



## ETF & Mutual Fund Rankings: Financials Sector

The Financials sector ranks second out of the 11 sectors as detailed in our [1Q19 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Financials sector ranked sixth. It gets our Attractive rating, which is based on an aggregation of ratings of the 420 stocks in the Financials sector as of January 11, 2019. See a recap of our [4Q18 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 415). This variation creates drastically different investment implications and, therefore, ratings.

Get the best fundamental research

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](#)<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>				
IYG	31%	49%	19%	Very Attractive
XLF	34%	32%	34%	Very Attractive
IAT	31%	56%	11%	Very Attractive
FTXO	38%	45%	11%	Very Attractive
FNCL	33%	37%	29%	Very Attractive
<b>Worst ETFs</b>				
KRE	16%	63%	15%	Neutral
QABA	12%	61%	17%	Neutral
FXO	22%	51%	22%	Neutral
AIRR	8%	38%	46%	Neutral
PSCF	8%	40%	39%	Unattractive

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

Sources: New Constructs, LLC and company filings

Three ETFs (KCE, JHMF, IEFN) 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>				
FSRBX	25%	56%	13%	Very Attractive
FSLBX	33%	28%	34%	Very Attractive
PFSQX	29%	38%	23%	Very Attractive
PFSZX	29%	38%	23%	Very Attractive
VFAIX	33%	37%	28%	Very Attractive
<b>Worst MFs</b>				
SBFAX	23%	37%	24%	Unattractive
SFPCX	34%	37%	27%	Very Unattractive
RYBXX	24%	54%	18%	Very Unattractive
SFPAX	34%	37%	27%	Very Unattractive
RYFNX	26%	34%	36%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Two mutual funds (FSLVX, ICFSX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

IYG is the top-rated Financials ETF and FSRBX is the top-rated Financials mutual fund. Both earn a Very Attractive rating.

PSCF is the worst rated Financials ETF and RYFNX is the worst rated Financials mutual fund. PSCF earns an Unattractive rating and RYFNX earns a Very Unattractive rating.

420 stocks of the 2750+ 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.

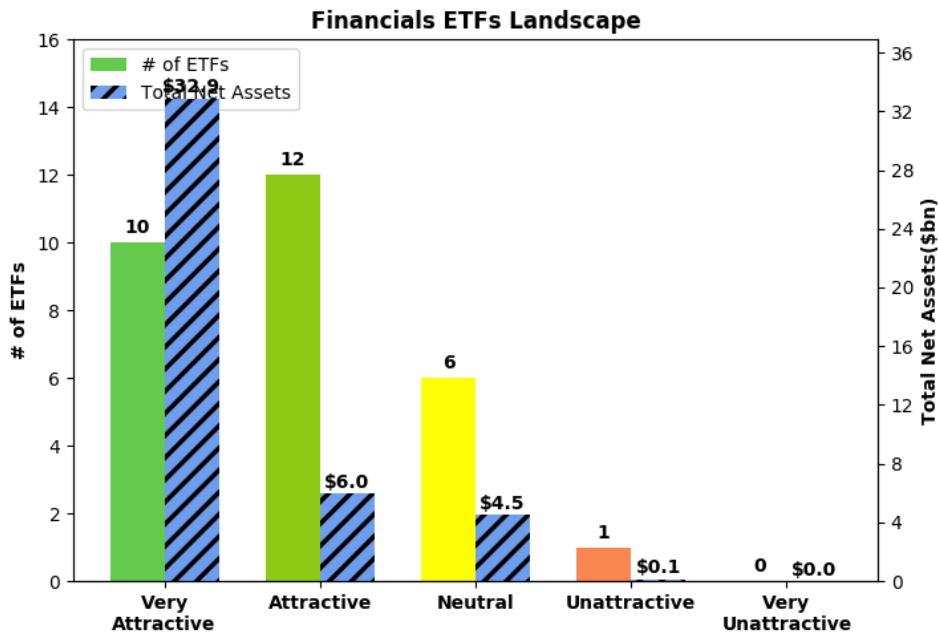
**PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND**

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.



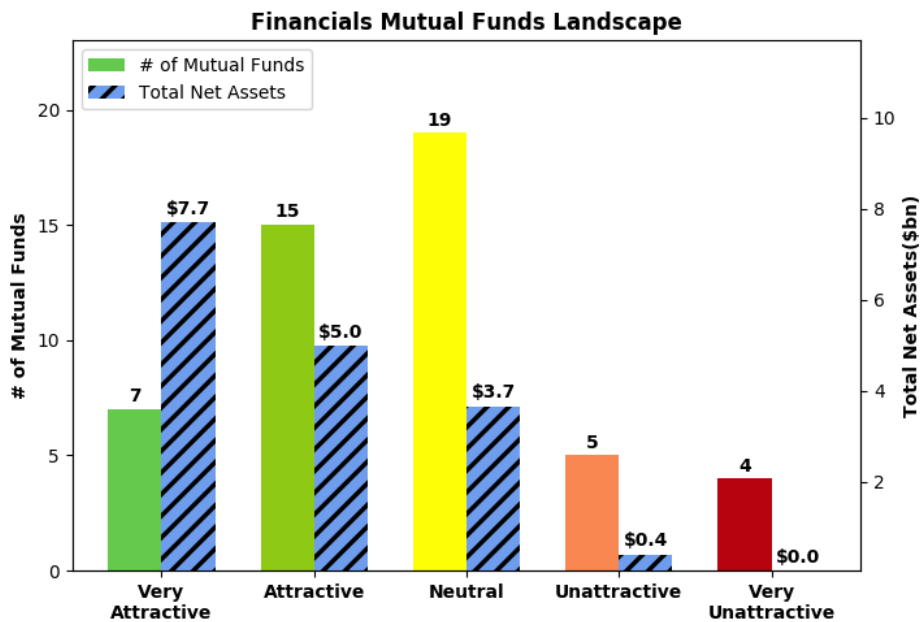
Figures 3 and 4 show the rating landscape of all Financials ETFs and mutual funds.

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

This article originally published on [January 15, 2019](#).

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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