



How to Find the Best Sector Mutual Funds

Finding the best mutual funds is an increasingly difficult task in a world with so many to choose from. How can you pick with so many choices available?

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

Don't Trust Mutual Fund Labels

There are at least 182 different Real Estate mutual funds and at least 664 mutual funds across eleven sectors. Do investors need 60+ choices on average per sector? How different can the mutual funds be?

Those Real Estate mutual funds are very different. With anywhere from 23 to 179 holdings, many of these Real Estate mutual funds have drastically different portfolios, creating drastically different investment implications.

The same is true for the mutual funds in any other sector, as each offers a very different mix of good and bad stocks. Consumer Non-cyclicals ranks first for stock selection. Real Estate ranks last. Details on the [Best & Worst mutual funds in each sector are here](#).

How to Avoid Paralysis by Analysis

We think the large number of Real Estate (or any other) sector mutual funds hurts investors more than it helps because too many options can be paralyzing. It is simply not possible for the majority of investors to properly assess the quality of so many mutual funds. Analyzing mutual funds, done with the proper diligence¹, is far more difficult than analyzing stocks because it means analyzing all the stocks within each mutual fund. As stated above, that can be as many as 179 stocks, and sometimes even more, for one mutual fund.

Anyone focused on [fulfilling the fiduciary duty of care](#) recognizes that analyzing the holdings² of a mutual fund is critical to finding the best mutual fund. The [best fundamental data](#) in the world, proven in [The Journal of Financial Economics](#), drives our research and analysis of fund holdings. Figure 1 shows our top rated mutual fund for each sector.

Figure 1: The Best Mutual Fund in Each Sector

Ticker	Name	Sector	Assets (\$mm)
VMIAX	Vanguard Materials Index Fund	Basic Materials	\$2,985
FSRPX	Fidelity Select Retailing Portfolio	Consumer Cyclicals	\$3,934
FIJCX	Fidelity Advisor Consumer Staples Fund	Consumer Non-cyclicals	\$1,482
ICBMX	ICON Natural Resources and Infrastructure Fund	Energy	\$110
FSRBX	Fidelity Select Banking Portfolio	Financials	\$421
SHSKX	BlackRock Health Sciences Opportunities Portfolio	Healthcare	\$10,598
FSRFX	Fidelity Select Transportation Portfolio	Industrials	\$339
CGMRX	CGM Realty Fund	Real Estate	\$463
NWJEX	Nationwide NYSE Arca Tech 100 Index Fund	Technology	\$716
FLICX	DWS Communications Funds	Telecom Services	\$109
EVUYX	Wells Fargo Utility & Telecommunications Fund	Utilities	\$437

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

Sources: New Constructs, LLC and company filings

¹ Three independent studies from respected institutions prove the superiority of our data, models, and ratings. Learn more [here](#).

² Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).



Amongst the mutual funds in Figure 1, Fidelity Advisor Consumer Staples Fund (FIJCX) ranks first overall, Fidelity Select Banking Portfolio (FSRBX) ranks second, and Nationwide NYSE Arca Tech 100 Index Fund (NWJEX) ranks third. Fidelity Select Retailing Portfolio (FSRPX) ranks last.

How to Avoid “The Danger Within”

Why do you need to know the holdings of mutual funds before you buy?

You need to be sure you do not buy a fund that might blow up. Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. No matter how cheap, if it holds bad stocks, the mutual fund's performance will be bad. Don't just take my word for it, see [what Barron's says](#) on this matter.

PERFORMANCE OF FUND'S 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.

If Only Investors Could Find Funds Rated by Their Holdings

Our [mutual fund ratings](#) leverage our [stock coverage](#). We rate mutual funds based on the aggregated ratings of the stocks each mutual fund holds.

Fidelity Advisor Consumer Staples Fund (FIJCX) is not only the top-rated Consumer Non-cyclicals mutual fund but is also the overall first-ranked sector mutual fund out of the 664 sector mutual funds that we cover.

The worst mutual fund in Figure 1 is Fidelity Select Retailing Portfolio (FSRPX), which gets a Neutral rating. One would think mutual fund providers could do better for this sector.

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

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It's Official: We Offer the Best Fundamental Data in the World

Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Below, we present three different papers from both the public and private sectors that prove the superiority of our proprietary fundamental data, earnings models, investment ratings, and research for stocks, bonds, ETFs, and mutual funds.

Best Fundamental Data in the World

Forthcoming in [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves the superiority of our [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[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.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2nd para.

Superior Models

A top accounting firm features the superiority of our [NOPAT](#), [Invested Capital](#), and [ROIC](#) research on four mega-cap companies in “[Getting ROIC right: how an accurate view of ROIC can drive improved shareholder value](#)”.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [the New Constructs method] can investors get an accurate calculation of ROIC.” – pp. 8, 5th para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2nd para.

See the [Appendix](#) for direct comparison of our analysis of DOW’s 2015 results to Capital IQ and Bloomberg.

Superior Stock Ratings

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Indiana’s Kelley School of Business. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3rd para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3rd para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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