



ETF & Mutual Fund Rankings: Financials Sector

The Financials sector ranks second out of the 11 sectors as detailed in our [4Q17 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Financials sector ranked third. It gets our Attractive rating, which is based on an aggregation of ratings of 24 ETFs and 35 mutual funds in the Financials sector as of October 5, 2017. See a recap of our [3Q17 Sector Ratings here](#).

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Financials sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 24 to 415). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Financials 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 holdings¹. 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

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
Best ETFs				
IYG	21%	62%	15%	Very Attractive
FNCL	26%	52%	19%	Very Attractive
VFH	26%	52%	19%	Very Attractive
XLF	25%	56%	18%	Very Attractive
KIE	44%	31%	21%	Very Attractive
Worst ETFs				
IAI	12%	45%	38%	Neutral
QABA	9%	60%	21%	Neutral
AIRR	14%	34%	47%	Neutral
PSCF	14%	43%	32%	Neutral
KBWD	34%	21%	22%	Unattractive

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

Sources: New Constructs, LLC and company filings

PowerShares KBW Property & Casualty Insurance Portfolio (KBWP) and Oppenheimer Financials Sector Revenue ETF (RWW) are excluded from Figure 1 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

¹ Ernst & Young's recent white paper "[Getting ROIC Right](#)" proves the superiority of our holdings research and analytics.

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	Unattractive-or-worse Stocks	
Best Mutual Funds				
FSRBX	22%	54%	18%	Attractive
DVFYX	31%	38%	8%	Attractive
DFFCX	31%	38%	8%	Attractive
FIDSX	26%	44%	24%	Attractive
FFSIX	27%	43%	24%	Attractive
Worst Mutual Funds				
ICFAX	24%	38%	25%	Neutral
SFPIX	22%	55%	22%	Unattractive
ADAFX	13%	41%	19%	Very Unattractive
SFPCX	22%	55%	22%	Very Unattractive
SFPAX	22%	55%	22%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Fidelity Select Consumer Finance Portfolio (FSVLX) and ICON Financial Fund (ICFSX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

iShares US Financial Services ETF (IYG) is the top-rated Financials ETF and Fidelity Select Banking Portfolio (FSRBX) is the top-rated Financials mutual fund. IYG earns a Very Attractive rating and FSRBX earns an Attractive rating.

PowerShares KBW High Dividend Yield Financial Portfolio (KBWD) is the worst rated Financials ETF and Saratoga Financial Services Portfolio (SFPAX) is the worst rated Financials mutual fund. KBWD earns an Unattractive rating and SFPAX earns a Very Unattractive rating.

465 stocks of the 3000+ we cover are classified as Financials stocks.

The Danger Within

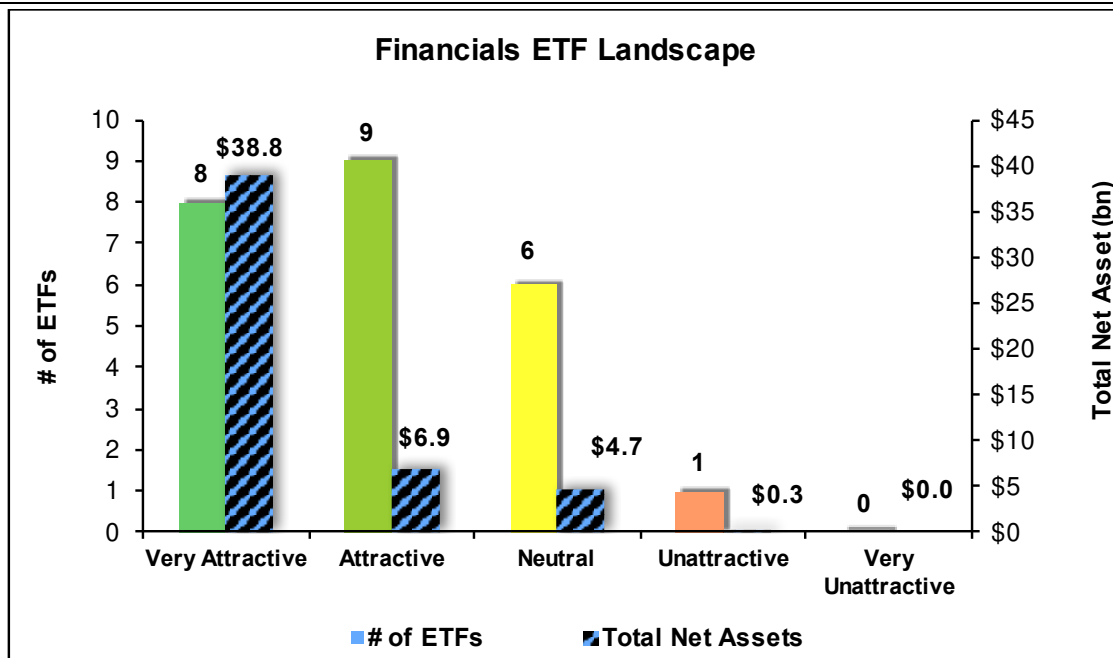
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, [see what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

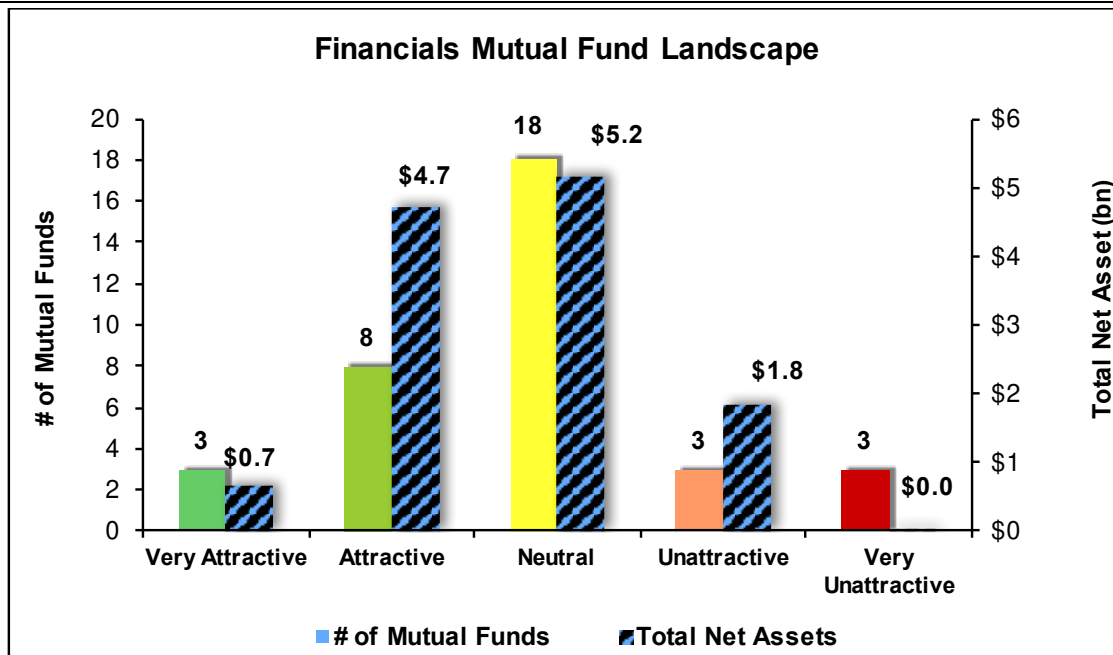
Figures 3 and 4 show the rating landscape of all Financials ETFs and mutual funds.

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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