



ETF & Mutual Fund Rankings: Materials Sector

The Materials sector ranks seventh out of the ten sectors as detailed in our [3Q17 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Materials sector ranked seventh as well. It gets our Neutral rating, which is based on an aggregation of ratings of 10 ETFs and seven mutual funds in the Materials sector as of July 13, 2017. See a recap of our [2Q17 Sector Ratings here](#).

Figure 1 ranks from best to worst all ten Materials ETFs and Figure 2 ranks from best to worst all seven Materials mutual funds. Not all Materials sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 122). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Materials sector should buy one of the Attractive-or-better rated ETFs from Figure 1.

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				
IYM	15%	65%	17%	Attractive
FXZ	22%	47%	30%	Neutral
RTM	11%	57%	32%	Neutral
XLB	14%	67%	19%	Neutral
VAW	14%	58%	24%	Neutral
Worst ETFs				
FMAT	14%	58%	24%	Neutral
PYZ	8%	45%	38%	Dangerous
SLX	9%	24%	59%	Dangerous
PSCM	16%	28%	44%	Dangerous
XME	10%	17%	62%	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

		Allocation of Mutual Fund Holdings		
Ticker	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	Predictive Rating
Best Mutual Funds (only 2)				
FMFTX	11%	55%	22%	Neutral
FMFCX	11%	55%	22%	Neutral
Worst Mutual Funds				
FSCHX	16%	51%	12%	Neutral
FSDPX	11%	55%	22%	Neutral
FMFEX	11%	55%	22%	Neutral
VMIAX	14%	57%	24%	Neutral
FMFAX	11%	55%	22%	Dangerous

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

Sources: New Constructs, LLC and company filings

iShares U.S. Basic Materials ETF (IYM) is the top-rated Materials ETF and Fidelity Advisor Materials Fund (FMFTX) is the top-rated Materials mutual fund. IYM earns an Attractive rating and FMFTX earns a Neutral rating.

State Street SPDR S&P Metals & Mining ETF (XME) is the worst rated Materials ETF and Fidelity Advisor Materials Fund (FMFAX) is the worst rated Materials mutual fund. XME earns a Very Dangerous rating and FMFAX earns a Dangerous rating.

162 stocks of the 3000+ we cover are classified as Materials 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.

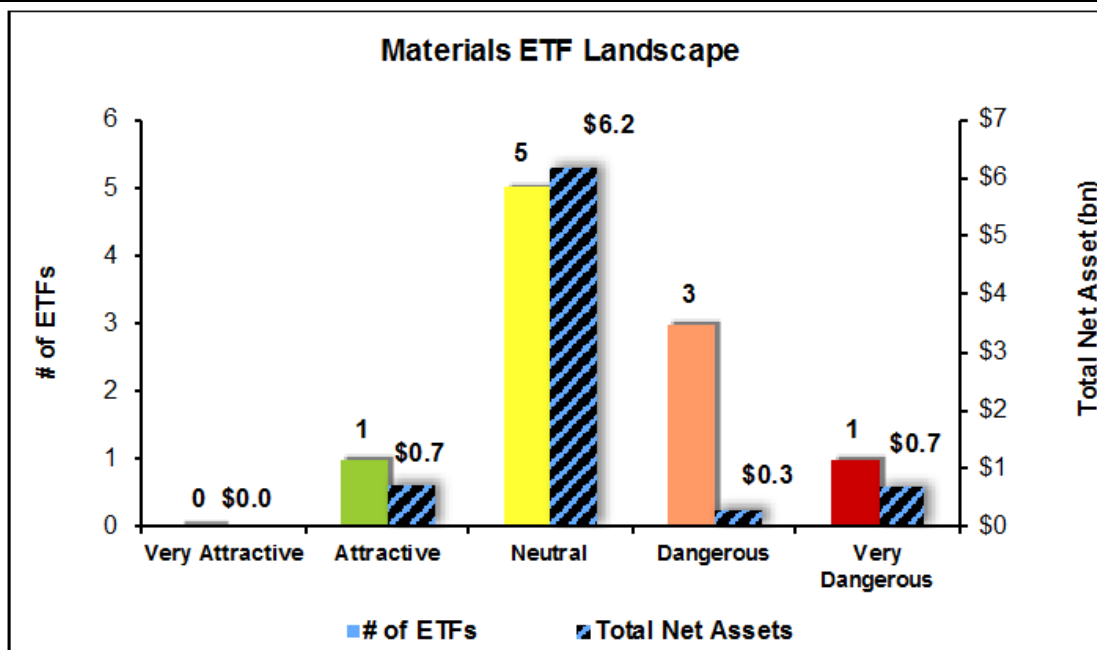
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



