

Exchange-Traded Funds

Global Telecom ETF Hunting Int'l Growth

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With many emerging markets growing at a fast pace, international telecommunications firms are positioning themselves to benefit from this trend. Investors who trust that the trend will continue might consider **WisdomTree International Communications Sector Fund**. ([DGG](#))

The exchange traded fund tracks its namesake index, which invests in advertising, Internet, media and telecom dividend-paying companies in countries outside the U.S. and Canada.

WisdomTree weights its constituents by their dividend contribution as opposed to their market cap. The index has a dividend yield of 4.5% and has returned 16% since its launch in October.

It trades an average 4,000 shares a day with \$6 million in assets.

Keep Growing

"The good thing about ETFs is they're continuing to grow, and they're covering more and more sectors, so they're slicing the pie into smaller and smaller pieces," said Tom Lydon, president and portfolio manager at Global Trends Investments.

"There really isn't another international communications or telecommunications ETF out there, so they own the space."

Nearly 70% of the portfolio is in large-cap international telecoms.

The top holding is U.K.'s **Vodafone Group** ([VOD](#)) with a 10% share of the total assets. It serves over 171 million customers in 26 countries. It's closely followed by **France Telecom**, ([FTE](#)) **Deutsche Telekom**, ([DT](#)) **China Mobile** ([CHL](#)) and **Spanish Telefonica**. ([TEF](#))

Moving East

While domestic growth of these megacaps will be mediocre at best, Lydon says, these companies face great opportunities by setting up shop in Eastern Europe.

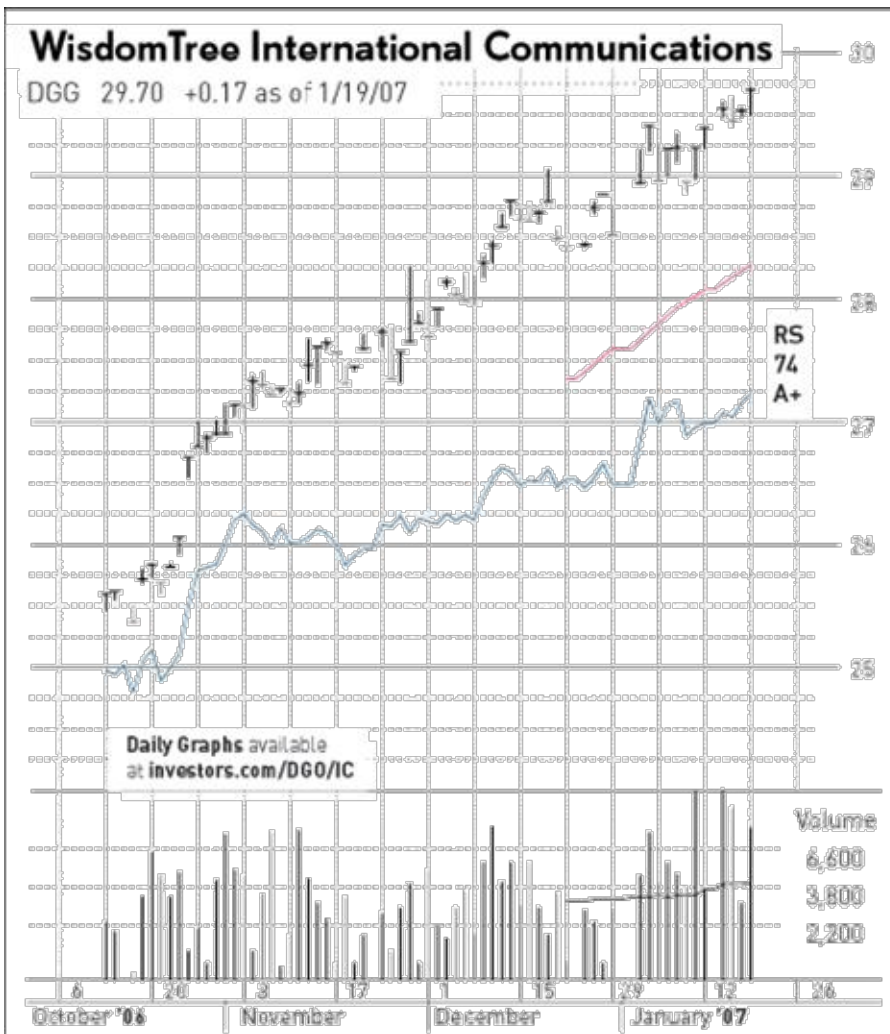
"We're in the situation where especially in emerging market countries — Eastern Europe, Latin America, Asia — you're seeing more and more demand from a telecommunications standpoint," he said.

J. Mark Spallanzani, managing partner at Alcott Capital Management, recommends the international telecom ETF as a complement to the U.S.-focused **Telecom Holdrs**. ([TTH](#))

He notes that the international telecom ETF has a good exposure in Europe, but given that it has outperformed the U.S. lately, he recommends buying on pullbacks in the \$27 to \$28 price area.

Managers seem to especially like the fund's 6% allocation to the fast-growing China Mobile, China's No. 1 wireless service provider with 300 million customers.

"With less than 30% of the Chinese population owning cell phones, there is still plenty of room for growth," Lydon said.



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