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News

Where to Invest $10,000 Right Now

by **Suzanne Woolley**
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▶ Five experts reveal the opportunities they see around the world.

Investors had a whirlwind first quarter. Stocks burst out of the gate in January, then fell hard, with the S&P 500 losing 10 percent of its value in early February and ending the quarter down 1.2 percent. Now, with chatter about a "melt-up" behind us, the market is about flat for the year, and predictions of the demise of the long bull market in stocks are mounting. An April 3 Bloomberg News story summed up the mood: "Fear of missing out has turned into fear of getting caught."

If the U.S. stock market is sobering up and calming down, investors will need to put additional energy into finding investments that promise a good return for the risk. Money taken out of the market to lock in profits will earn a little more sitting in cash now than it did three months ago, but that still won't top inflation, which is expected to rise.

So where to invest $10,000 in a market being whipsawed by fears over trade wars and the pace of economic growth globally?

We turned to our eighth quarterly panel of investing experts with that challenge. Their suggestions have a distinctly defensive tone this time around. Recommendations range from venturing overseas to find sustainable dividend income to focusing on stock sectors that tend to outperform when inflation picks up, such as materials and energy, to prospecting for cheaper opportunities in emerging markets.

Some of the strategies outlined below are mirrored in mutual funds or investment portfolios that a panel member manages. After each expert shares his or her ideas on where to put $10,000 right now, Bloomberg Intelligence analyst Eric Balchunas offers ways to invest in the themes through exchange-traded funds, and tallies the performance of the ETF picks he made last quarter.

Before turning to the financial markets, invest some time in going over your portfolio and overall finances. With income tax season just past, you are likely more aware of where your finances stand and how you can improve them. Is your emergency fund adequate? Has your mix of stocks, bonds, cash and any other investments strayed from where you want it? Does your will need updating?

Take a quick read of "The Seven Habits of Highly Effective Investors" to see how else you can shore up the parts of your financial life that are under your control. It's about the only no-brainer investment there is

Sarah Ketterer

Chief executive officer and fund manager, Causeway Capital Management

Go for Defensive Value

There's a lot to be said for investment income, especially delivered via companies that are fully capable of sustaining that income for many years ahead. In sagging stock markets, some portion of an investor's portfolio needs to produce returns now, not later. With plenty of dividend income, the wait for a market recovery shouldn't seem quite so painful. Peer inside the global telecommunications sector and you will find many generous dividend payers also boasting financial strength far in excess of overall market averages.

These telecom stocks, unloved for their lack of recent growth and bland forecasts, have lost the interest of bull market investors. Mention Tencent or Alibaba and people will listen intently; refer to China Mobile or SK Telecom for yawns of boredom. Yet telecom behemoths offering mobile and fixed broadband services should grab our attention as ideal ballast for the inevitable bear markets. We need the services they offer—and will need them even more when fifth-generation wireless systems (5G) become commercially available.

The MSCI All Country World Telecommunications Services Index is made up of 81 constituents in developed and emerging-markets countries. By one valuation measure, enterprise value-to-Ebitda, it trades at a discount of more than 40 percent, compared with the aggregate equity market benchmark, the MSCI All Country World Index. (Enterprise value includes debt and cash when calculating company value, rather than just multiplying a company's shares outstanding by its share price to arrive at market capitalization; Ebitda, a cash flow measure, refers to earnings before interest, taxes, depreciation and amortization.) The index also has a dividend yield almost 50 percent higher than the benchmark.

If sustainability of dividend yield makes you sleep better at night, focus on the companies with very low (or zero) net debt, defined as a company's long-term debt less cash. In capital-intensive industries such as telecommunications, larger company size brings scale economies and cost advantages. Competitive, mature telecom markets typically cannot support more than three players, or returns on capital will decline for all participants. China, Japan and South Korea are three of the most attractive mature telecom markets globally.

Three-player telecom markets, in which competitors typically don't engage in devastating price wars, often have stable participants generating reliable streams of cash. Companies rewarding shareholders by returning capital, through dividends and share repurchases, are less likely than growth-oriented peers to squander shareholder capital through overpriced acquisitions. Many telecom companies have learned that stability is one of their most attractive characteristics.

Way to play it with ETFs: There is no ETF tracking the MSCI All Country World Telecommunication Services Index, but Bloomberg Intelligence analyst Eric Balchunas says there is something very close: The iShares Global Telecom ETF (IXP) tracks 43 telecom stocks from about a dozen countries. It is notable for its high dividend yield of 3.5 percent, says Balchunas—and for its above-average fee (for a sector ETF) of 0.47 percent.

Performance of last quarter's ETF plays: Balchunas chose the Vanguard Utilities ETF (VPU) and the Global X Lithium & Battery Tech ETF (LIT) as ways to play Ketterer's suggestion that investors consider global utility stocks. In 2018's first quarter, VPU fell 4.1 percent and LIT tumbled 15.3 percent. LIT fell as analysts turned bearish on lithium, fearing a supply glut, as well as possibly less demand for electric vehicles in 2019.

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Dividend Yield: A financial ratio that shows how much a company pays out in dividends each year relative to its share price. A company may reduce or eliminate its dividend, causing losses to the fund.

The Standard & Poor's 500 (S&P 500) is an American stock market index based on the market capitalizations of 500 large companies having common stock listed on the NYSE or NASDAQ. The S&P 500 index components and their weightings are determined by S&P Dow Jones Indices.

The MSCI All Country World Index is a free float-adjusted market capitalization weighted index, designed to measure the equity market performance of developed and emerging markets including the U.S. market, consisting of 46 country indices. The Index is gross of withholding taxes, assumes reinvestment of dividends and capital gains, and assumes no management, custody, transaction or other expenses.