



ETF & Mutual Fund Rankings: Utilities Sector

The Utilities sector ranks ninth out of the 10 sectors as detailed in my [Sector Rankings for ETFs and Mutual Funds](#) report. It gets my Dangerous rating, which is based on aggregation of ratings of nine ETFs and 28 mutual funds in the Utilities sector as of October 17, 2014. Prior reports on the best & worst ETFs and mutual funds in every sector are [here](#).

Figure 1 ranks from best to worst the eight Utilities ETFs that meet our liquidity standards and Figure 2 shows the five best and worst-rated Utilities mutual funds. Not all Utilities sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 20 to 78). 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 Utilities 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 should not buy any Utilities ETFs or mutual funds because none get an Attractive-or-better rating. If you must have exposure to this sector, you should buy a basket of Attractive-or-better rated stocks and avoid paying undeserved fund fees. Active management has a [long history](#) of not paying off. 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 (only 3)				
XLU	3%	25%	71%	Neutral
RYU	6%	23%	71%	Neutral
IDU	3%	25%	72%	Neutral
Worst ETFs				
FUTY	3%	24%	72%	Dangerous
VPU	3%	24%	72%	Dangerous
PUI	1%	15%	84%	Dangerous
PSCU	2%	10%	88%	Dangerous
FXU	4%	21%	73%	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				
BULIX	17%	35%	45%	Neutral
EVUYX	3%	15%	70%	Neutral
EVUDX	3%	15%	70%	Dangerous
FIUIX	20%	11%	45%	Dangerous
VUIAX	3%	23%	71%	Dangerous
Worst Mutual Funds				
RYCUX	2%	20%	71%	Very Dangerous
FUGAX	2%	16%	66%	Very Dangerous
ICTZX	2%	13%	85%	Very Dangerous
RYUTX	2%	20%	71%	Very Dangerous
ICTVX	2%	13%	85%	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 Utilities Select Sector Fund ETF (XLU) is my top-rated Utilities ETF and American Century Quantitative Equity Utilities Fund (BULIX) is my top-rated Utilities mutual fund. Both earn my Neutral rating.

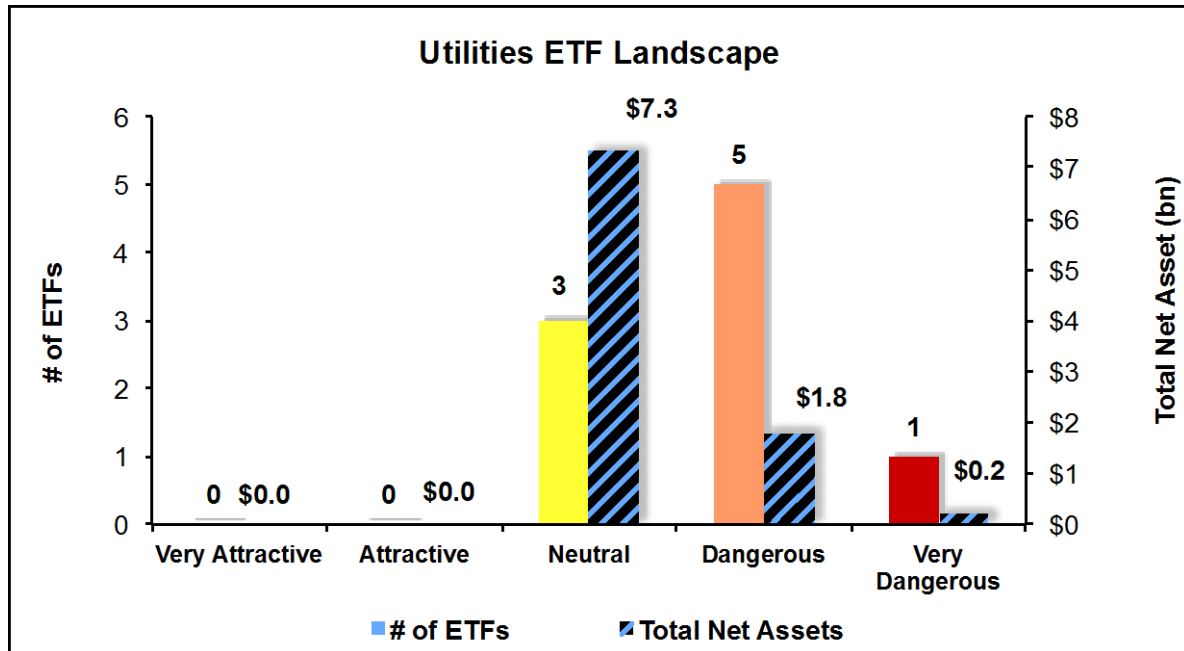
First Trust Utilities AlphaDEX Fund ETF (FXU) is my worst-rated Utilities ETF and ICON Utilities Fund (ICTVX) is my worst-rated Utilities mutual fund. Both earn my Very Dangerous rating.

