



## Best & Worst ETFs & Mutual Funds: Health Care Sector

The Health Care sector ranks seventh out of the 10 sectors as detailed in my [Sector Rankings for ETFs and Mutual Funds](#) report. It gets my Neutral rating, which is based on an aggregation of ratings of 23 ETFs and 95 mutual funds in the Health Care sector as of October 10, 2014. Prior reports on the best & worst ETFs and mutual funds in every sector are [here](#).

Figures 1 and 2 show the five best and worst-rated ETFs and mutual funds in the sector. Not all Health Care sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 20 to 305). This variation creates drastically different investment implications and, therefore, ratings. The best ETFs and mutual funds allocate more value to Attractive-or-better-rated stocks than the worst ETFs and mutual funds, which allocate too much value to Neutral-or-worse-rated stocks.

To [identify the best](#) and [avoid the worst](#) ETFs and mutual funds within the Health Care sector, investors need a [predictive rating](#) based on (1) the [stocks ratings](#) of the holdings, (2) the [all-in expenses](#) of each ETF and mutual fund, and (3) the fund's rank compared to all other ETFs and mutual funds. As a result, only the cheapest funds with the best holdings receive Attractive or better ratings. Investors need not rely on backward-looking ratings. My fund rating methodology is detailed [here](#).

Investors seeking exposure to the Health Care sector should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2. My report on the number of good stocks in this sector is [here](#).

Get my ratings on all ETFs and mutual funds on my [mutual fund and ETF screener](#).

**Figure 1: ETFs with the Best & Worst Ratings – Top 5**

	Allocation of ETF Holdings			
Ticker	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best ETFs				
IHI	46%	27%	26%	Very Attractive
XLV	31%	49%	20%	Very Attractive
PPH	28%	23%	20%	Very Attractive
IYH	30%	49%	21%	Attractive
RXL	30%	49%	21%	Attractive
Worst ETFs				
BIB	1%	45%	45%	Dangerous
FBT	6%	34%	60%	Dangerous
PTH	5%	32%	54%	Very Dangerous
XPH	10%	29%	52%	Very Dangerous
XBI	1%	12%	61%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

**Figure 2: Mutual Funds with the Best & Worst Ratings – Top 5**

Allocation of Mutual Fund Holdings				
Ticker	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best Mutual Funds				
SWHFX	25%	39%	18%	Attractive
FSMEX	28%	32%	26%	Attractive
PHSYX	21%	28%	22%	Attractive
PHSRX	21%	28%	22%	Attractive
VHCIX	28%	46%	25%	Attractive
Worst Mutual Funds				
FBTBX	1%	35%	38%	Very Dangerous
FBDIX	0%	35%	35%	Very Dangerous
PHLAX	3%	26%	45%	Very Dangerous
FBTAX	1%	35%	38%	Very Dangerous
RYBOX	3%	33%	47%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

iShares Dow Jones U.S. Medical Devices Index Fund ETF (IHI) is my top-rated Health Care ETF and Schwab Health Care Fund (SWHFX) is my top-rated Health Care mutual fund. IHI earns my Very Attractive rating and SWHFX earns my Attractive rating.

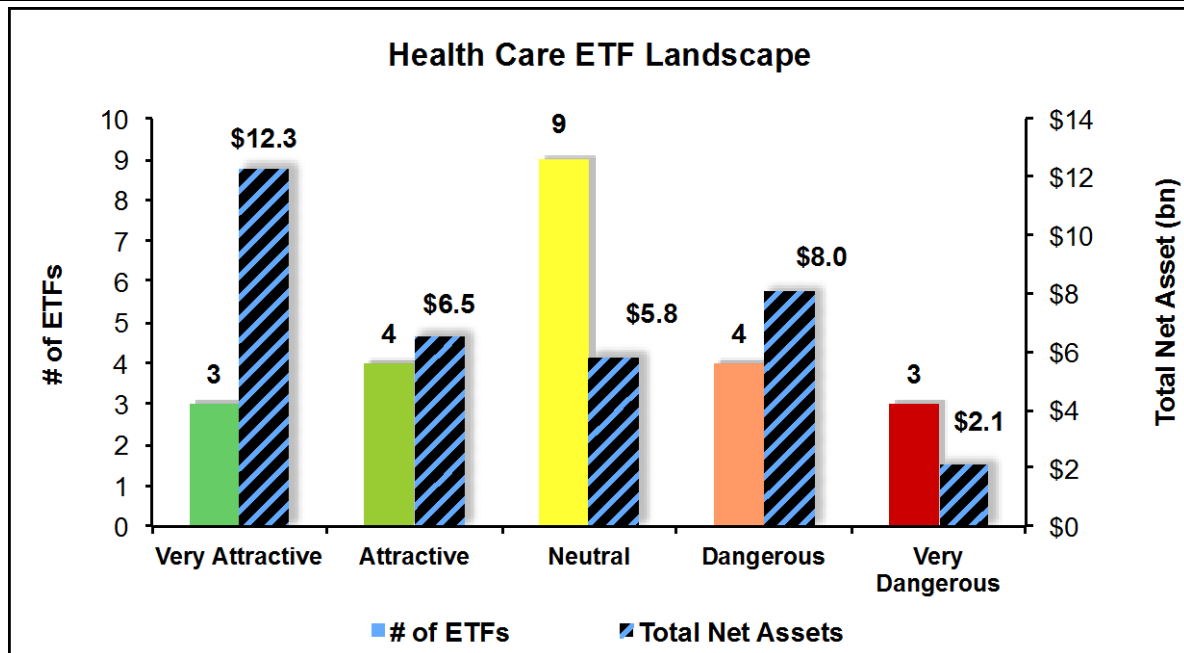
State Street SPDR S&P Biotech ETF (XBI) is my worst-rated Health Care ETF and Rydex Biotechnology Fund (RYBOX) is my worst-rated Health Care mutual fund. Both earn my Very Dangerous rating.

