# ETF & Mutual Fund Rankings: Consumer Cyclicals Sector

The Consumer Cyclicals sector ranks sixth out of the 11 sectors as detailed in our 1Q21 Sector Ratings for ETFs and Mutual Funds report. Last quarter, the Consumer Cyclicals sector ranked seventh. It gets our Neutral rating, which is based on an aggregation of ratings of the 432 stocks in the Consumer Cyclicals sector as of January 11, 2021. See a recap of our 4Q20 Sector Ratings here.

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Consumer Cyclicals sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 298). This variation creates drastically different investment implications and, therefore, ratings.



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

The best fundamental data in the world, proven in The Journal of Financial Economics, drives our research. 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** | | | | |
| ITB | 68% | 24% | 4% | Very Attractive |
| XHB | 51% | 37% | 10% | Very Attractive |
| RTH | 59% | 32% | 9% | Very Attractive |
| XLY | 32% | 43% | 23% | Neutral |
| FDIS | 24% | 41% | 33% | Neutral |
| **Worst ETFs** | | | | |
| XRT | 35% | 20% | 39% | Unattractive |
| PEZ | 22% | 9% | 53% | Unattractive |
| PBS | 18% | 27% | 49% | Unattractive |
| PEJ | 6% | 26% | 50% | Unattractive |
| BUYZ | 8% | 15% | 62% | Very Unattractive |

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

Sources: New Constructs, LLC and company filings

Two ETFs (FTXD, IEDI) 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] See how our models and financial ratios are superior to Bloomberg and Capital IQ's (SPGI) analytics in the detailed appendix of this paper.

**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** | | | | |
| FGKMX | 30% | 35% | 26% | Attractive |
| FGJMX | 30% | 35% | 26% | Attractive |
| FBMPX | 30% | 35% | 26% | Attractive |
| FSRPX | 38% | 34% | 22% | Attractive |
| FGHMX | 30% | 35% | 26% | Neutral |
| **Worst MFs** | | | | |
| FGDMX | 30% | 35% | 26% | Neutral |
| FCECX | 28% | 34% | 34% | Neutral |
| FACPX | 28% | 34% | 34% | Neutral |
| FDLSX | 2% | 25% | 64% | Unattractive |
| FCNAX | 28% | 34% | 34% | Unattractive |

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

Sources: New Constructs, LLC and company filings

ITB is the top-rated Consumer Cyclicals ETF and FGKMX is the top-rated Consumer Cyclicals mutual fund. ITB earns a Very Attractive rating and FGKMX earns an Attractive rating.

BUYZ is the worst rated Consumer Cyclicals ETF and FCNAX is the worst rated Consumer Cyclicals mutual fund. BUYZ earns a Very Unattractive rating and FCNAX earns an Unattractive rating.

432 stocks of the 2850+ we cover are classified as Consumer Cyclicals stocks.

**The Danger Within**

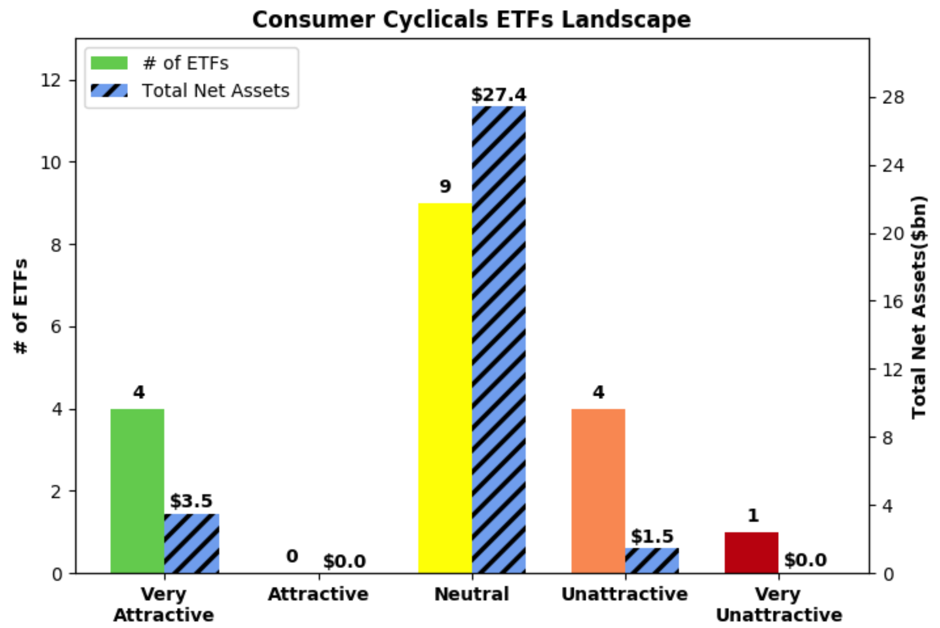
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

