



## ETF & Mutual Fund Rankings: Consumer Discretionary Sector

The Consumer Discretionary sector ranks sixth out of the ten sectors as detailed in our [3Q17 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Consumer Discretionary sector ranked fifth. It gets our Neutral rating, which is based on an aggregation of ratings of 12 ETFs and 15 mutual funds in the Consumer Discretionary sector as of July 12, 2017. See a recap of our [2Q17 Sector Ratings here](#).

Figure 1 ranks from best to worst the seven Consumer Discretionary ETFs that meet our liquidity standards and Figure 2 shows the five best and worst-rated Consumer Discretionary mutual funds. Not all Consumer Discretionary sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 378). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Consumer Discretionary 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**

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	
<b>Best ETFs (only 2)</b>				
PEJ	36%	33%	18%	<b>Very Attractive</b>
FXD	45%	31%	19%	<b>Neutral</b>
<b>Worst ETFs</b>				
IYC	48%	27%	23%	<b>Neutral</b>
XLY	47%	29%	24%	<b>Neutral</b>
VCR	41%	29%	26%	<b>Neutral</b>
FDIS	42%	29%	26%	<b>Neutral</b>
PBS	20%	44%	27%	<b>Neutral</b>

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

Sources: New Constructs, LLC and company filings

Guggenheim S&P 500 Equal Weight Consumer Discretionary ETF (RCD), PowerShares S&P Small Cap Consumer Discretionary (PSCD), PowerShares DWA Consumer Cyclical Momentum (PEZ) and PowerShares Dynamic Retail (PMR) are excluded from Figure 1 because their 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	
<b>Best Mutual Funds</b>				
FDLSX	48%	26%	21%	<b>Very Attractive</b>
FSRPX	50%	12%	32%	<b>Neutral</b>
FBMPX	15%	58%	15%	<b>Neutral</b>
VCDAX	41%	29%	25%	<b>Neutral</b>
FSCPX	35%	31%	25%	<b>Neutral</b>
<b>Worst Mutual Funds</b>				
FCECX	34%	31%	25%	<b>Dangerous</b>
RYLSX	33%	41%	20%	<b>Dangerous</b>
FACPX	34%	31%	25%	<b>Dangerous</b>
FCNAX	34%	31%	25%	<b>Dangerous</b>
ICCAX	36%	21%	14%	<b>Very Dangerous</b>

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

Sources: New Constructs, LLC and company filings

Rydex Leisure Fund (RYLIX) is excluded from Figure 2 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

PowerShares Dynamic Leisure & Entertainment (PEJ) is the top-rated Consumer Discretionary ETF and Fidelity Select Leisure Portfolio (FDLSX) is the top-rated Consumer Discretionary mutual fund. Both earn a Very Attractive rating.

PowerShares Dynamic Media (PBS) is the worst rated Consumer Discretionary ETF and ICON Consumer Discretionary Fund (ICCAX) is the worst rated Consumer Discretionary mutual fund. PBS earns a Neutral rating while ICCAX earns a Very Dangerous rating.

448 stocks of the 3000+ we cover are classified as Consumer Discretionary stocks.

