



## ETF & Mutual Fund Rankings: Utilities Sector

The Utilities sector ranks sixth out of the 11 sectors as detailed in our [2Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Utilities sector ranked seventh. It gets our Neutral rating, which is based on an aggregation of ratings of 11 ETFs and 37 mutual funds in the Utilities sector as of April 10, 2018. See a recap of our [1Q18 Sector Ratings here](#).

Figure 1 ranks from best to worst the nine Utilities ETFs that meet our liquidity standards and Figure 2 shows the five best and worst-rated Utilities mutual funds. Not all Utilities sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 17 to 235). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Utilities 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**

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
<b>Best ETFs (only 4)</b>				
FUTY	1%	79%	18%	<b>Attractive</b>
VPU	1%	78%	18%	<b>Attractive</b>
XLU	0%	80%	18%	<b>Attractive</b>
IDU	1%	79%	18%	<b>Attractive</b>
<b>Worst ETFs</b>				
RYU	0%	79%	20%	<b>Neutral</b>
FXU	4%	65%	21%	<b>Neutral</b>
UTES	0%	56%	26%	<b>Neutral</b>
JHMU	1%	77%	18%	<b>Neutral</b>
PSCU	4%	46%	45%	<b>Unattractive</b>

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

Sources: New Constructs, LLC and company filings

iShares Edge MSCI Multifactor Utilities ETF (UTLF) and PowerShares DWA Utilities Momentum Portfolio (PUI) 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>				
VUIAX	1%	78%	19%	<b>Attractive</b>
BULIX	4%	85%	8%	<b>Neutral</b>
EVUYX	7%	56%	30%	<b>Neutral</b>
EVUDX	7%	56%	30%	<b>Neutral</b>
EVUCX	7%	56%	30%	<b>Neutral</b>
<b>Worst Mutual Funds</b>				
GAUAX	8%	50%	21%	<b>Unattractive</b>
ICTVX	5%	76%	12%	<b>Unattractive</b>
FUGAX	4%	57%	25%	<b>Unattractive</b>
PRUAX	0%	51%	29%	<b>Very Unattractive</b>
RYUTX	2%	72%	18%	<b>Very Unattractive</b>

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

Sources: New Constructs, LLC and company filings

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

Fidelity MSCI Utilities Index ETF (FUTY) is the top-rated Utilities ETF and Vanguard Utilities Index Fund (VUIAX) is the top-rated Utilities mutual fund. Both earn an Attractive rating.

PowerShares S&P Small Cap Utilities Portfolio (PSCU) is the worst rated Utilities ETF and Rydex Series Utilities Fund (RYUTX) is the worst rated Utilities mutual fund. PSCU earns an Unattractive rating and RYUTX earns a Very Unattractive rating.

73 stocks of the 3000+ we cover are classified as Utilities 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.

