



## ETF & Mutual Fund Rankings: Utilities Sector

The Utilities sector ranks seventh out of the 11 sectors as detailed in our [1Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Utilities sector ranked ninth. It gets our Unattractive rating, which is based on an aggregation of ratings of 11 ETFs and 35 mutual funds in the Utilities sector as of January 15, 2018. See a recap of our [4Q17 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 236). 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.<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**

Ticker	Allocation of ETF Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Dangerous-or-worse Stocks	
<b>Best ETFs (only 3)</b>				
RYU	9%	61%	30%	Attractive
FUTY	3%	59%	36%	Neutral
VPU	4%	59%	35%	Neutral
<b>Worst ETFs</b>				
XLU	4%	62%	33%	Neutral
UTLF	5%	63%	32%	Neutral
IDU	4%	62%	33%	Neutral
FXU	9%	41%	38%	Neutral
PSCU	0%	41%	59%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

PowerShares DWA Utilities Momentum Portfolio (PUI) and John Hancock Multifactor Utilities ETF (JHMU) are excluded from Figure 1 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

<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 & Worst Ratings – Top 5**

Ticker	Allocation of Mutual Fund Holdings			Predictive Rating
	Attractive-or-better Stocks	Neutral Stocks	Unattractive-or-worse Stocks	
<b>Best Mutual Funds</b>				
BULIX	31%	40%	24%	<b>Attractive</b>
EVUYX	3%	53%	35%	<b>Neutral</b>
EVUDX	3%	53%	35%	<b>Neutral</b>
VUIAX	4%	59%	35%	<b>Neutral</b>
EVUCX	3%	53%	35%	<b>Neutral</b>
<b>Worst Mutual Funds</b>				
PRUTX	1%	41%	37%	<b>Unattractive</b>
FUGAX	5%	33%	48%	<b>Unattractive</b>
RYUTX	3%	58%	34%	<b>Unattractive</b>
PRUAX	1%	41%	37%	<b>Very Unattractive</b>
ICTVX	8%	44%	41%	<b>Very Unattractive</b>

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

Sources: New Constructs, LLC and company filings

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

PowerShares S&P SmallCap Utilities Portfolio (PSCU) is the worst rated Utilities ETF and ICON Utilities Fund (ICTVX) is the worst rated Utilities mutual fund. Both earn a Very Unattractive rating.

74 stocks of the 3000+ we cover are classified as Utilities stocks.

### The Danger Within

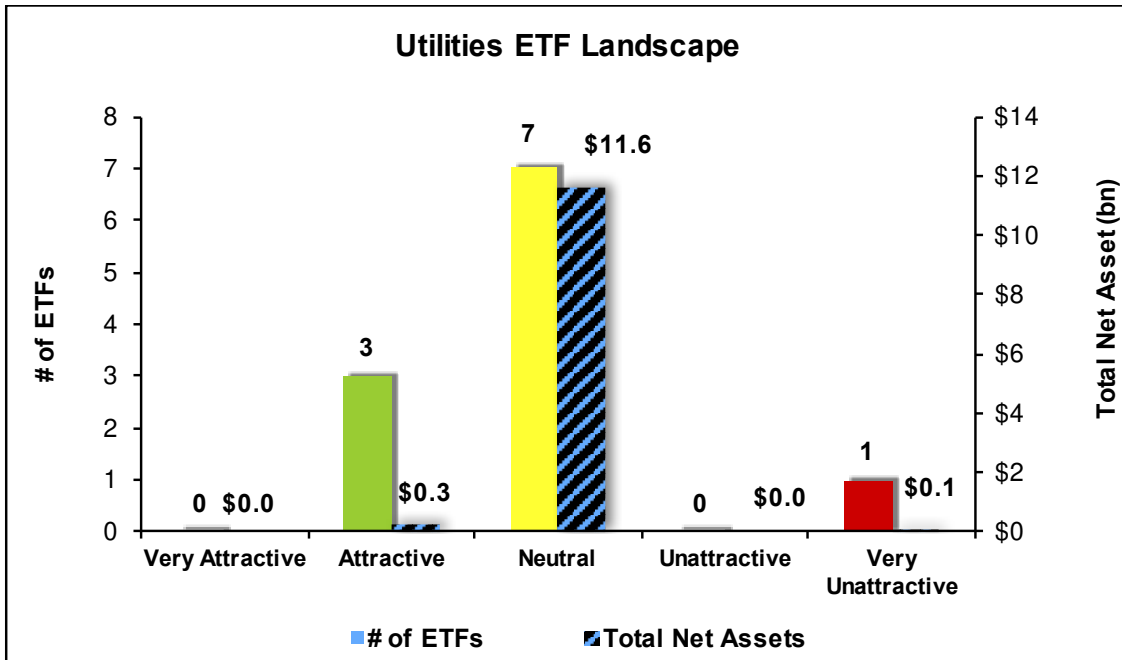
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, [see what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

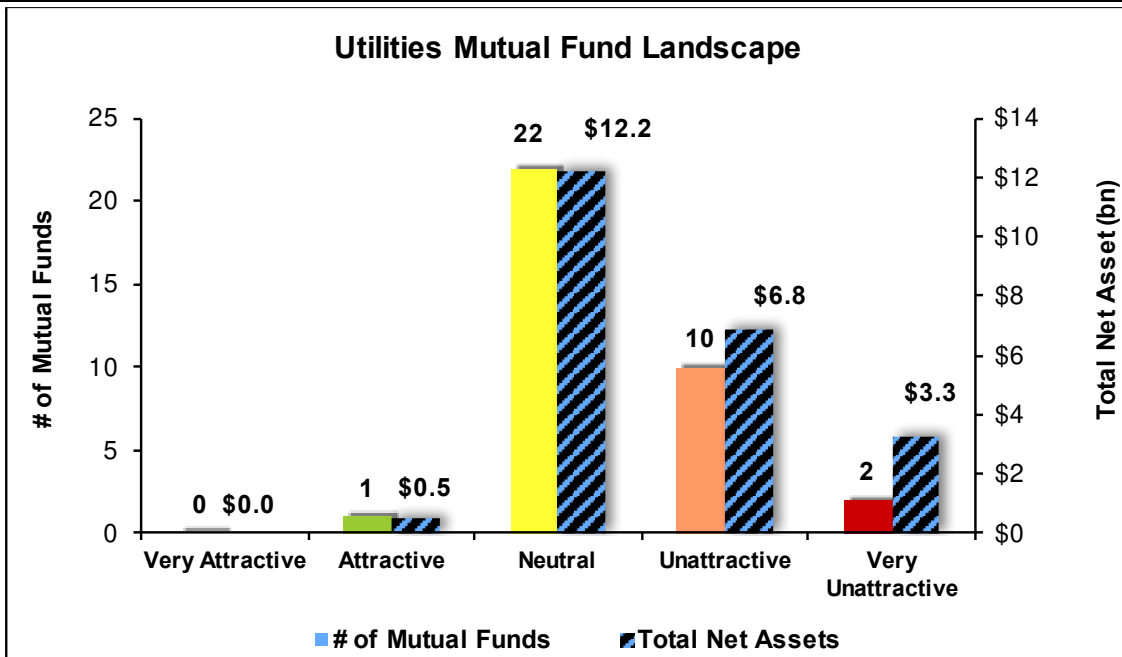
Figures 3 and 4 show the rating landscape of all Utilities ETFs and mutual funds.

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

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### ***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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