



## ETF & Mutual Fund Rankings: Industrials Sector

The Industrials sector ranks second out of the 11 sectors as detailed in our [2Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Industrials sector ranked fourth. It gets our Neutral rating, which is based on an aggregation of ratings of 24 ETFs and 21 mutual funds in the Industrials sector as of April 10, 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 Industrials sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 20 to 348). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Industrials sector should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2.

Our [Robo-Analyst technology](#)<sup>1</sup> empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.<sup>2</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>				
XHB	42%	51%	6%	Very Attractive
JETS	12%	61%	7%	Very Attractive
ITB	28%	58%	13%	Very Attractive
IYJ	13%	60%	26%	Attractive
FIDU	14%	57%	27%	Attractive
<b>Worst ETFs</b>				
ARKQ	17%	22%	43%	Neutral
PSCI	3%	48%	48%	Neutral
E VX	8%	28%	57%	Neutral
PKB	16%	47%	38%	Neutral
XTN	10%	43%	44%	Unattractive

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

Sources: New Constructs, LLC and company filings

EcoLogical Strategy ETF (HECO) and John Hancock Multifactor Industrials ETF (JHMI) are excluded from Figure 1 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

<sup>1</sup> Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).

<sup>2</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>				
FSLEX	29%	46%	12%	Very Attractive
PGILX	7%	48%	24%	Attractive
VINAX	15%	58%	26%	Attractive
FSDAX	14%	66%	11%	Neutral
PGIOX	7%	48%	24%	Neutral
<b>Worst Mutual Funds</b>				
RYPAX	21%	50%	22%	Neutral
ICIAX	33%	46%	16%	Unattractive
PGIAX	7%	48%	24%	Unattractive
RYCNX	21%	50%	22%	Unattractive
RYTSX	21%	50%	22%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

ICON Industrials Fund (ICTRX) is excluded from Figure 2 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

State Street SPDR S&P Homebuilders ETF (XHB) is the top-rated Industrials ETF and Fidelity Select Environment and Alternative Energy Portfolio (FSLEX) is the top-rated Industrials mutual fund. Both earn a Very Attractive rating.

State Street SPDR S&P Transportation ETF (XTN) is the worst rated Industrials ETF and Rydex Series Transportation Fund (RYTSX) is the worst rated Industrials mutual fund. XTN earns an Unattractive rating and RYTSX earns a Very Unattractive rating.

438 stocks of the 3000+ we cover are classified as Industrials 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.

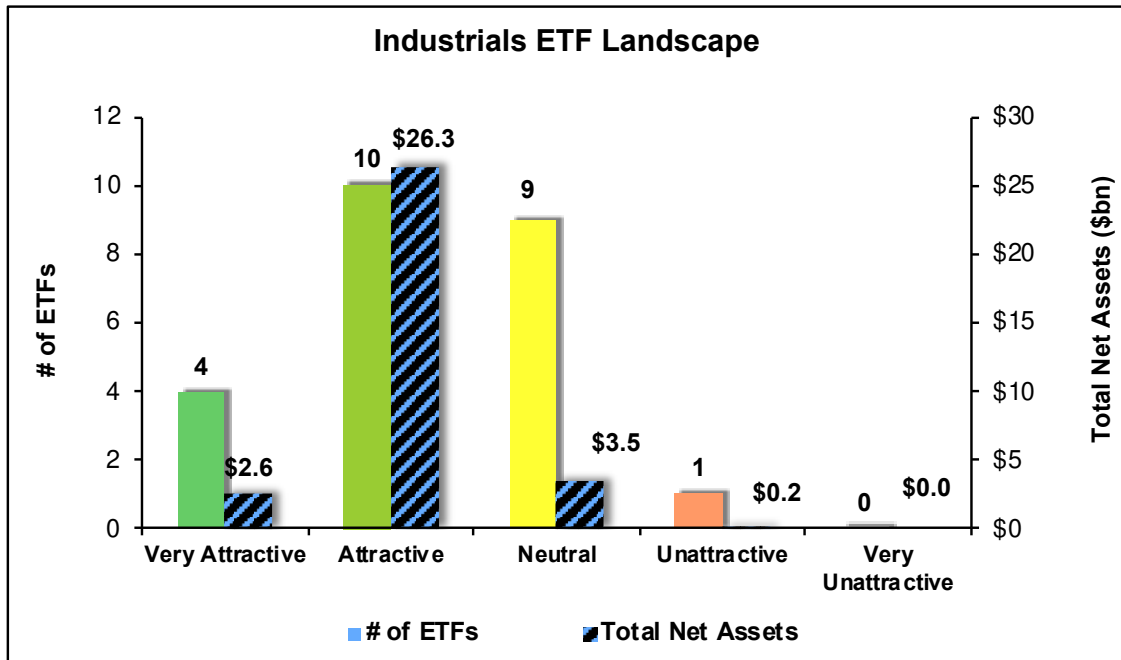
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



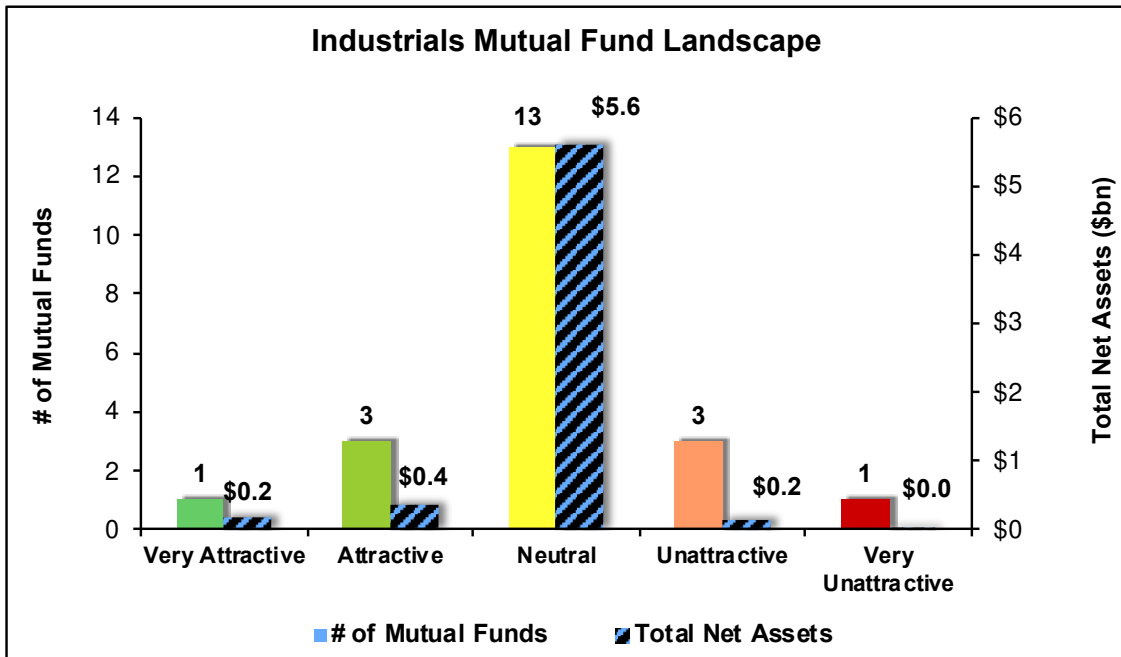
Figures 3 and 4 show the rating landscape of all Industrials ETFs and mutual funds.

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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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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