### The Danger Within

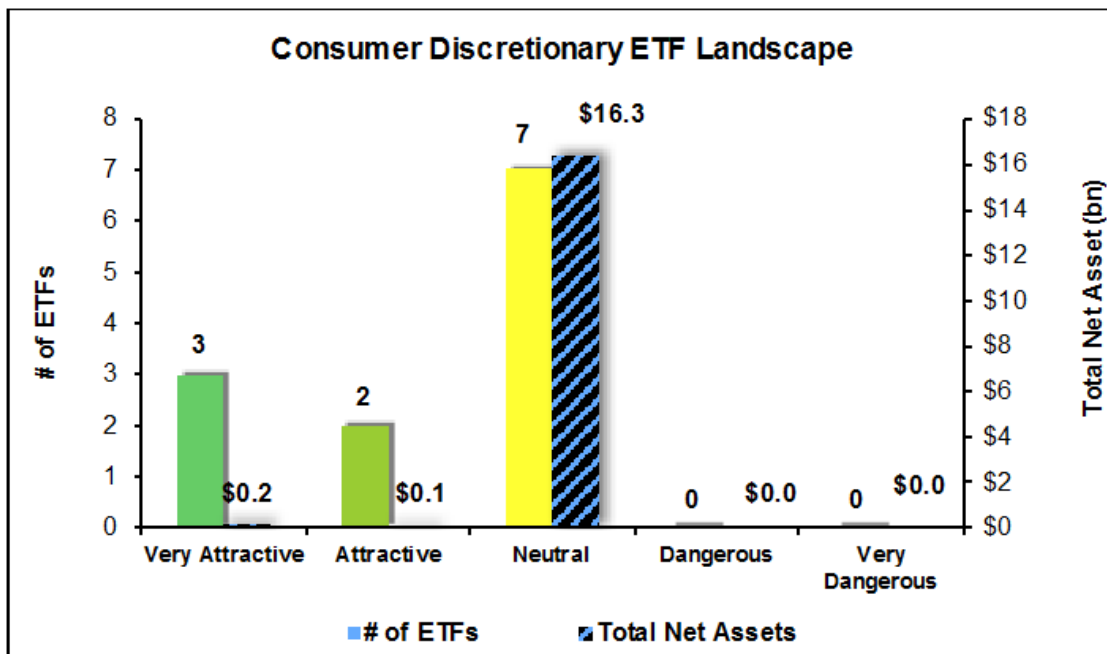
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, [see what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

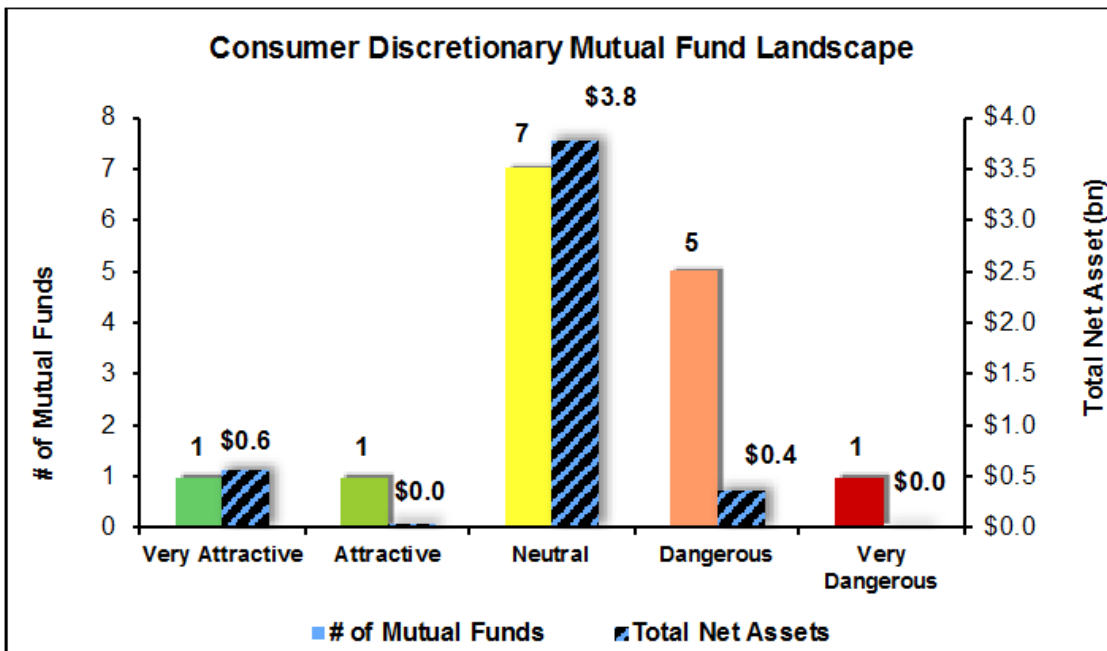
Figures 3 and 4 show the rating landscape of all Consumer Discretionary ETFs and mutual funds.

**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, Kenneth James 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.

### ***Value Investing 2.0: Diligence Matters: Technology is Key to Value Investing With Scale***

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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