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News

Where to Invest $10,000 Right Now

by **Suzanne Woolley**
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▶ Six veteran investing experts share their best ideas.

Cutting back on stocks and moving more money into cash can bring peace of mind—and also pain, if it means missing out on the marathon bull market in U.S. equities. The opportunity cost of sitting out equities in the second quarter, when the S&P 500 rose 3.8% to a new record, was significant but far from as crazy-making as missing the first quarter's 13% jump. Still, the continued rally lends urgency to the conundrum among investors about whether to do nothing, cut exposure to equities or run for shelter.

The appeal of safe havens such as cash or fixed-income is undoubtedly strong, though the expected returns aren't. Uncertainty tied to trade conflicts, worries about weakening economic growth and increasing tension between the U.S. and Iran are just some of the reasons to be jittery. While inflation pressure remains subdued, talk of a coming recession is getting louder.

To get a read on what opportunities may exist today, we asked our panel of investment experts for their best ideas on where to stash a $10,000 windfall now. Two names are new to the group: Brian Singer, portfolio co-manager of the William Blair Macro Allocation Fund, and Terri Spath, chief investment officer at Sierra Mutual Funds. Suggestions range from funds focused on infrastructure and emerging market debt to gold and global telcos. Bloomberg Intelligence exchange-traded fund analyst Eric Balchunas adds his suggestions for how to use ETFs to play on the ideas presented by the panel, and looks at how last quarter's ETF suggestions performed.

Before making any moves to a portfolio, however, it's smart to do a financial tune-up. Take a look at "The Seven Habits of Highly Effective Investors" to see if you've set yourself up for financial and investment success.

Sarah Ketterer

Chief executive officer and fund manager, Causeway Capital Management

Look to Global Telcos

Equity markets don't typically deliver double-digit percentage annual returns each year for 10 consecutive years. As of June 30, the U.S. and many foreign markets have achieved that feat. Super-normal returns reflect the tsunami of global monetary liquidity bidding up asset prices.

In this long-running bull market, investors seek growth and appear indifferent to valuation. For example, the percent of IPOs of companies with negative earnings in the past year exceeds the late 1990s technology bubble highs.

Rather than chase market winners—especially those in traditionally defensive sectors such as utilities and consumer staples—investors can find cheaper havens elsewhere. The unpopular global telecommunication stocks may have the right characteristics. Revenue growth for the telco industry should accelerate in the next few years as customers consume more data at an increased pace. A wider usage of additional devices—such as smart watches and a second mobile phone for work—is also driving up data usage and subscriber growth.

In Asia, the larger countries tend to have three telco competitors controlling the bulk of market share and enjoying favorable regulation. Several of these stocks trade at extremely low valuations relative to their markets and their own history. In Europe, the telco companies have acquired spectrum in various countries, defended their market positions against telco upstarts and are consolidating operations to help improve returns.

For Europe to commercialize world-class 5G mobile telecommunications, the regulatory environment must become more supportive of the telco service providers. In all geographies, telco competitors will likely collaborate on infrastructure investments, sharing the cost of mobile phone towers. Meanwhile, many of the better-managed of these companies generate abundant surplus cash flow, and reward investors with generous dividends, which equate to yields well in excess of market averages.

Way to play it with ETFs: Balchunas's choice is the iShares Global Communications Services ETF (IXP), which he expects will benefit from growth in telcos both domestic and international. It has direct exposure to three of Europe's largest carriers, Deutsche Telekom, Telefonica, and Vodafone Group, as well as China Mobile and Japan's NTT Docomo. The fund is market-cap weighted, with 34% international exposure and an expense ratio of 0.47%.

Performance of last quarter's ETF plays: The Pacer Developed Markets International Cash Cows 100 ETF (ICOW) fell 1.3% in the second quarter.

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