



ETF & Mutual Fund Rankings: Utilities Sector

The Utilities sector ranks fifth out of the ten sectors as detailed in our [3Q17 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Utilities sector ranked sixth. It gets our Neutral rating, which is based on an aggregation of ratings of 9 ETFs and 30 mutual funds in the Utilities sector as of July 13, 2017. See a recap of our [2Q17 Sector Ratings 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 16 to 77). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Utilities 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 (only 3)				
RYU	7%	69%	25%	Attractive
FUTY	10%	60%	29%	Attractive
VPU	9%	61%	28%	Attractive
Worst ETFs				
XLU	9%	60%	30%	Attractive
IDU	10%	60%	28%	Attractive
PUI	7%	65%	26%	Neutral
FXU	6%	60%	29%	Neutral
PSCU	0%	31%	69%	Dangerous

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

Sources: New Constructs, LLC and company filings

Reaves Utilities ETF (UTES) 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				
BULIX	19%	63%	15%	Very Attractive
VUIAX	9%	61%	28%	Attractive
EVUYX	5%	47%	36%	Neutral
EVUDX	5%	47%	36%	Neutral
EVUCX	5%	47%	36%	Neutral
Worst Mutual Funds				
PRUAX	5%	38%	30%	Dangerous
FAUFX	0%	36%	49%	Very Dangerous
FUGAX	0%	36%	49%	Very Dangerous
RYUTX	9%	58%	28%	Very Dangerous
ICTVX	9%	49%	29%	Very Dangerous

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

Sources: New Constructs, LLC and company filings

Guggenheim S&P 500 Equal-Weight Utilities ETF (RYU) is the top-rated Utilities ETF and American Century Quantitative Utilities Fund (BULIX) is the top-rated Utilities mutual fund. RYU earns an Attractive rating and BULIX earns a Very Attractive rating.

PowerShares S&P Small Cap Utilities ETF (PSCU) is the worst rated Utilities ETF and ICON Utilities Fund (ICTVX) is the worst rated Utilities mutual fund. PSCU earns a Dangerous rating and ICTVX earns a Very Dangerous rating.

75 stocks of the 3000+ we cover are classified as Utilities stocks, but due to style drift, Utilities ETFs and mutual funds hold 77 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.

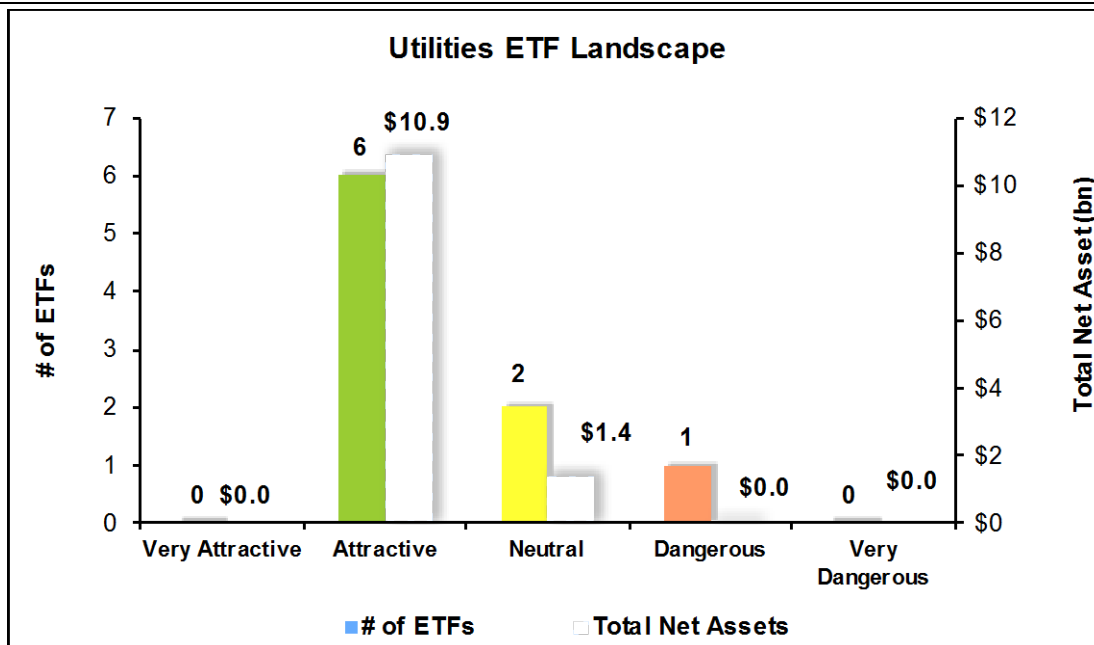
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



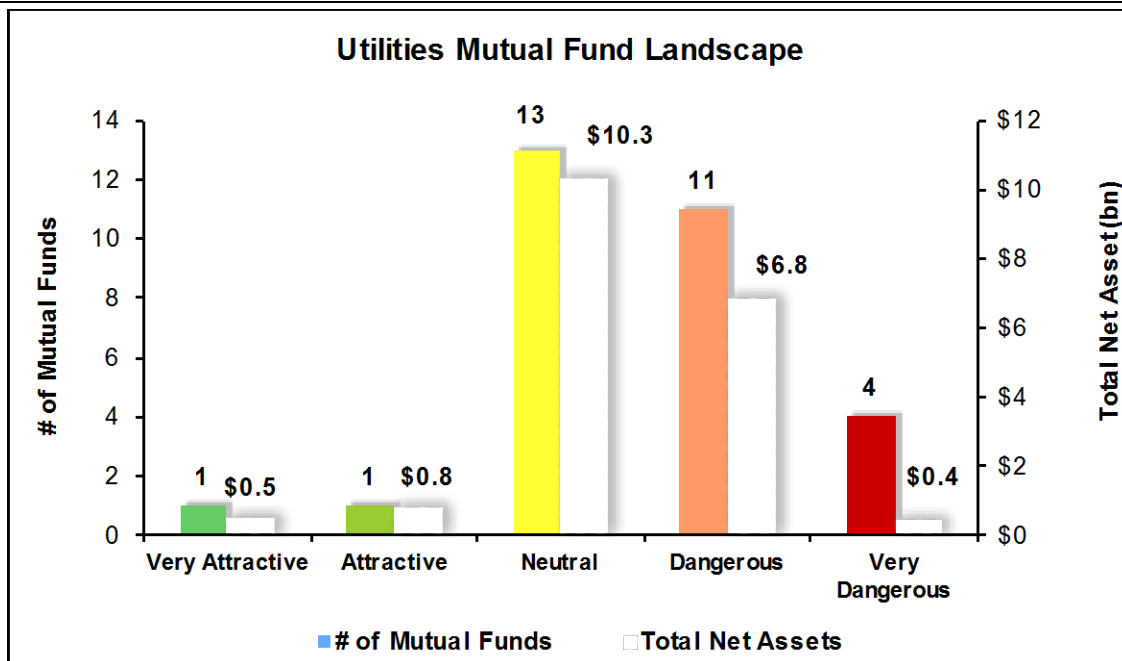
Figures 3 and 4 show the rating landscape of all Utilities ETFs and mutual funds.

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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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.

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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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