



ETF & Mutual Fund Rankings: Healthcare Sector

The Healthcare sector ranks seventh out of the 11 sectors as detailed in our [1Q19 Sector Ratings for ETFs and Mutual Funds](#) report. [Last quarter](#), the Healthcare sector ranked third. It gets our Neutral rating, which is based on an aggregation of ratings of the 323 stocks in the Healthcare sector as of January 11, 2019. See a recap of our [4Q18 Sector Ratings here](#).

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Healthcare sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 25 to 387). This variation creates drastically different investment implications and, therefore, ratings.

Get the best fundamental research

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

Our [Robo-Analyst technology](#)¹ empowers our unique [ETF and mutual fund rating methodology](#), which leverages our rigorous analysis of each fund's holdings.² 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				
XPH	18%	30%	36%	Very Attractive
PJP	30%	35%	27%	Attractive
XLV	21%	54%	24%	Attractive
PPH	33%	42%	17%	Attractive
IYH	19%	51%	28%	Attractive
Worst ETFs				
XHE	3%	22%	53%	Unattractive
OLD	0%	22%	49%	Unattractive
BTEC	3%	4%	64%	Very Unattractive
FBT	11%	31%	56%	Very Unattractive
BBP	10%	26%	53%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

JHMH is excluded from Figure 1 because its total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

¹ Harvard Business School features the powerful impact of our research automation technology in the case [New Constructs: Disrupting Fundamental Analysis with Robo-Analysts](#).

² 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
Best MFs				
SWHFX	21%	42%	19%	Attractive
VHCIX	18%	49%	28%	Neutral
FSHCX	37%	42%	11%	Neutral
EIHSX	10%	50%	24%	Neutral
SUHIX	14%	47%	28%	Neutral
Worst MFs				
PJHRX	5%	36%	34%	Very Unattractive
PHLCX	5%	36%	34%	Very Unattractive
HGHAX	14%	30%	35%	Very Unattractive
PHLBX	5%	36%	34%	Very Unattractive
PHLAX	5%	36%	34%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

Four mutual funds (LOGSX, SBHIX, ICHCX, SHPCX) are excluded from Figure 2 because their total net assets (TNA) are below \$100 million and do not meet our liquidity minimums.

XPH is the top-rated Healthcare ETF and SWHFX is the top-rated Healthcare mutual fund. XPH earns a Very Attractive rating and SWHFX earns an Attractive rating.

BBP is the worst rated Healthcare ETF and PHLAX is the worst Healthcare mutual fund. They both earn a Very Unattractive rating.

323 stocks of the 2750+ we cover are classified as Healthcare 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.

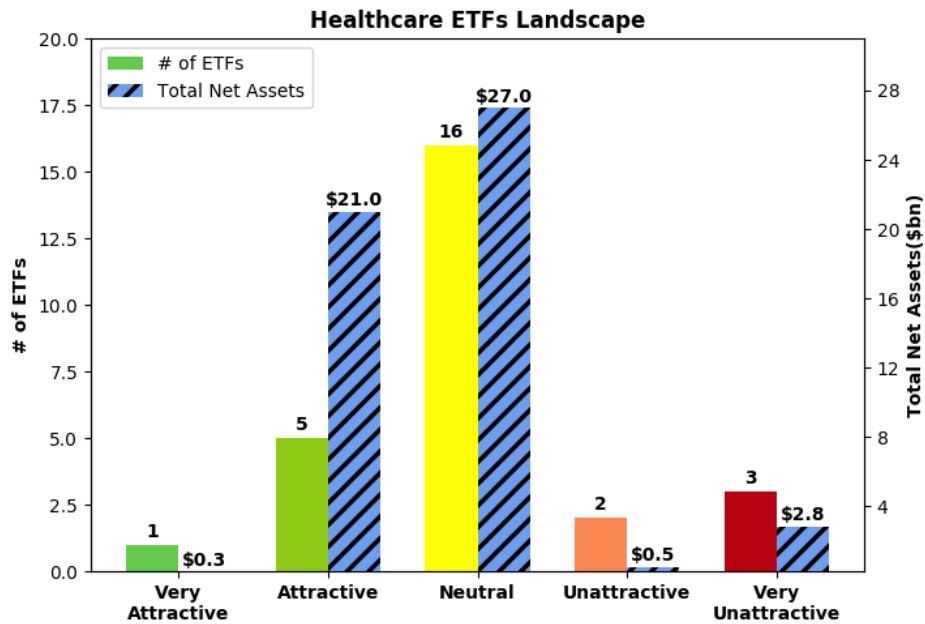
PERFORMANCE OF HOLDINGS = PERFORMANCE OF FUND

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.



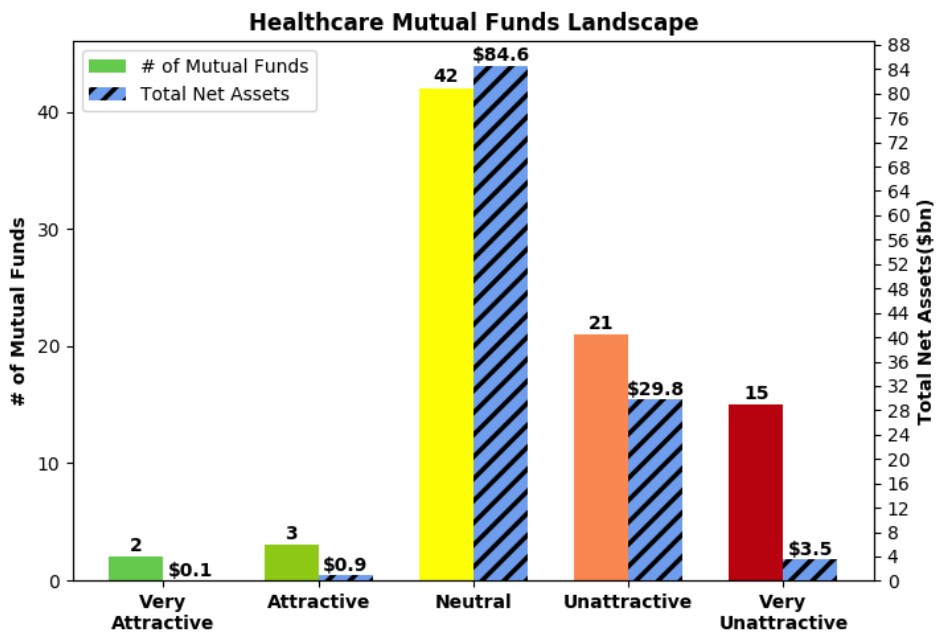
Figures 3 and 4 show the rating landscape of all Healthcare ETFs and mutual funds.

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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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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