# ETF & Mutual Fund Rankings: Consumer Staples Sector

The Consumer Staples sector ranks first out of the ten sectors as detailed in our 3Q17 Sector Ratings for ETFs and Mutual Funds report. Last quarter, the Consumer Staples sector ranked first as well. It gets our Very Attractive rating, which is based on an aggregation of ratings of nine ETFs and 15 mutual funds in the Consumer Staples sector as of July 11, 2017. See a recap of our 2Q17 Sector Ratings here.

Figure 1 ranks from best to worst all nine Consumer Staples ETFs and Figure 2 shows the five best and worst-rated Consumer Staples mutual funds. Not all Consumer Staples sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 18 to 115). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Consumer Staples sector should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2.

Our Robo-Analyst technology empowers our unique ETF and mutual fund rating methodology, which leverages our rigorous analysis of each fund's holdings. We think advisors and investors focused on prudent investment decisions should include analysis of fund holdings in their research process for ETFs and mutual funds.

**Figure 1: ETFs with the Best & Worst Ratings**

| | Allocation of ETF Holdings | | | |
|---|---|---|---|---|
| **Ticker** | **Attractive-or-better Stocks** | **Neutral Stocks** | **Dangerous-or-worse Stocks** | **Predictive Rating** |
| **Best ETFs (only 4)** | | | | |
| FSTA | 56% | 38% | 5% | Very Attractive |
| VDC | 54% | 39% | 6% | Very Attractive |
| XLP | 55% | 39% | 4% | Very Attractive |
| RHS | 45% | 47% | 8% | Very Attractive |
| **Worst ETFs** | | | | |
| IYK | 48% | 43% | 9% | Very Attractive |
| PBJ | 43% | 43% | 11% | Very Attractive |
| FXG | 36% | 52% | 13% | Attractive |
| PSL | 32% | 42% | 24% | Neutral |
| PSCC | 23% | 27% | 50% | 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** | | | | |
| VCSAX | 54% | 39% | 6% | Very Attractive |
| FSHOX | 50% | 29% | 13% | Very Attractive |
| FDFAX | 35% | 48% | 6% | Attractive |
| FDIGX | 35% | 48% | 6% | Attractive |
| RYCIX | 38% | 45% | 10% | Attractive |
| **Worst Mutual Funds** | | | | |
| PGLOX | 30% | 29% | 12% | Neutral |
| FDAGX | 35% | 48% | 6% | Neutral |
| RYPDX | 38% | 45% | 10% | Neutral |
| ICLEX | 37% | 30% | 10% | Neutral |
| ICRAX | 37% | 30% | 10% | Very Dangerous |

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

Sources: New Constructs, LLC and company filings

Fidelity Select Automotive Portfolio (FSAVX) is excluded from Figure 2 because its total net assets (TNA) are below $100 million and do not meet our liquidity minimums.

Fidelity MSCI Consumer Staples Index (FSTA) is the top-rated Consumer Staples ETF and Vanguard Consumer Staples Index Fund (VCSAX) is the top-rated Consumer Staples mutual fund. Both earn a Very Attractive rating.

PowerShares S&P SmallCap Consumer Staples Portfolio (PSCC) is the worst rated Consumer Staples ETF and ICON Consumer Staples Fund (ICRAX) is the worst rated Consumer Staples mutual fund. PSCC earns a Neutral rating and ICRAX earns a Very Dangerous rating.

122 stocks of the 3000+ we cover are classified as Consumer Staples stocks.

