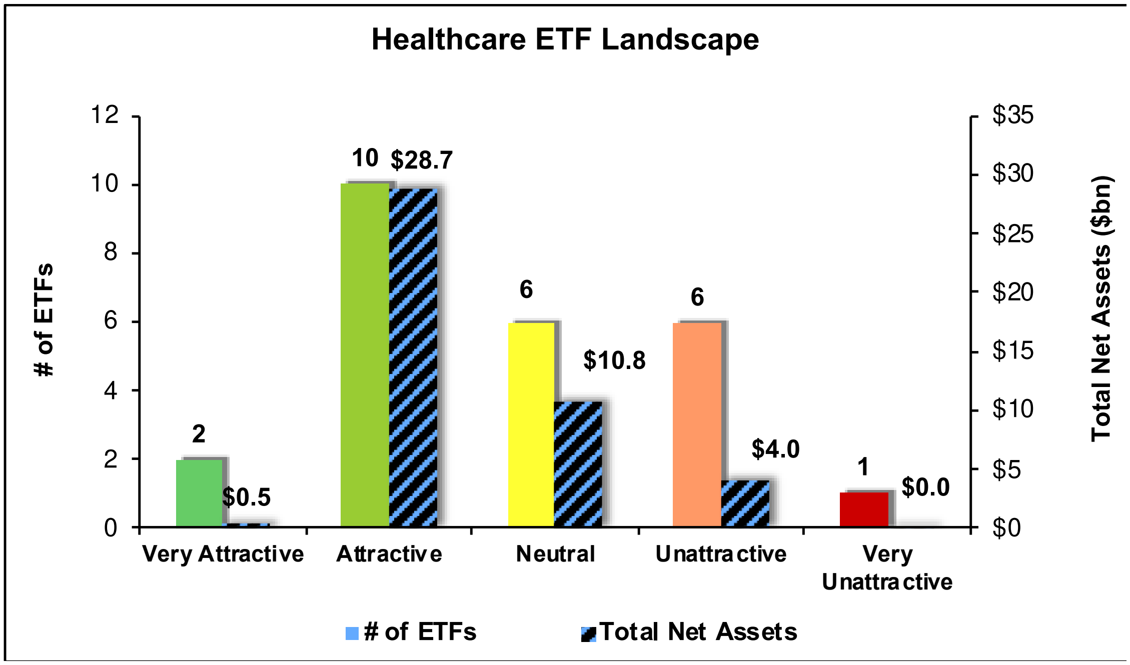
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

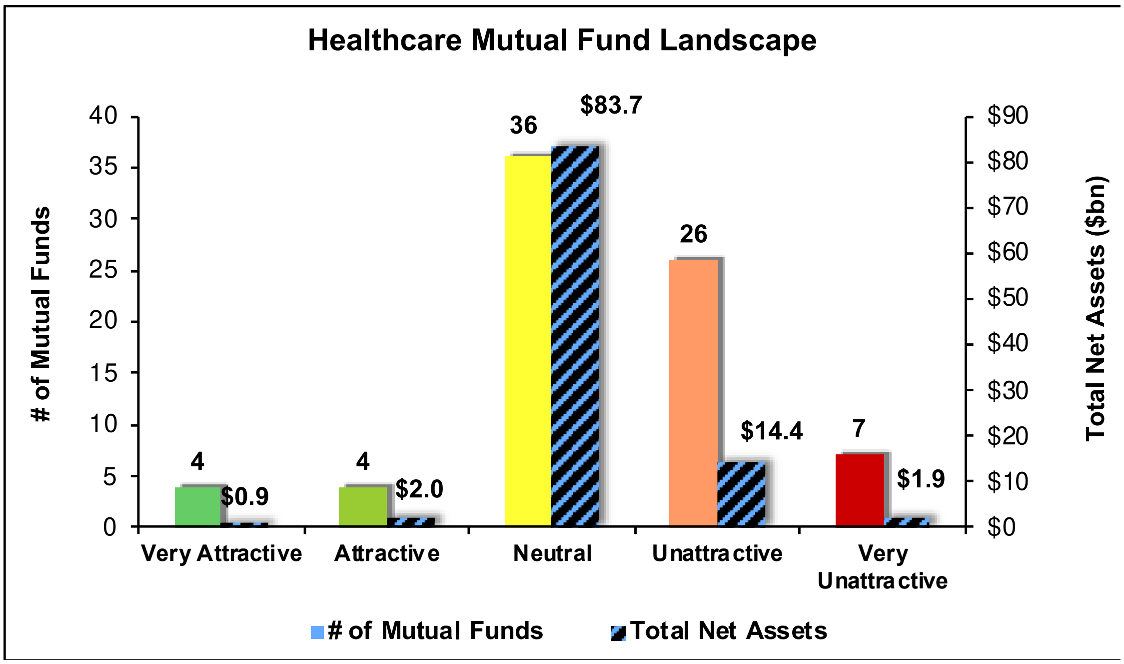
Figures 3 and 4 show the rating landscape of all Healthcare ETFs and mutual funds.

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 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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