



ETF & Mutual Fund Rankings: Industrials Sector

The Industrials sector ranks fourth out of the ten sectors as detailed in our [3Q17 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Industrials sector ranked second. It gets our Neutral rating, which is based on an aggregation of ratings of 20 ETFs and 22 mutual funds in the Industrials sector as of July 12, 2017. See a recap of our [21Q17 Sector Ratings here](#).

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Industrials sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 20 to 343). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Industrials 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 – Top 5

	Allocation of ETF Holdings			
Ticker	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best ETFs				
XHB	50%	39%	9%	Very Attractive
JETS	48%	27%	11%	Very Attractive
IYT	26%	45%	28%	Attractive
ITA	17%	61%	19%	Attractive
XAR	16%	50%	28%	Attractive
Worst ETFs				
FXR	22%	53%	23%	Neutral
PPA	12%	63%	23%	Neutral
EVX	8%	43%	43%	Dangerous
ARKQ	16%	21%	46%	Dangerous
XTN	24%	30%	45%	Dangerous

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

Sources: New Constructs, LLC and company filings

EcoLogical Strategy ETF (HECO) 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

		Allocation of Mutual Fund Holdings		
Ticker	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best Mutual Funds				
FSLEX	19%	47%	19%	Attractive
FSCGX	9%	44%	46%	Neutral
FCLIX	15%	41%	40%	Neutral
FCYIX	15%	41%	40%	Neutral
VINAX	13%	50%	35%	Neutral
Worst Mutual Funds				
PGIAX	16%	27%	25%	Very Dangerous
ICIAX	12%	45%	33%	Very Dangerous
RYCNX	39%	30%	22%	Very Dangerous
PGIHx	16%	27%	25%	Very Dangerous
PGIVX	16%	27%	25%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

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

State Street SPDR S&P Homebuilders ETF (XHB) is the top-rated Industrials ETF and Fidelity Select Environment and Alternative Energy Portfolio (FSLEX) is the top-rated Industrials mutual fund. XHB earns a Very Attractive rating and FSLEX earns an Attractive rating.

State Street SPDR S&P Transportation ETF (XTN) is the worst rated Industrials ETF and Putnam Global Industrials Fund (PGIVX) is the worst rated Industrials mutual fund. XTN earns a Dangerous rating and PGIVX earns a Very Dangerous rating.

410 stocks of the 3000+ we cover are classified as Industrials 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.

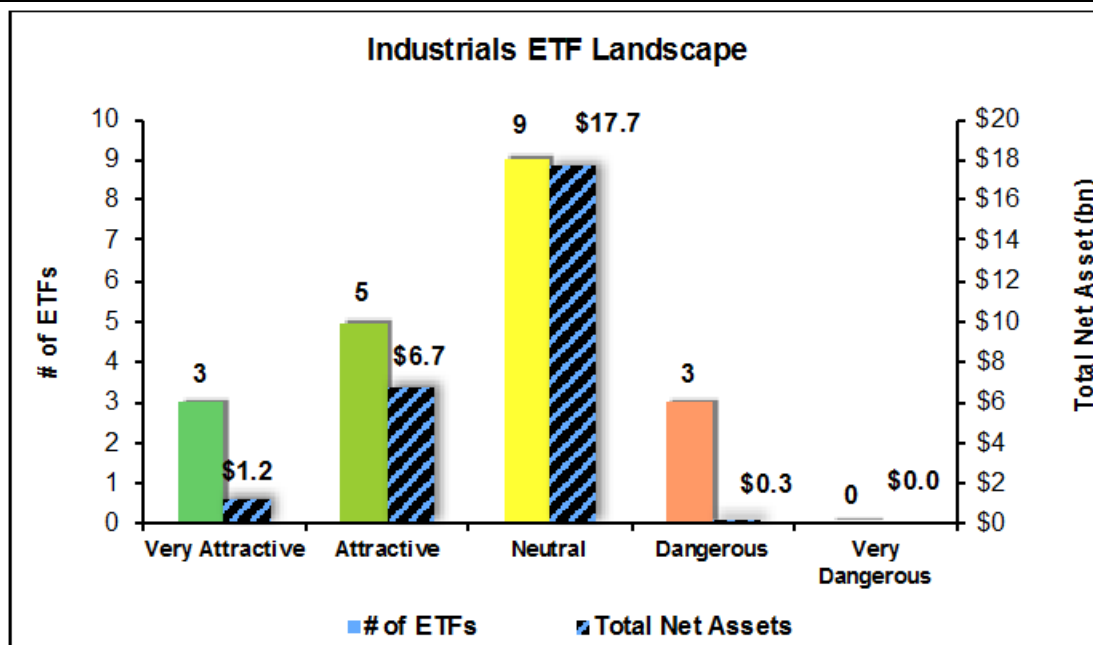
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



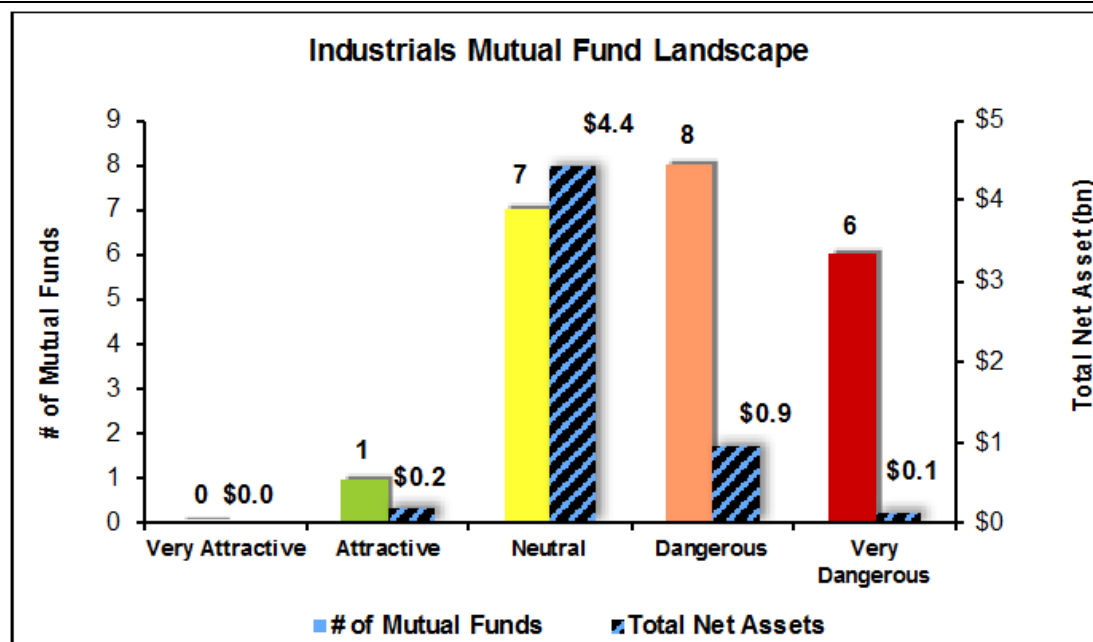
Figures 3 and 4 show the rating landscape of all Industrials ETFs and mutual funds.

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, Kyle Guske II, and Kenneth James receive no compensation to write about any specific stock, sector or theme.

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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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