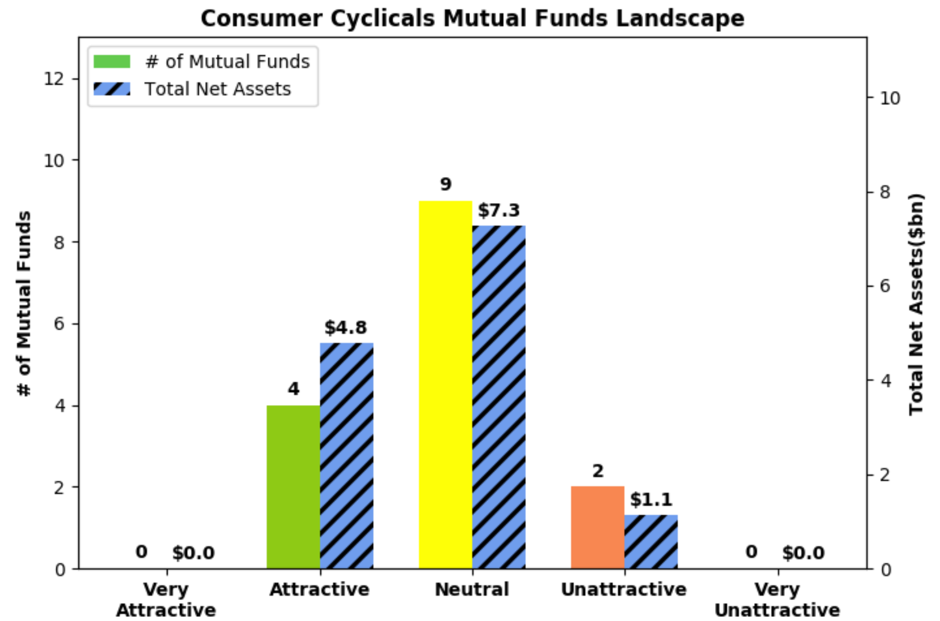
Figures 3 and 4 show the rating landscape of all Consumer Cyclicals ETFs and mutual funds.

**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

*This article originally published on [January 12, 2021](#).*

*Disclosure: David Trainer, Kyle Guske II, and Matt Shuler receive no compensation to write about any specific stock, sector or theme.*

*Follow us on Twitter, Facebook, LinkedIn, and StockTwits for real-time alerts on all our research.*

## *Footnotes adjustments matter. We are the ONLY source.*

We provide ratings, models, reports & screeners on U.S. 3,000 stocks, 700 ETFs and 7,000 mutual funds.

**The Journal of Financial Economics reveals that:**

- **Markets are inefficiently assessing earnings because no one reads the footnotes.**
- **Corporate managers hide gains/losses in footnotes to manage earnings.**
- **Our technology brings the material footnotes data to market for the first time ever.**

Combining human expertise with NLP/ML/AI technologies (featured by Harvard Business School), we shine a light in the dark corners (e.g. footnotes) of hundreds of thousands of financial filings to unearth critical details.

Forthcoming in The Journal of Financial Economics, the HBS & MIT Sloan paper, Core Earnings: New Data and Evidence, proves our superior data drives uniquely comprehensive and independent debt and equity research.

This paper compares our analytics on a mega cap company to other major providers. The Appendix details exactly how we stack up against Bloomberg & Capital IQ.