As detailed in "[Cheap Funds Dupe Investors](#)", the fund industry offers many cheap funds but very few funds with high-quality stocks, or with what I call good [portfolio management](#).

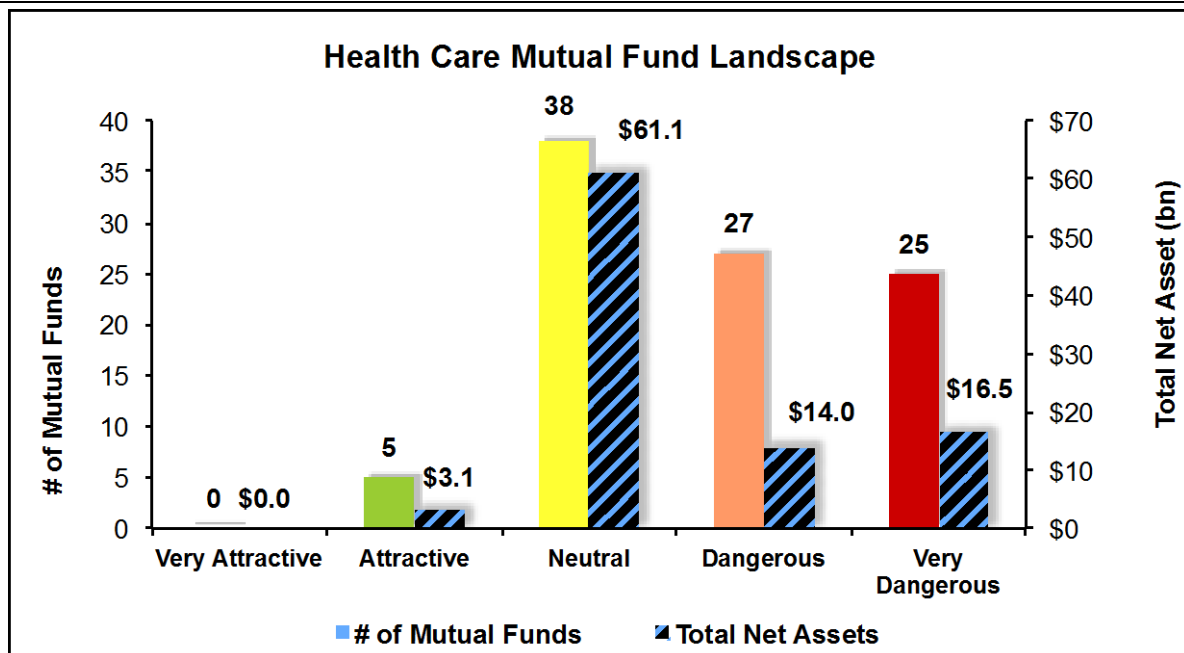
378 stocks of the 3000+ I cover are classified as Health Care stocks.

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

My [Sector Rankings for ETFs and Mutual Funds](#) report ranks all sectors and highlights those that offer the best investments.

**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

Review my [full list](#) of ratings and rankings along with reports on all 23 ETFs and 95 mutual funds in the Health Care sector.

*Kyle Guske II contributed to this report.*

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



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