



Best & Worst ETFs & Mutual Funds: Information Technology Sector

The Information Technology sector ranks third 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 aggregation of ratings of 27 ETFs and 147 mutual funds in the Information Technology sector as of October 14, 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 Information Technology sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 24 to 411). 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 Information Technology 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 Information Technology 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 in this sector 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				
TDIV	49%	29%	9%	Very Attractive
SMH	32%	27%	16%	Very Attractive
RYT	40%	34%	24%	Very Attractive
SOXX	35%	34%	23%	Very Attractive
QTEC	37%	39%	22%	Very Attractive
Worst ETFs				
IGN	27%	18%	53%	Neutral
FDN	8%	29%	57%	Neutral
PNQI	9%	28%	43%	Neutral
PSCT	10%	37%	53%	Neutral
XSW	15%	30%	49%	Neutral

* 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				
NWJEX	36%	36%	23%	Very Attractive
NWJFX	36%	36%	23%	Very Attractive
FDCPX	48%	26%	19%	Very Attractive
FBSOX	26%	38%	25%	Very Attractive
CSFIX	15%	54%	23%	Very Attractive
Worst Mutual Funds				
FDMAX	36%	14%	28%	Very Dangerous
RYINX	16%	18%	45%	Very Dangerous
RYSAX	21%	33%	37%	Very Dangerous
RYSCX	21%	33%	37%	Very Dangerous
RYELX	21%	33%	37%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

First Trust NASDAQ Technology Dividend Index (TDIV) is my top-rated Information Technology ETF and Nationwide Ziegler NYSE Arca Tech 100 Index Fund (NWJEX) is my top-rated Information Technology mutual fund. Both earn my Very Attractive rating.

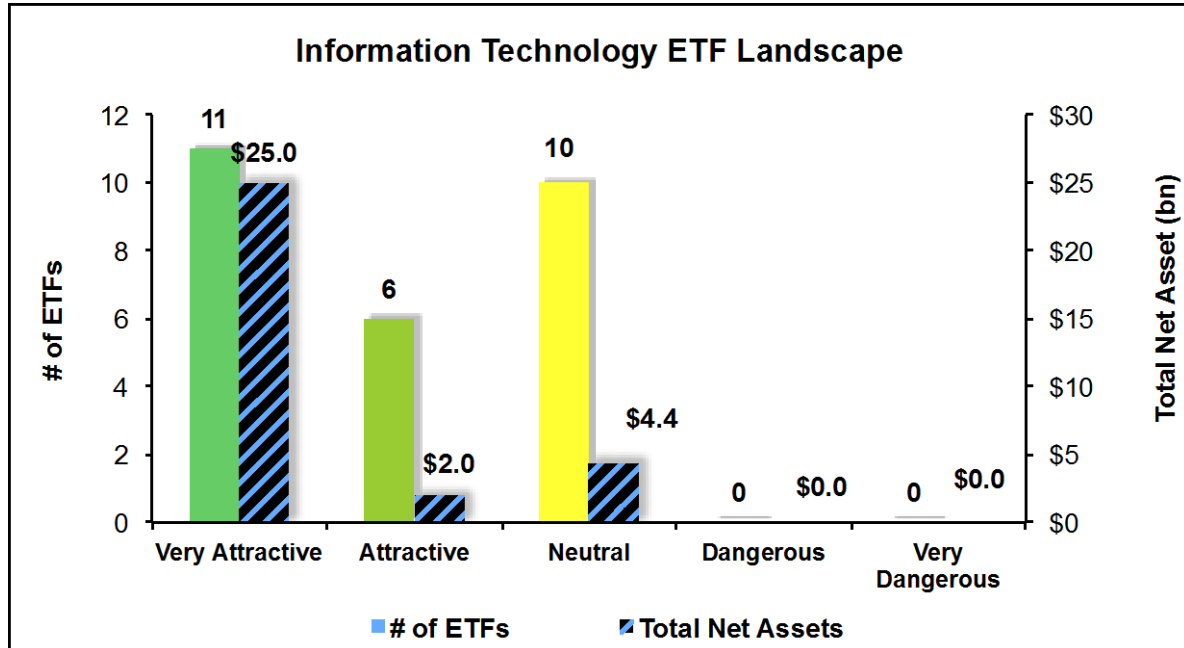
State Street SPDR S&P Software & Services ETF (XSW) is my worst-rated Information Technology ETF and Rydex Electronics Fund (RYELX) is my worst-rated Information Technology mutual fund. XSW earns my Neutral rating and RYELX earns my Very Dangerous rating.

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](#).

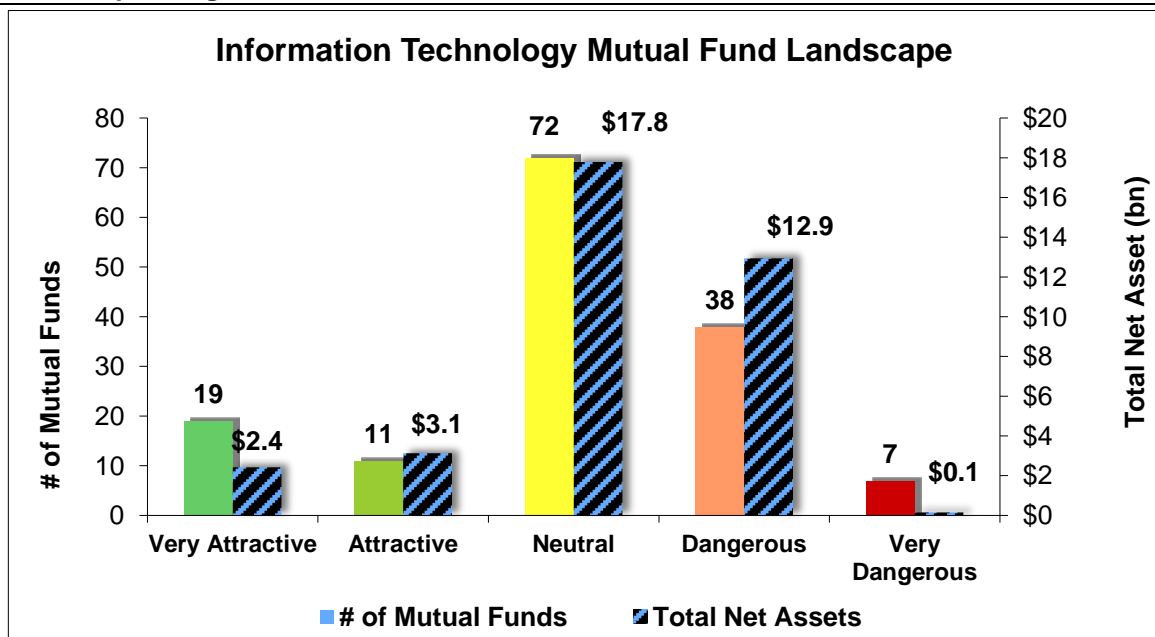
544 stocks of the 3000+ I cover are classified as Information Technology stocks.

Figures 3 and 4 show the rating landscape of all Information Technology 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 27 ETFs and 147 mutual funds in the Information Technology 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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