

Foreign Investing Made Easy With ETFs

The numbers don't lie — investing overseas is paying off.

By Greg Brown

FOR THE LONG-TERM INVESTOR, these are harrowing times: Europe in flames, Chinese inflation, chaos in the banks. If you decided to put your cash under a mattress, few would call that crazy.

Yet you should invest. And yes, at least some of that should be in foreign stocks, say money managers.

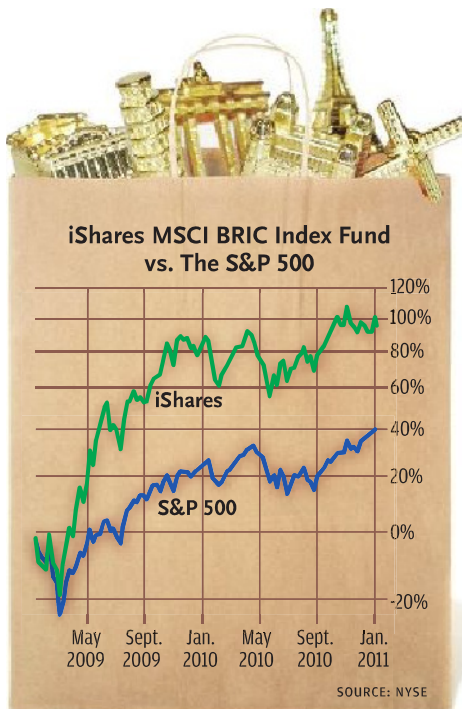
It's hard to refute the numbers. Not counting dividends, over the last decade an investment in the Dow returned 10 percent. A broad selection of foreign stocks returned 37 percent.

Of course, buying individual stocks is difficult. With foreign stocks, add on layers of political risk (Is the country run by fools?) and currency risk (Will traders dump the local coin and kill my investment there?) and things can get truly stressful.

That's why some advisers say it's just smart to consider exchange-traded funds (ETFs). These trade like stocks and give the retail investor access to dozens, sometimes hundreds, of companies in a single share.

Emerging Growth

"It's a great way to get exposure, especially if you're not analyzing companies; if you don't have the time to do that or don't have the background to do that," says Brenda Wenning, principal at Wenning Investments in Newton,



Mass. Wenning suggests that investors consider holding up to 25 percent of assets in foreign stocks.

She recommends buying broader-based ETFs rather than single-country funds. She recently has bought iShares MSCI Emerging Markets Index (EEM) and she also likes the iShares MSCI BRIC Index Fund (BKF).

Money experts also point out that it's a mistake to assume that your portfolio of bluer-than-blue-chip U.S. stocks means that you have no skin in the international game. Far from it.

Companies such as McDonald's, PepsiCo, Procter & Gamble, and Eli Lilly are growing fast abroad. Own Wal-Mart? The global retailer recently reported that a full one-

third of its \$101 billion in sales came from outside the United States.

Global Exposure

"Look at any of the very large U.S. companies. As you dig through the balance sheet, see how much of their profits are coming from overseas," says Drummond Osborn, president, Osborn Wealth Management in LaPorte, Ind. He suggests between 15 percent and 25 percent exposure to international stocks. If you want still more foreign earnings, Osborn likes broad-based ETFs like iShares MSCI EAFE Index Fund (EFA) and Vanguard Emerging Markets ETF (VWO). □

AN ETF WITH BRAINS



▶ FOR BUY-AND-HOLD investors, exchange-traded funds (ETFs) promise nirvana: a passive selection of stocks at a rock-bottom price. What could be better?

David Marani, a career Wall Street banker now in financial recruiting, says the "next wave" is actively managed ETFs. That may sound like a contradiction. After all,

the point of ETFs is to simply track the market.

Marani says that the volatility of foreign investing makes managed ETFs, which charge some fees, worth a look.

"You're getting the best of both worlds," says Marani, an executive with Drum Associates in New York. "You have money managers

behind the scenes that are actively looking at what's going on in these countries. If they feel something is going to proverbially 'blow up,' their job is to get the portfolio correctly balanced and get out of that country," he says.

There are only about 50 of them so far. Check with your financial adviser for choices. — G.B.