



## ETF & Mutual Fund Rankings: Healthcare Sector

The Healthcare sector ranks seventh out of the 11 sectors as detailed in our [1Q21 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Healthcare sector ranked eighth. It gets our Neutral rating, which is based on an aggregation of ratings of the 354 stocks in the Healthcare 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 Healthcare sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 24 to 452). This variation creates drastically different investment implications and, therefore, ratings.

[Learn more about the best fundamental research](#)

Investors seeking exposure to the Healthcare 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](#)<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>           |                             |                |                              |                   |
| IXJ                        | 39%                         | 26%            | 18%                          | Very Attractive   |
| PJP                        | 38%                         | 28%            | 22%                          | Very Attractive   |
| RYH                        | 36%                         | 36%            | 26%                          | Very Attractive   |
| PPH                        | 33%                         | 31%            | 19%                          | Attractive        |
| IHF                        | 69%                         | 13%            | 15%                          | Attractive        |
| <b>Worst ETFs</b>          |                             |                |                              |                   |
| XPH                        | 15%                         | 21%            | 39%                          | Unattractive      |
| OLD                        | 5%                          | 11%            | 54%                          | Unattractive      |
| XHE                        | 6%                          | 18%            | 64%                          | Very Unattractive |
| FBT                        | 26%                         | 15%            | 59%                          | Very Unattractive |
| BBP                        | 20%                         | 12%            | 55%                          | Very Unattractive |

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

Sources: New Constructs, LLC and company filings

JHMH is excluded from Figure 1 because its 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> 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 |
| <b>Best MFs</b>           |                             |                |                              |                   |
| SHSKX                     | 34%                         | 24%            | 26%                          | Attractive        |
| FSHCX                     | 60%                         | 17%            | 13%                          | Attractive        |
| PGHAX                     | 44%                         | 18%            | 20%                          | Attractive        |
| SHSSX                     | 34%                         | 24%            | 26%                          | Attractive        |
| SWHFX                     | 37%                         | 32%            | 20%                          | Attractive        |
| <b>Worst MFs</b>          |                             |                |                              |                   |
| PHLCX                     | 17%                         | 12%            | 40%                          | Unattractive      |
| KRXAX                     | 44%                         | 27%            | 26%                          | Very Unattractive |
| AHSCX                     | 11%                         | 17%            | 49%                          | Very Unattractive |
| PHLAX                     | 17%                         | 12%            | 40%                          | Very Unattractive |
| AHSAX                     | 11%                         | 17%            | 49%                          | Very Unattractive |

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

Sources: New Constructs, LLC and company filings

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

IXJ is the top-rated Healthcare ETF and SHSKX is the top-rated Healthcare mutual fund. IXJ earns a Very Attractive rating and SHSKX earns an Attractive rating.

BBP is the worst rated Healthcare ETF and AHSAX is the worst Healthcare mutual fund. They both earn a Very Unattractive rating.

354 stocks of the 2850+ we cover are classified as Healthcare 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.

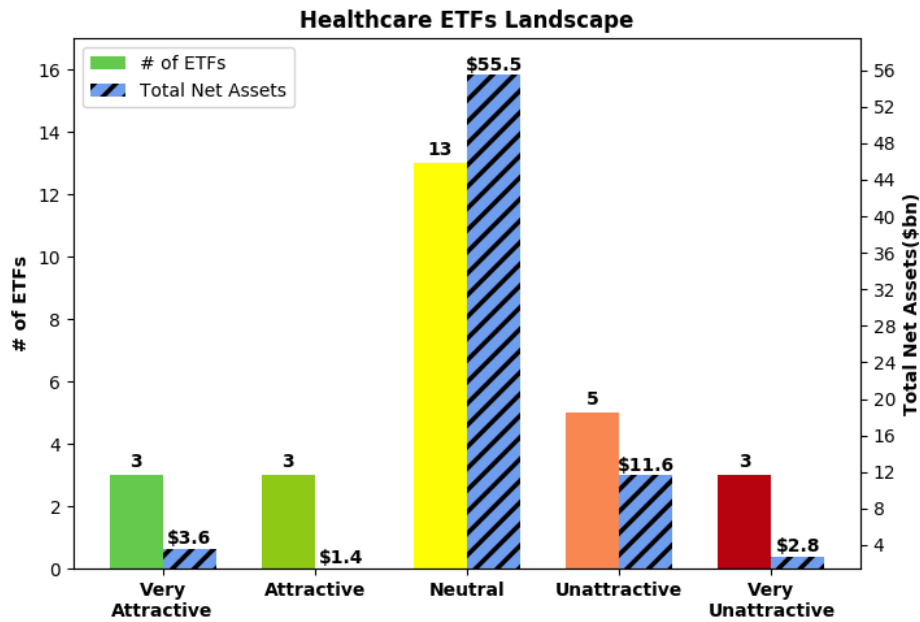
**PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND**

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.



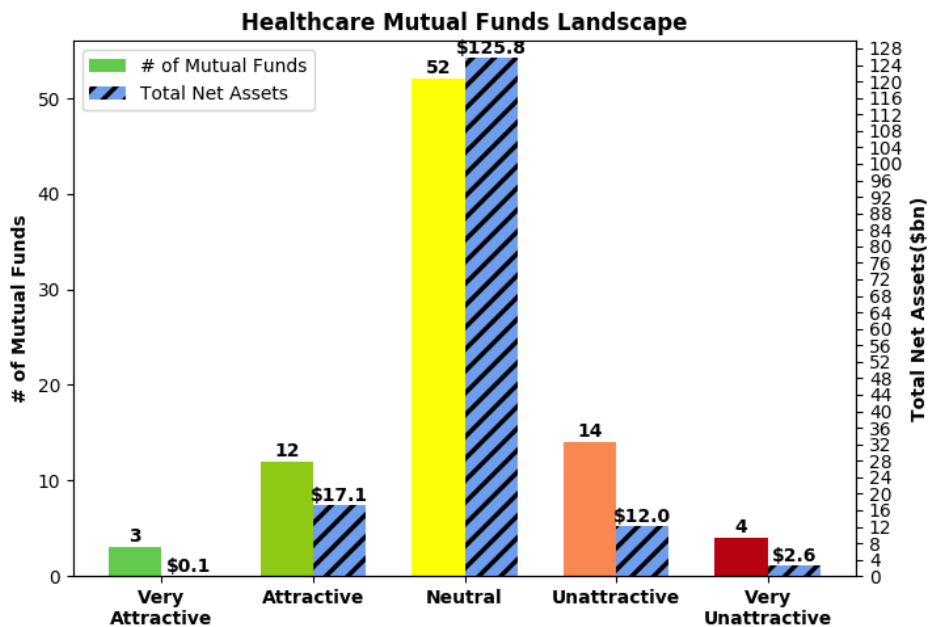
Figures 3 and 4 show the rating landscape of all Healthcare ETFs and mutual funds.

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.

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## 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.*



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