



## ETF & Mutual Fund Rankings: Technology Sector

The Technology sector ranks third out of the 11 sectors as detailed in our [3Q18 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Technology sector ranked fourth. It gets our Attractive rating, which is based on an aggregation of ratings of the 436 stocks in the Technology sector as of July 17, 2018. See a recap of our [2Q18 Sector Ratings here](#).

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Technology sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 357). This variation creates drastically different investment implications and, therefore, ratings.

Investors seeking exposure to the Technology sector should buy one of the Attractive-or-better rated ETFs or mutual funds from Figures 1 and 2.

Our [Robo-Analyst technology](#)<sup>1</sup> empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.<sup>2</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
<b>Best ETFs</b>				
IXN	32%	38%	11%	Very Attractive
TDIV	42%	43%	15%	Very Attractive
FTEC	36%	44%	19%	Attractive
VGT	32%	46%	20%	Attractive
XLK	37%	51%	13%	Attractive
<b>Worst ETFs</b>				
XKFS	6%	23%	53%	Neutral
XITK	11%	15%	50%	Neutral
FDN	24%	15%	58%	Unattractive
ARKK	9%	11%	55%	Unattractive
XWEB	9%	13%	54%	Unattractive

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

Sources: New Constructs, LLC and company filings

Two ETFs (FTXL, TCHF) 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> Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).

<sup>2</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**

Allocation of MF Holdings				
Ticker	Attractive-or-better-Stocks	Neutral Stocks	Unattractive-or-worse-Stocks	Predictive Rating
<b>Best MFs</b>				
VITAX	32%	46%	20%	Attractive
NWJEX	25%	44%	27%	Attractive
NWJFX	25%	44%	27%	Attractive
FBSOX	18%	42%	36%	Attractive
FDCPX	16%	39%	20%	Attractive
<b>Worst MFs</b>				
RIFYX	7%	10%	53%	Very Unattractive
WFSTX	18%	27%	41%	Very Unattractive
RIFKX	7%	10%	53%	Very Unattractive
RINCX	7%	10%	53%	Very Unattractive
RSIFX	7%	10%	53%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Three mutual funds (AONTX, ICTEX, AONAX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

IXN is the top-rated Technology ETF and VITAX is the top-rated Technology mutual fund. IXN earns a Very Attractive rating and VITAX earns an Attractive rating.

XWEB is the worst rated Technology ETF and RSIFX is the worst rated Technology mutual fund. XWEB earns an Unattractive rating and RSIFX earns a Very Unattractive rating.

436 stocks of the 2850+ we cover are classified as Technology 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.

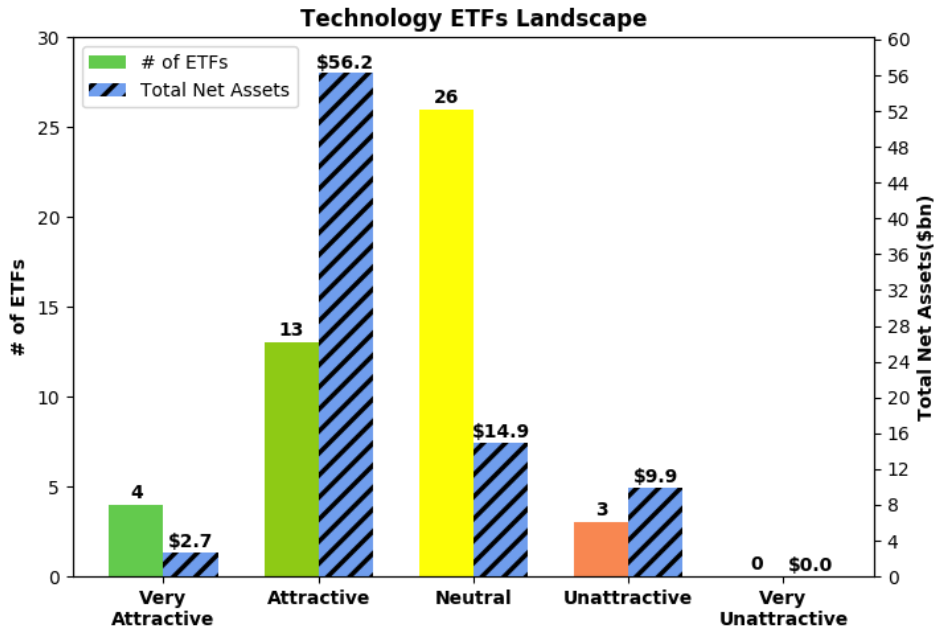
**PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND**

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.



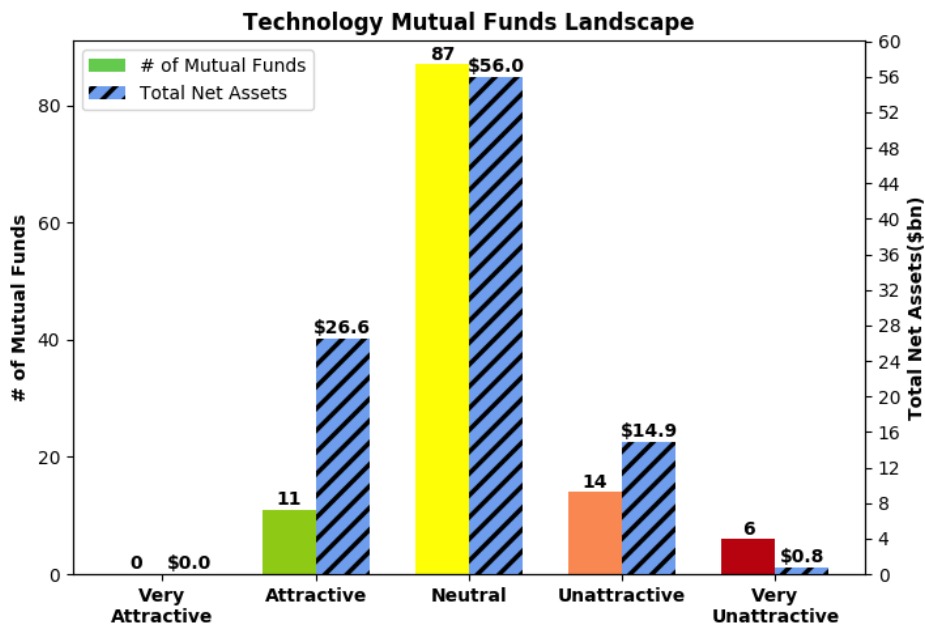
Figures 3 and 4 show the rating landscape of all Technology ETFs and mutual funds.

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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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.

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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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