



## ETF & Mutual Fund Rankings: Consumer Non-cyclicals Sector

The Consumer Non-cyclicals sector ranks first out of the 11 sectors as detailed in our [3Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Consumer Non-cyclicals sector ranked first. It gets our Very Attractive rating, which is based on an aggregation of ratings of the 143 stocks in the Consumer Non-cyclicals sector as of July 17, 2018. See a recap of our [2Q18 Sector Ratings here](#).

Figures 1 and 2 show the five 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 20 to 114). 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](#)<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**

| Allocation of ETF Holdings |                             |                |                              |                   |
|----------------------------|-----------------------------|----------------|------------------------------|-------------------|
| Ticker                     | Attractive-or-better-Stocks | Neutral Stocks | Unattractive-or-worse-Stocks | Predictive Rating |
| <b>Best ETFs</b>           |                             |                |                              |                   |
| FSTA                       | 69%                         | 21%            | 7%                           | Very Attractive   |
| VDC                        | 67%                         | 22%            | 8%                           | Very Attractive   |
| XLP                        | 72%                         | 21%            | 5%                           | Very Attractive   |
| RHS                        | 49%                         | 36%            | 11%                          | Very Attractive   |
| IYK                        | 55%                         | 30%            | 14%                          | Very Attractive   |
| <b>Worst ETFs</b>          |                             |                |                              |                   |
| PSCC                       | 0%                          | 42%            | 58%                          | Neutral           |

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

Sources: New Constructs, LLC and company filings

Three ETFs (IECS, CNSF, JHMS) 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**

| Allocation of MF Holdings |                             |                |                              |                   |
|---------------------------|-----------------------------|----------------|------------------------------|-------------------|
| Ticker                    | Attractive-or-better-Stocks | Neutral Stocks | Unattractive-or-worse-Stocks | Predictive Rating |
| <b>Best MFs</b>           |                             |                |                              |                   |
| VCSAX                     | 67%                         | 24%            | 8%                           | Very Attractive   |
| FDFAX                     | 50%                         | 25%            | 9%                           | Very Attractive   |
| FDIGX                     | 50%                         | 25%            | 9%                           | Very Attractive   |
| FDCGX                     | 50%                         | 25%            | 9%                           | Very Attractive   |
| FDTGX                     | 50%                         | 25%            | 9%                           | Very Attractive   |
| <b>Worst MFs</b>          |                             |                |                              |                   |
| PGCNX                     | 26%                         | 14%            | 28%                          | Neutral           |
| PGLOX                     | 26%                         | 30%            | 22%                          | Unattractive      |
| PGCKX                     | 26%                         | 14%            | 28%                          | Unattractive      |
| PGCMX                     | 26%                         | 14%            | 28%                          | Unattractive      |
| PGCOX                     | 26%                         | 14%            | 28%                          | Unattractive      |

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

Sources: New Constructs, LLC and company filings

FSTA is the top-rated Consumer Non-cyclicals ETF and VCSAX is the top-rated Consumer Non-cyclicals mutual fund. Both earn a Very Attractive rating.

PSCC is the worst rated Consumer Non-cyclicals ETF and PGCOX is the worst rated Consumer Non-cyclicals mutual fund. PSCC earns a Neutral rating and PGCOX earns an Unattractive rating.

143 stocks of the 2850+ 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.

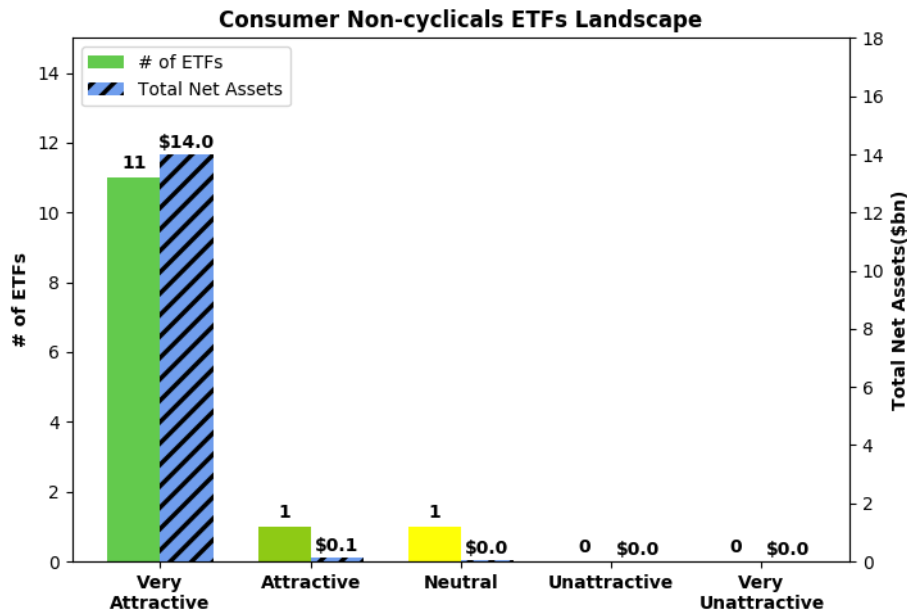
**PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND**

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.



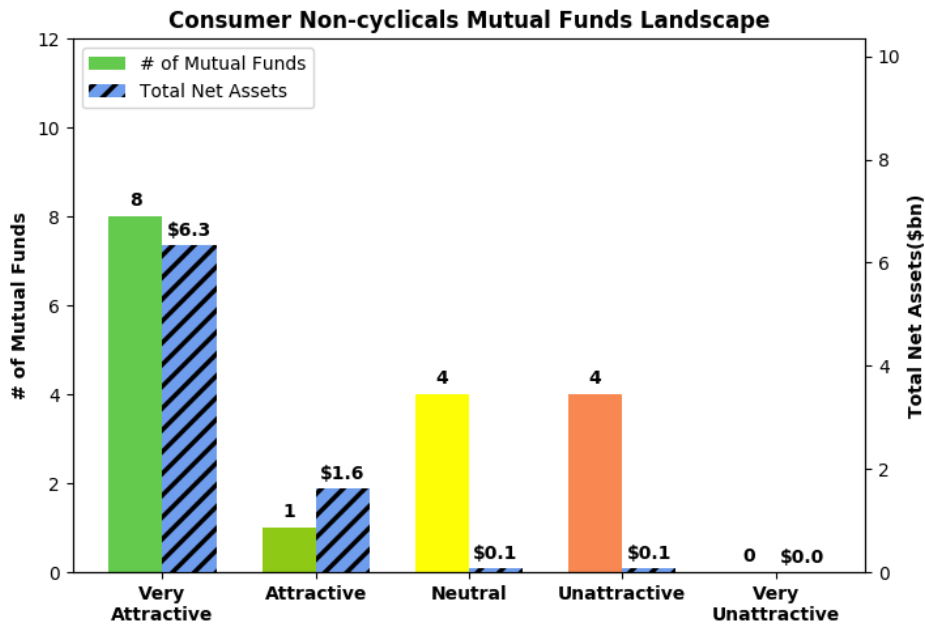
Figures 3 and 4 show the rating landscape of all Consumer Non-cyclicals ETFs and mutual funds.

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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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.

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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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