



Best & Worst ETFs & Mutual Funds: Materials Sector

The Materials sector ranks sixth 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 11 ETFs and 15 mutual funds in the Materials sector as of October 15, 2014. Prior reports on the best & worst ETFs and mutual funds in every sector are [here](#).

Figure 1 ranks from best to worst the nine Materials ETFs that meet our liquidity standards and Figure 2 shows the five best and worst-rated Materials mutual funds. Not all Materials sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 30 to 149). 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 Materials 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 Materials 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

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	
Best ETFs (only 4)				
XLB	12%	50%	36%	Neutral
FMAT	10%	45%	41%	Neutral
VAW	10%	45%	41%	Neutral
IYM	11%	44%	42%	Neutral
Worst ETFs				
IGE	2%	49%	36%	Neutral
FXZ	9%	42%	44%	Neutral
PYZ	6%	41%	53%	Neutral
PSCM	7%	23%	68%	Dangerous
XME	4%	14%	79%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

Guggenheim S&P Equal Weight Materials ETF (RTM) is excluded from Figure 1 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.



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

Ticker	Allocation of Mutual Fund Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	
Best Mutual Funds				
FSCHX	15%	50%	27%	Attractive
VMIAX	11%	44%	42%	Neutral
FMFEX	17%	33%	41%	Neutral
FSDPX	17%	33%	41%	Neutral
ICBMX	13%	32%	49%	Neutral
Worst Mutual Funds				
FMFAX	17%	33%	41%	Dangerous
RYBAX	9%	33%	36%	Dangerous
ICBAX	13%	32%	49%	Very Dangerous
RYBCX	9%	33%	36%	Very Dangerous
RYBMX	9%	33%	36%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

State Street SPDR Materials Select Sector Fund ETF (XLB) is my top-rated Materials ETF and Fidelity Chemicals Portfolio (FSCHX) is my top-rated Materials mutual fund. XLB earns my Neutral rating and FSCHX earns my Attractive rating.

State Street SPDR S&P Metals and Mining ETF (XME) is my worst-rated Materials ETF and Rydex Basic Materials Fund (RYBMX) is my worst-rated Materials 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](#).

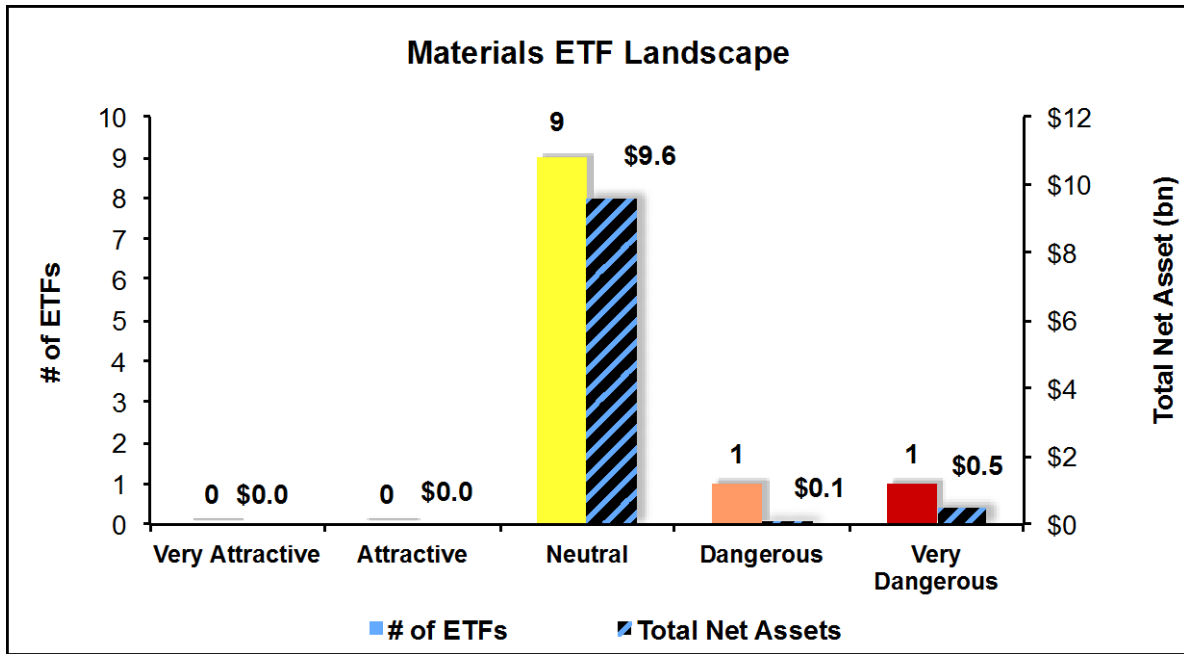
160 stocks of the 3000+ I cover are classified as Materials stocks.

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

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

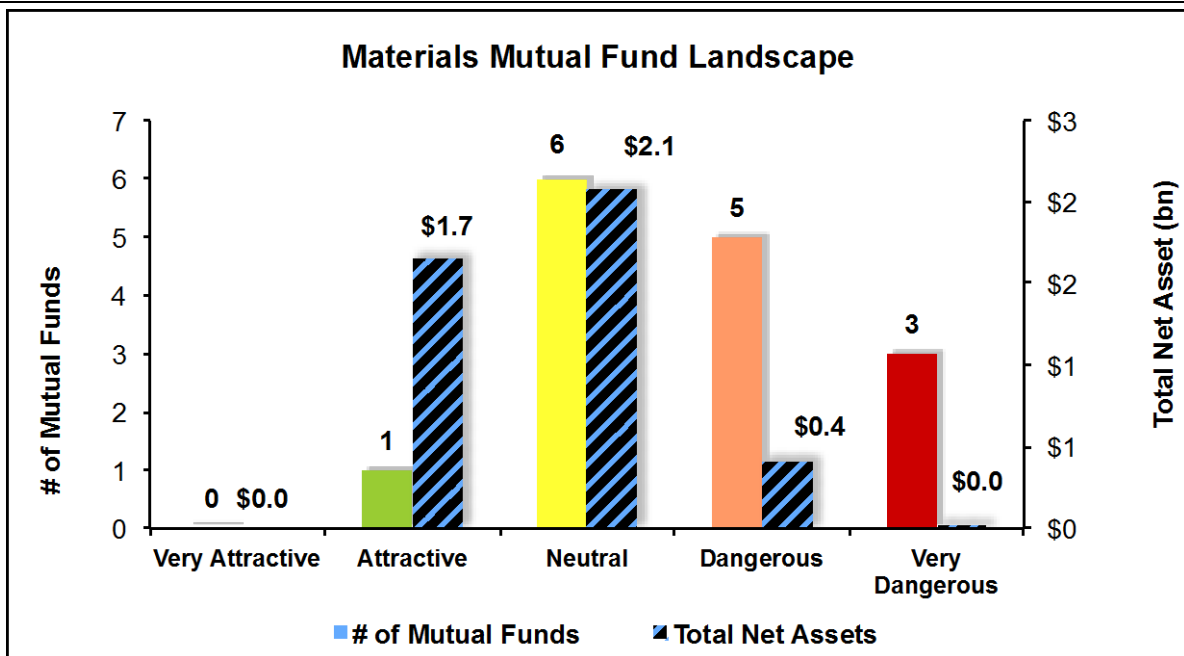


Figure 3: Separating the Best ETFs From the Worst ETFs



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 11 ETFs and 15 mutual funds in the Materials 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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