ETF & Mutual Fund Rankings: Utilities Sector

The Utilities sector ranks tenth out of the 11 sectors as detailed in our 2Q19 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 the 69 stocks in the Utilities sector as of April 11, 2019. See a recap of our 1Q19 Sector Ratings here.

Figures 1 and 2 show the five best and worst rated ETFs and mutual funds in the sector. Not all Utilities sector ETFs and mutual funds are created the same. The number of holdings varies widely (from 22 to 226). This variation creates drastically different investment implications and, therefore, ratings.

Investors should not buy any Utilities ETFs or mutual funds because none get an Attractive-or-better rating. If you must have exposure to this sector, you should buy a basket of Attractive-or-better rated stocks and avoid paying undeserved fund fees. Active management has a long history of not paying off.

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				
No ETFs recieve a Neutral-or-better rating.				
Worst ETFs				
XLU	0%	9%	90%	Unattractive
JHMU	0%	18%	81%	Unattractive
RYU	0%	14%	86%	Very Unattractive
PUI	0%	20%	80%	Very Unattractive
PSCU	3%	5%	84%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

[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				
BULIX	13%	28%	58%	Neutral
Worst MFs				
FAUFX	0%	13%	75%	Very Unattractive
FUGAX	0%	13%	75%	Very Unattractive
RYUTX	0%	20%	76%	Very Unattractive
GAUAX	5%	18%	62%	Very Unattractive
ICTVX	2%	31%	64%	Very Unattractive

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

Sources: New Constructs, LLC and company filings

BULIX is the top-rated Utilities mutual fund. There are no ETFs that receive a Neutral-or-better rating. BULIX earns a Neutral rating.

PSCU is the worst rated Utilities ETF and ICTVX is the worst Utilities mutual fund. They both earn a Very Unattractive rating.

69 stocks of the 2750+ we cover are classified as Utilities stocks.

The Danger Within

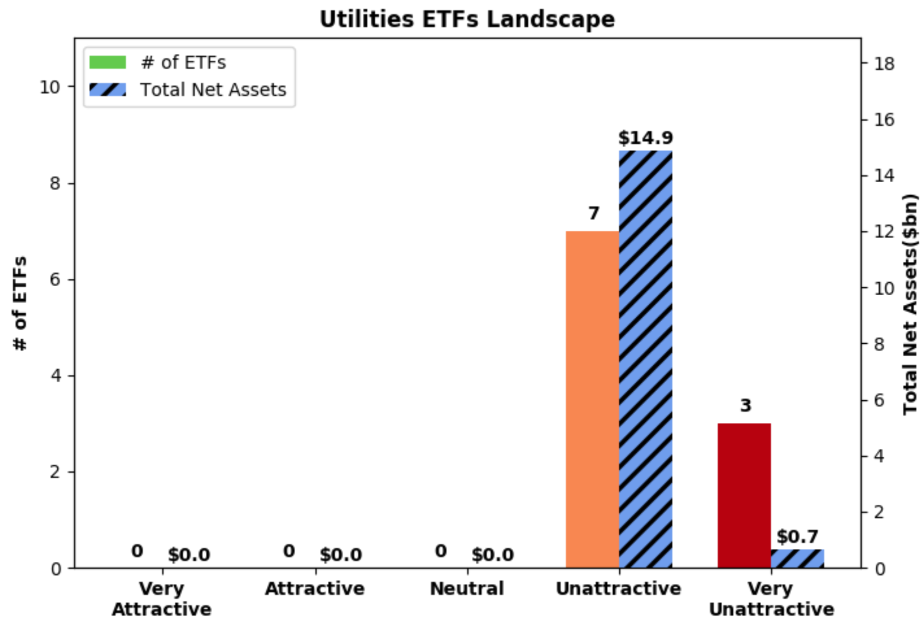
Buying a fund without analyzing its holdings is like buying a stock without analyzing its business and finances. Put another way, research on fund holdings is necessary due diligence because a fund's performance is only as good as its holdings' performance. Don't just take our word for it, see what Barron's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

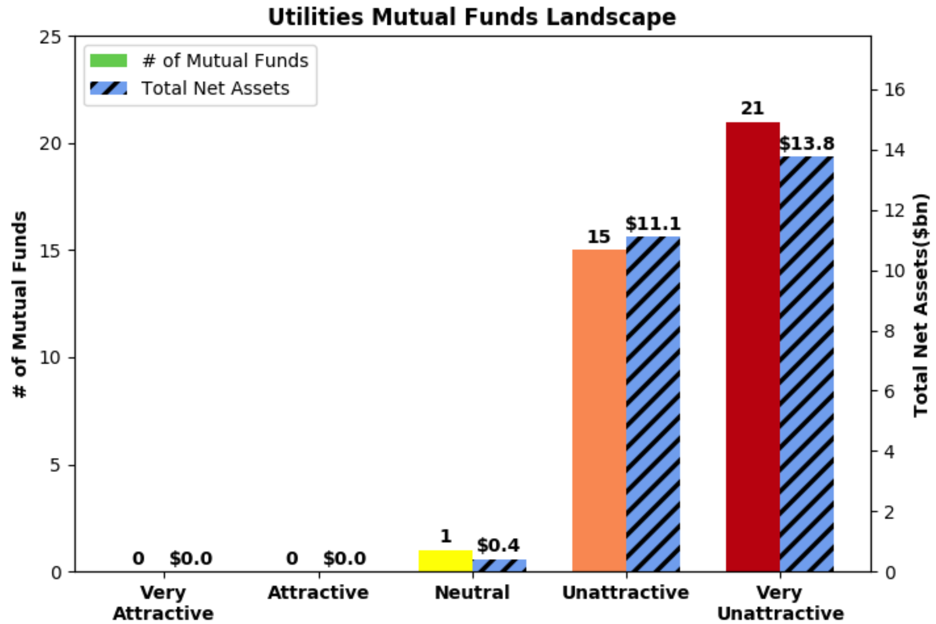
Figures 3 and 4 show the rating landscape of all Utilities ETFs and mutual funds.

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 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.

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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