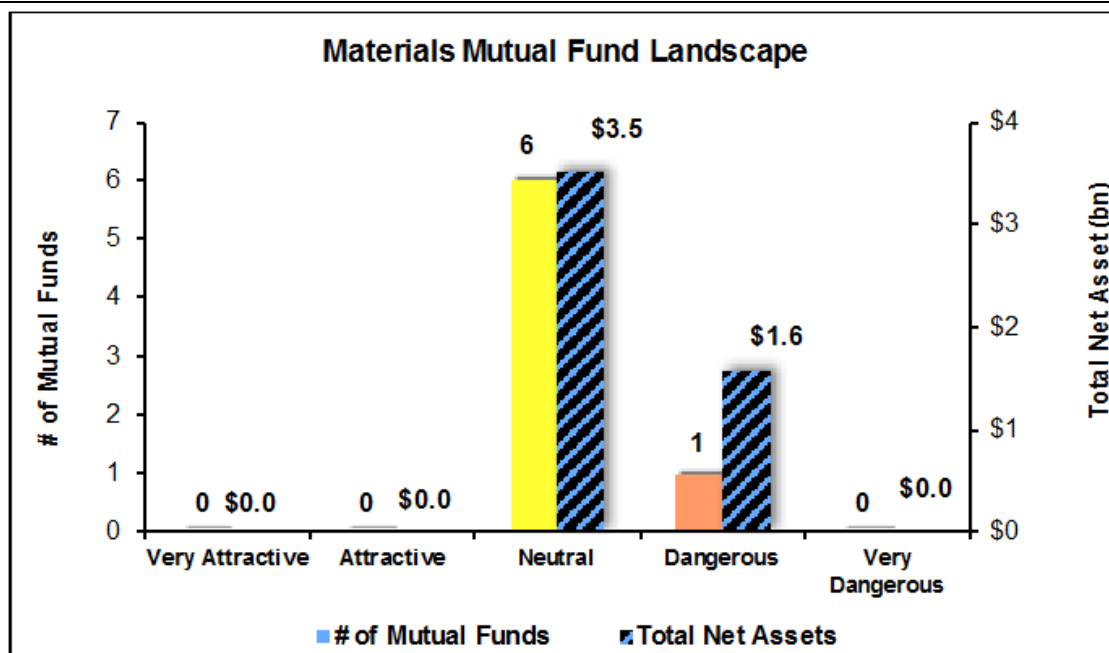
Figures 3 and 4 show the rating landscape of all Materials ETFs and mutual funds.

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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New Constructs leverages the latest in machine learning to analyze structured and unstructured financial data with unrivaled speed and accuracy. The firm's forensic accounting experts work alongside engineers to develop proprietary NLP libraries and financial models. Our investment ratings are based on the best fundamental data in the business for stocks, ETFs and mutual funds. Clients include many of the top hedge funds, mutual funds and wealth management firms. David Trainer, the firm's CEO, is regularly featured in the media as a thought leader on the fiduciary duty of care, earnings quality, valuation and investment strategy.

To fulfill the Duty of Care, research should be:

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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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