



### 1Q26 ETF & Mutual Fund Sector Ratings Recap

At the beginning of each quarter, we rank each of the eleven sectors from best to worst with our [Sector Ratings Report](#). These rankings are forward-looking and indicate how each sector should perform going forward.

[Buy The Best & Worst Sector ETF & Mutual Fund Reports](#)

This analysis is available to [Professional](#) and [Institutional](#) members and enables investors to better allocate capital by identifying which funds to buy and which funds to avoid. More reliable & [proprietary](#) fundamental data, as shown in [The Journal of Financial Economics](#), provides a [new source of alpha](#) and drives our research. Our [Robo-Analyst AI](#)<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>

Some of the best funds include iShares U.S. Home Construction ETF (ITB), Vanguard Consumer Staples Fund (VCSAX), Invesco KBW Property & Casualty Insurance ETF (KBWP), and Schwab Health Care Fund (SCHHFX).

Some of the worst funds include Lord Abbett Healthcare Fund (LHCAX), ProShares S&P Kensho Cleantech (CTEX), Saratoga Advantage Financial Services (SFPAX), and AdvisorShares Restaurant ETF (EATZ).

Last quarter's Sector Ratings can be found [here](#). Last quarter's Sector Recap is available [here](#).

The following are our sector analyses for the first quarter of 2026.

- [Basic Materials](#)
- [Consumer Cyclical](#)
- [Consumer Non-cyclical](#)
- [Energy](#)
- [Financial](#)
- [Healthcare](#)
- [Industrial](#)
- [Real Estate](#)
- [Technology](#)
- [Telecom Services](#)
- [Utilities](#)

*This article was originally published on [January 22, 2026](#).*

*Disclosure: David Trainer and Kyle Guske II receive no compensation to write about any specific stock, sector, style, or theme.*

*Questions on this report or others? Join our [online community](#) and connect with us directly.*

<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> See how our models and financial ratios are superior to Bloomberg and Capital IQ's (SPGI) analytics in the [detailed appendix of this paper](#).



## ***It's Official: We Deliver the Best Fundamental Data in the World***

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Many firms claim their research is superior, but none of them can prove it with independent studies from highly-respected institutions as we can. Three different papers from both the public and private sectors show:

1. The stock market is missing footnotes – and only we have that critical data.
2. Legacy fundamental datasets suffer from significant inaccuracies, omissions, and biases.
3. Our proprietary drives novel alpha. Our measures of [Core Earnings](#) and [Earnings Distortion](#) materially improve stock picking and forecasting of profits.

### **Best Fundamental Data in the World**

In [The Journal of Financial Economics](#), a top peer-reviewed journal, [Core Earnings: New Data & Evidence](#) proves our Robo-Analyst technology overcomes material shortcomings in legacy firms' data collection processes to provide superior [fundamental data](#), [earnings](#) models, and [research](#). More [details](#).

Key quotes from the paper:

- “[New Constructs’] *Total Adjustments* differs significantly from the items identified and excluded from Compustat’s adjusted earnings measures. For example... 50% to 70% of the variation in *Total Adjustments* is not explained by S&P Global’s (*SPGI*) *Adjustments* individually.” – pp. 14, 1<sup>st</sup> para.
- “A final source of differences [between New Constructs’ and S&P Global’s data] is due to data collection oversights...we identified cases where Compustat did not collect information relating to firms’ income that is useful in assessing core earnings.” – pp. 16, 2<sup>nd</sup> para.

### **Superior Models**

Ernst & Young features the superiority of our ROIC, NOPAT and Invested Capital research to Capital IQ & Bloomberg’s in [Getting ROIC Right](#). See the [Appendix](#) for direct comparison details.

Key quotes from the paper:

- “...an accurate calculation of ROIC requires more diligence than often occurs in some of the common, off-the-shelf ROIC calculations. Only by scouring the footnotes and the MD&A [ as New Constructs does] can investors get an accurate calculation of ROIC.” – pp. 8, 5<sup>th</sup> para.
- “The majority of the difference...comes from New Constructs’ machine learning approach, which leverages technology to calculate ROIC by applying accounting adjustments that may be buried deeply in the footnotes across thousands of companies.” – pp. 4, 2<sup>nd</sup> para.

### **Superior Stock Ratings**

Robo-Analysts’ stock ratings outperform those from human analysts as shown in this [paper](#) from Harvard Business School. Bloomberg features the paper [here](#).

Key quotes from the paper:

- “the portfolios formed following the buy recommendations of Robo-Analysts earn abnormal returns that are statistically and economically significant.” – pp. 6, 3<sup>rd</sup> para.
- “Our results ultimately suggest that Robo-Analysts are a valuable, alternative information intermediary to traditional sell-side analysts.” – pp. 20, 3<sup>rd</sup> para.

Our mission is to provide the best fundamental analysis of public and private businesses in the world and make it affordable for all investors, not just Wall Street insiders.

We believe every investor deserves to know the whole truth about the profitability and valuation of any company they consider for investment. More details on our cutting-edge technology and how we use it are [here](#).



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