ETF & Mutual Fund Rankings: Industrials Sector

The Industrials sector ranks fifth out of the 11 sectors as detailed in our 3Q19 Sector Ratings for ETFs and Mutual Funds report. Last quarter, the Industrials sector ranked seventh. It gets our Neutral rating, which is based on an aggregation of ratings of the 422 stocks in the Industrials sector as of July 11, 2019. See a recap of our 2Q19 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 21 to 358). 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[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				
XHB	34%	58%	7%	Very Attractive
ITB	36%	56%	6%	Very Attractive
RGI	18%	46%	34%	Very Attractive
VIS	13%	45%	40%	Attractive
XLI	13%	47%	37%	Attractive
Worst ETFs				
PPA	14%	25%	55%	Neutral
XAR	12%	23%	60%	Unattractive
ITA	14%	13%	69%	Unattractive
IFRA	8%	26%	59%	Unattractive
EVX	0%	19%	71%	Unattractive

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

Sources: New Constructs, LLC and company filings

Four ETFs (JETS, HECO, JHMI, FTXR) are excluded from Figure 1 because their 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] This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up.

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
Best MFs				
FSLEX	16%	53%	18%	Attractive
VINAX	13%	45%	39%	Attractive
FSRFX	16%	57%	22%	Attractive
FIKEX	10%	37%	52%	Neutral
FCLIX	10%	37%	52%	Neutral
Worst MFs				
PGIEX	5%	21%	55%	Unattractive
ICIAX	22%	45%	33%	Unattractive
PGIVX	5%	21%	55%	Very Unattractive
PGIHX	5%	21%	55%	Very Unattractive
PGIAX	5%	21%	55%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

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

XHB is the top-rated Industrials ETF and FSLEX is the top-rated Industrials mutual fund. XHB earns a Very Attractive rating and FSLEX earns an Attractive rating.

EVX is the worst rated Industrials ETF and PGIAX is the worst rated Industrials mutual fund. EVX earns an Unattractive rating and PGIAX earns a Very Unattractive rating.

422 stocks of the 2800+ we cover are classified as Industrials stocks.

The Danger Within

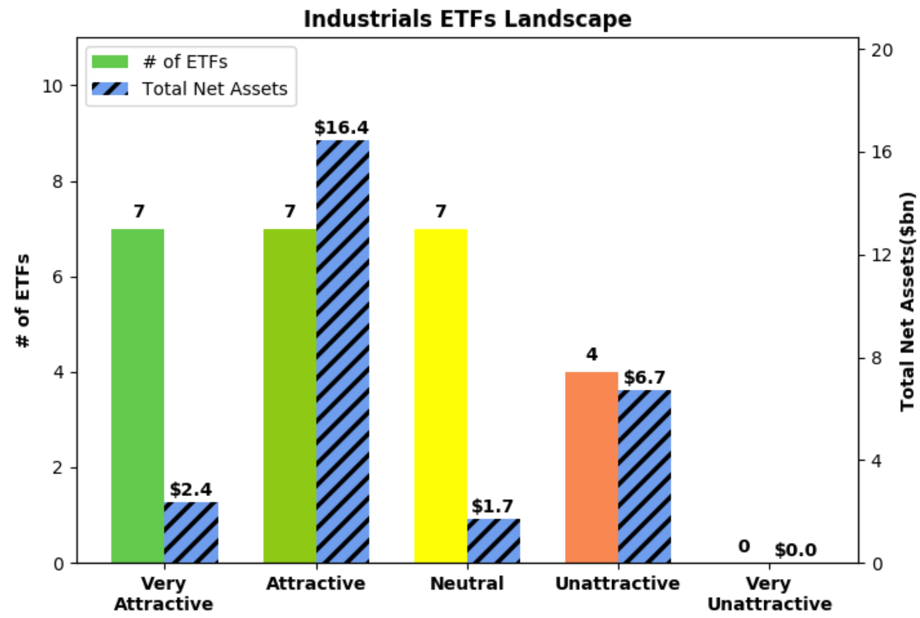
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

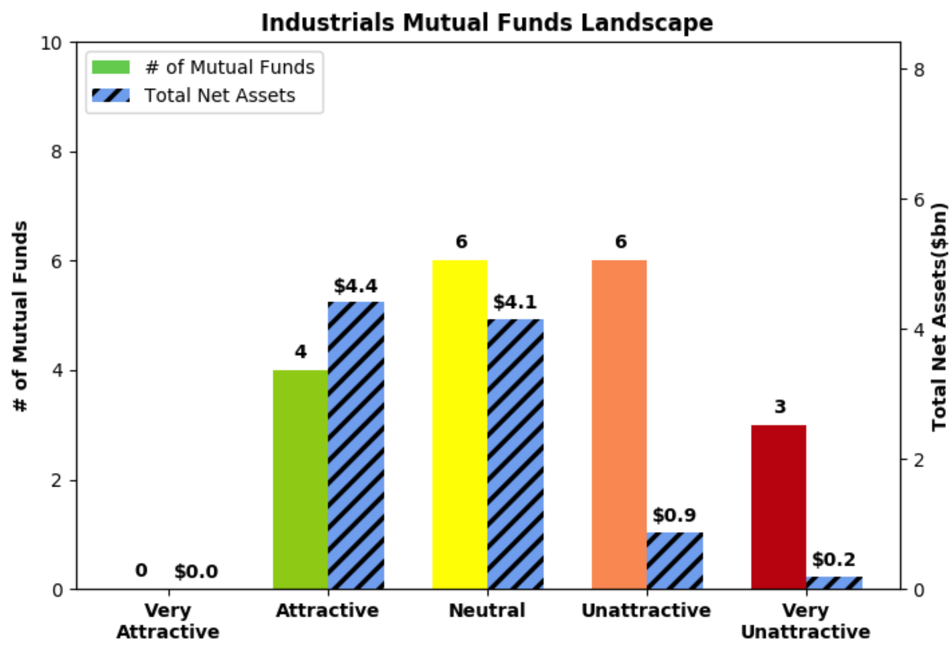
Figures 3 and 4 show the rating landscape of all Industrials ETFs and mutual funds.

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

This article originally published on July 11, 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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