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](#).

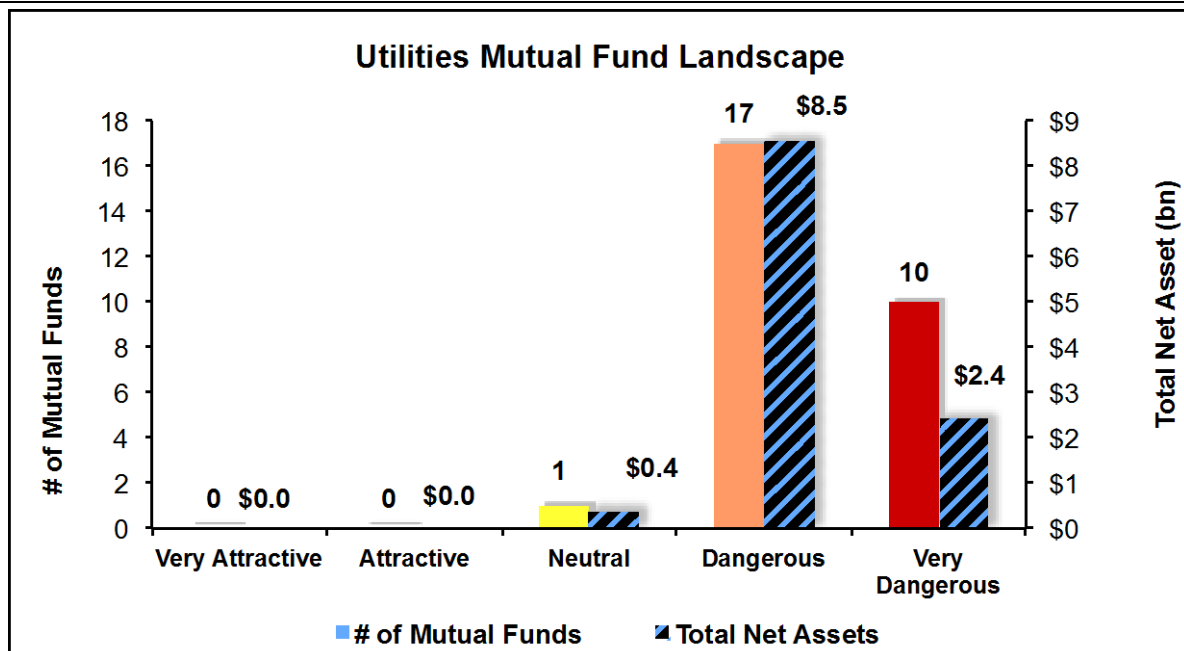
79 stocks of the 3000+ I cover are classified as Utilities stocks.

Figures 3 and 4 show the rating landscape of all Utilities 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 9 ETFs and 28 mutual funds in the Utilities 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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