***Learn more.***

Quotes from HBS & MIT Sloan professors on our research:

### *Superior data:*

*"[New Constructs'] Total Adjustments differs significantly from the items identified and excluded from Compustat's adjusted earnings measures. For example… 50% to 70% of the variation in Total Adjustments is not explained by IBSPI Adjustments, OIADP Adjustments, or OPE Adjustments individually." — pp. 14, 1st para.*

### *Pick better stocks:*

*"Trading strategies that exploit non-core earnings produce abnormal returns of 8% per year." – Abstract, 5th sentence*

### *Risks of using legacy data providers:*

*"we identified cases where Compustat did not collect information relating to firms' income that is useful in assessing core earnings." – pp. 16, 2nd para.*

### *Build better models:*

*"… the machine [NC's Robo-Analyst technology] learned and replicated human analysts' judgements based on their prior decisions. It did so with greater speed and scale to produce a database covering a broad cross-section of firms." – pp. 9, 2nd para.*

### *Exploit market inefficiencies:*

*"…analysts and other market participants are slow to impound the implications of the distinction between core and non-core earnings, especially those disclosed from the footnotes section of the 10-K" – pp. 35, 1st para.*

### *Fulfill fiduciary duties:*

*"These costs [of analyzing footnotes] point to the potential for increasing inequities in the usefulness of financial statements for sophisticated versus unsophisticated investors who differ in their technological capabilities for processing 10-K information" – pp. 35, 2nd para.*

## DISCLOSURES

New Constructs®, LLC (together with any subsidiaries and/or affiliates, "New Constructs") is an independent organization with no management ties to the companies it covers. None of the members of New Constructs' management team or the management team of any New Constructs' affiliate holds a seat on the Board of Directors of any of the companies New Constructs covers. New Constructs does not perform any investment or merchant banking functions and does not operate a trading desk.
New Constructs' Stock Ownership Policy prevents any of its employees or managers from engaging in Insider Trading and restricts any trading whereby an employee may exploit inside information regarding our stock research. In addition, employees and managers of the company are bound by a code of ethics that restricts them from purchasing or selling a security that they know or should have known was under consideration for inclusion in a New Constructs report nor may they purchase or sell a security for the first 15 days after New Constructs issues a report on that security.

## DISCLAIMERS

The information and opinions presented in this report are provided to you for information purposes only and are not to be used or considered as an offer or solicitation of an offer to buy or sell securities or other financial instruments. New Constructs has not taken any steps to ensure that the securities referred to in this report are suitable for any particular investor and nothing in this report constitutes investment, legal, accounting or tax advice. This report includes general information that does not take into account your individual circumstance, financial situation or needs, nor does it represent a personal recommendation to you. The investments or services contained or referred to in this report may not be suitable for you and it is recommended that you consult an independent investment advisor if you are in doubt about any such investments or investment services.
Information and opinions presented in this report have been obtained or derived from sources believed by New Constructs to be reliable, but New Constructs makes no representation as to their accuracy, authority, usefulness, reliability, timeliness or completeness. New Constructs accepts no liability for loss arising from the use of the information presented in this report, and New Constructs makes no warranty as to results that may be obtained from the information presented in this report. Past performance should not be taken as an indication or guarantee of future performance, and no representation or warranty, express or implied, is made regarding future performance. Information and opinions contained in this report reflect a judgment at its original date of publication by New Constructs and are subject to change without notice. New Constructs may have issued, and may in the future issue, other reports that are inconsistent with, and reach different conclusions from, the information presented in this report. Those reports reflect the different assumptions, views and analytical methods of the analysts who prepared them and New Constructs is under no obligation to insure that such other reports are brought to the attention of any recipient of this report.
New Constructs' reports are intended for distribution to its professional and institutional investor customers. Recipients who are not professionals or institutional investor customers of New Constructs should seek the advice of their independent financial advisor prior to making any investment decision or for any necessary explanation of its contents.
This report is not directed to, or intended for distribution to or use by, any person or entity who is a citizen or resident of or located in any locality, state, country or jurisdiction where such distribution, publication, availability or use would be contrary to law or regulation or which would be subject New Constructs to any registration or licensing requirement within such jurisdiction.
This report may provide the addresses of websites. Except to the extent to which the report refers to New Constructs own website material, New Constructs has not reviewed the linked site and takes no responsibility for the content therein. Such address or hyperlink (including addresses or hyperlinks to New Constructs own website material) is provided solely for your convenience and the information and content of the linked site do not in any way form part of this report. Accessing such websites or following such hyperlink through this report shall be at your own risk.