



## ETF & Mutual Fund Rankings: Materials

The Materials sector ranks sixth out of the 11 sectors as detailed in our [4Q17 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Materials sector ranked seventh. It gets our Neutral rating, which is based on an aggregation of ratings of 10 ETFs and six mutual funds in the Materials sector as of October 10, 2017. See a recap of our [3Q17 Sector Ratings here](#).

Figure 1 ranks from best to worst all ten Materials ETFs and Figure 2 ranks from best to worst all six 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 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<sup>1</sup>. 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	Unattractive-or-worse Stocks	Predictive Rating
Best ETFs				
IYM	14%	36%	25%	Attractive
FXZ	11%	39%	46%	Neutral
FMAT	12%	31%	37%	Neutral
VAW	12%	31%	37%	Neutral
XLB	13%	29%	34%	Neutral
Worst ETFs				
RTM	7%	32%	53%	Neutral
SLX	12%	26%	53%	Neutral
PSCM	7%	35%	46%	Neutral
XME	6%	22%	62%	Neutral
PYZ	4%	38%	54%	Unattractive

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

Sources: New Constructs, LLC and company filings

<sup>1</sup> 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 &amp; Worst Ratings – Top 5

Allocation of Mutual Fund Holdings				
Ticker	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	Predictive Rating
<b>Best Mutual Funds</b>				
VMIAX	12%	40%	36%	Neutral
FMFEX	10%	28%	36%	Neutral
FSDPX	10%	28%	36%	Neutral
FMFCX	10%	28%	36%	Neutral
FMFTX	10%	28%	36%	Neutral
<b>Worst Mutual Funds</b>				
FMFAX	10%	28%	36%	Unattractive

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

Sources: New Constructs, LLC and company filings

iShares US Basic Materials ETF (IYM) is the top-rated Materials ETF and Vanguard Materials Index Fund (VMIAX) is the top-rated Materials mutual fund. IYM earns an Attractive Rating and VMIAX earns a Neutral rating.

PowerShares DWA Basic Materials Momentum Portfolio (PYZ) is the worst rated Materials ETF and Fidelity Advisor Materials Fund (FMFAX) is the worst rated Materials mutual fund. Both funds earn an Unattractive rating.

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

### The Danger Within

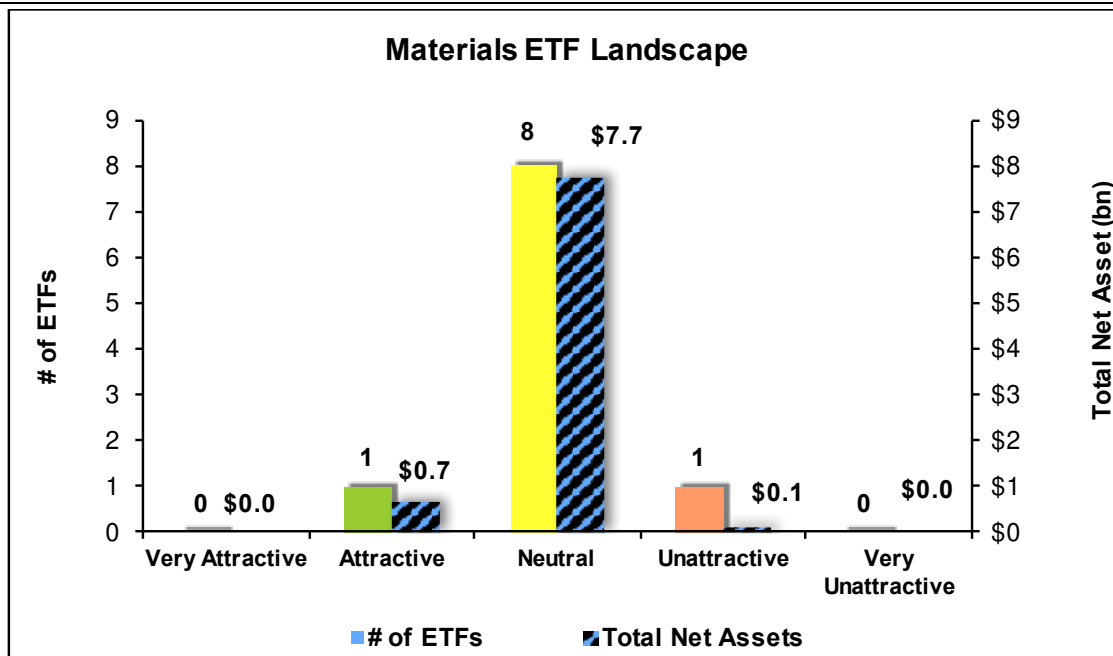
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, [see what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

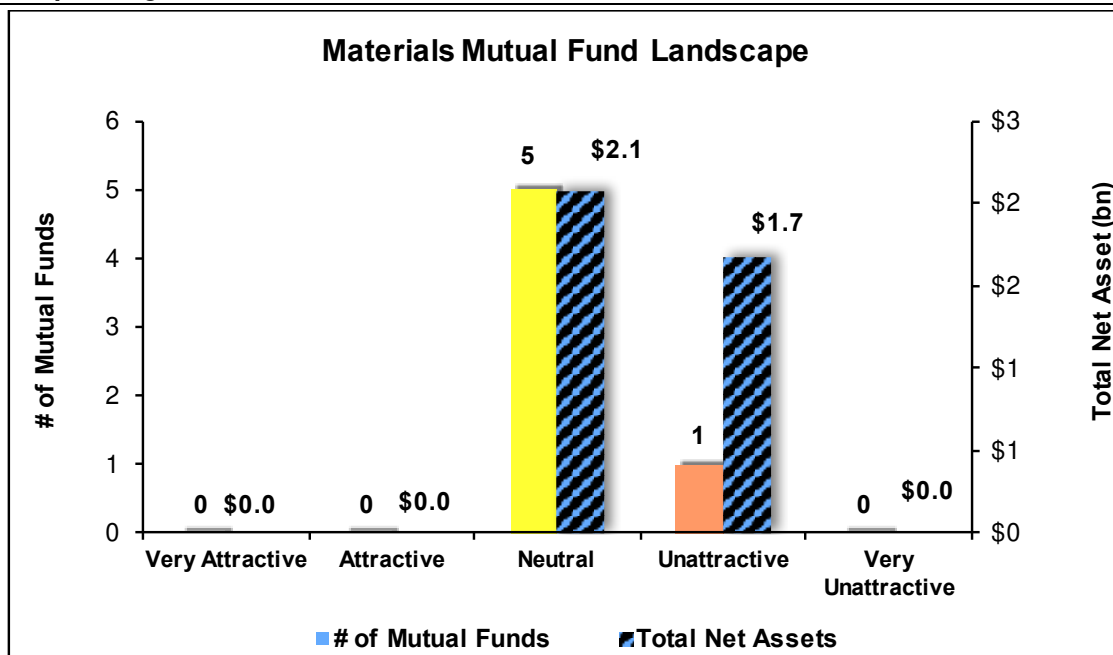
Figures 3 and 4 show the rating landscape of all Materials ETFs and mutual funds.

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

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Ratings & screeners on 3000 stocks, 450 ETFs and 7000 mutual funds help you make prudent investment decisions.

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:***

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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