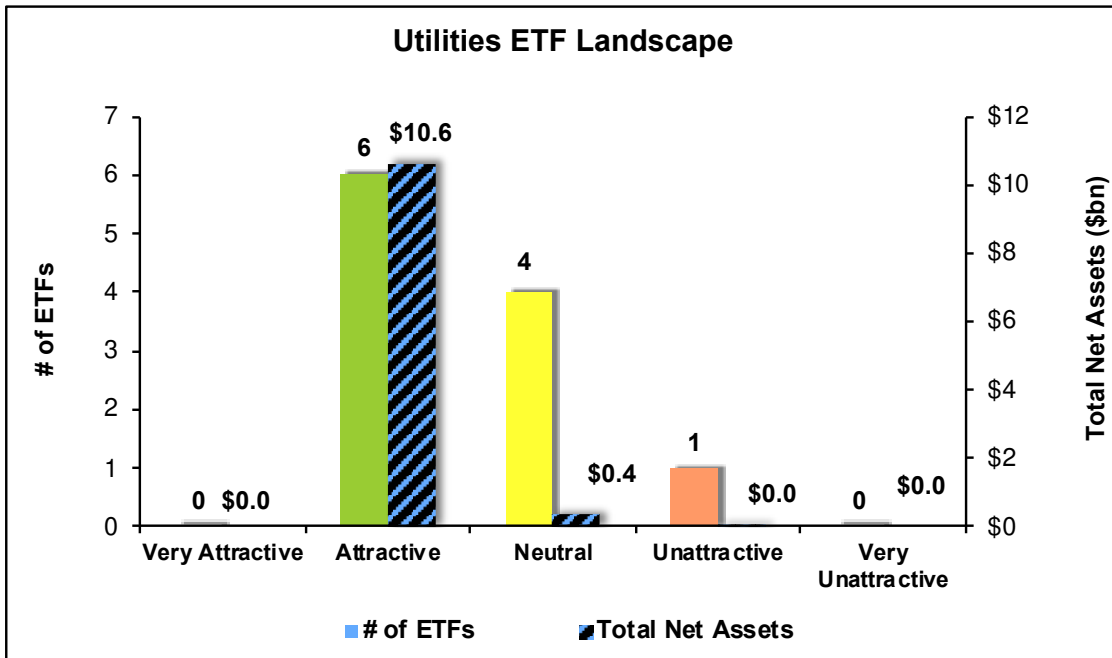
#### PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



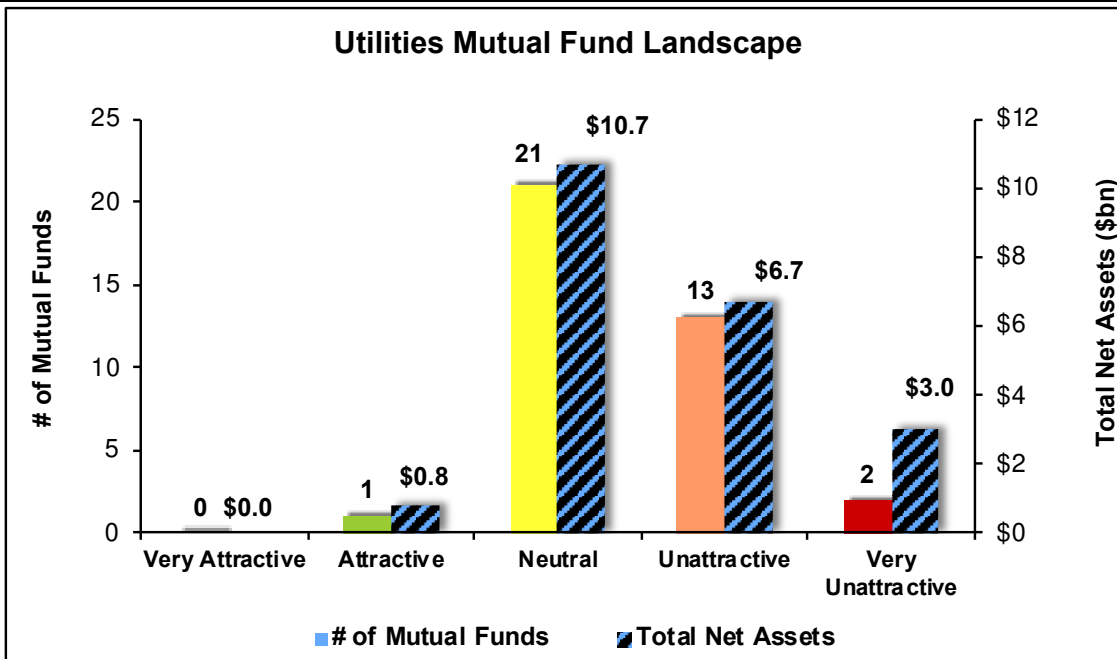
Figures 3 and 4 show the rating landscape of all Utilities ETFs and mutual funds.

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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