**The Danger Within**

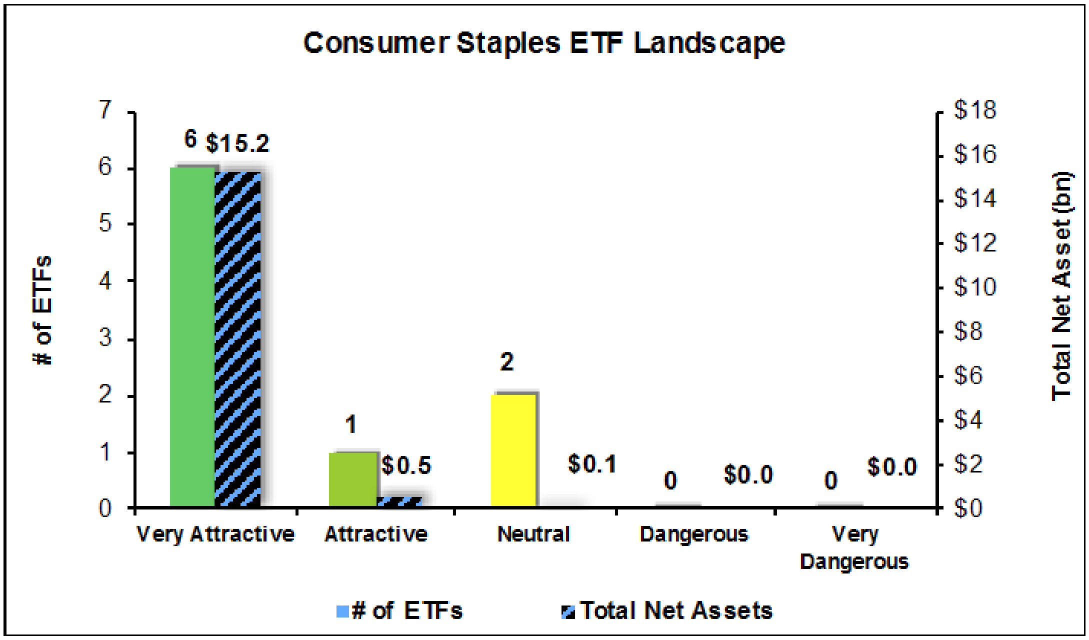
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's says on this matter.

PERFORMANCE OF 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.

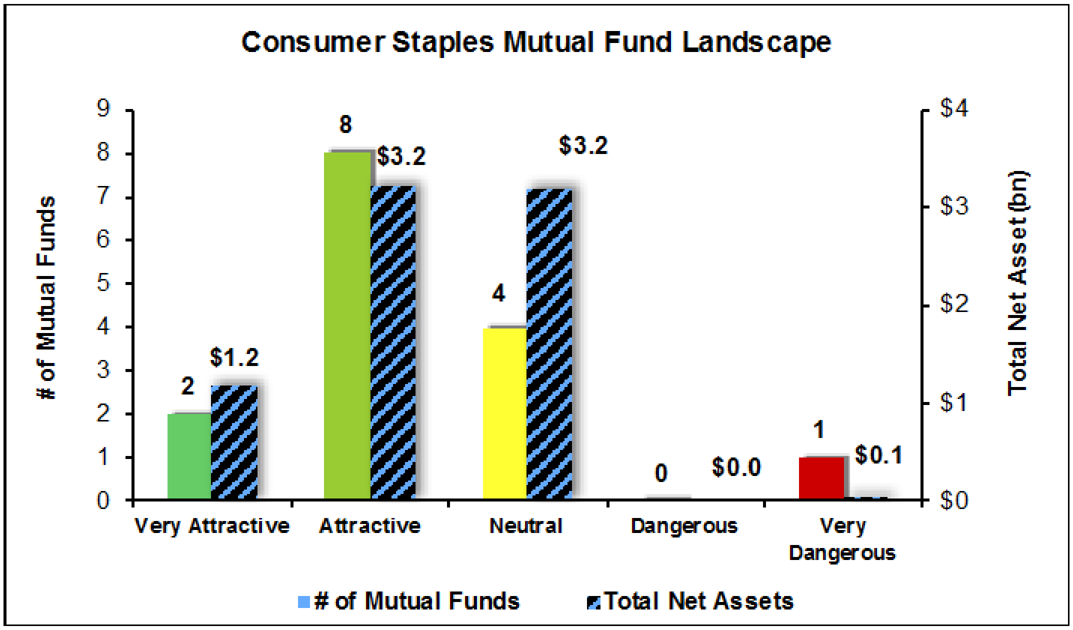
Figures 3 and 4 show the rating landscape of all Consumer Staples ETFs and mutual funds.

**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

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

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1. **Comprehensive** - All relevant publicly-available (e.g. 10-Ks and 10-Qs) information has been diligently reviewed, including footnotes and the management discussion & analysis (MD&A).
2. **Un-conflicted** - Clients deserve unbiased research.
3. **Transparent** - Advisors should be able to show how the analysis was performed and the data behind it.
4. **Relevant** - Empirical evidence must provide tangible, quantifiable correlation to stock, ETF or mutual fund performance.

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Accounting data is only the beginning of fundamental research. It must be translated into economic earnings to truly understand profitability and valuation. This translation requires deep analysis of footnotes and the MD&A, a process that our robo-analyst technology empowers us to perform for thousands of stocks, ETFs and mutual funds.

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