

Exchange-Traded Funds

Technology Revival Boosts Taiwanese ETF

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If you want to make a technology play, Taiwan might be the place to do it. Take a look at **iShares MSCI Taiwan Fund**, ([EWT](#)) which is up 28% for the year. The large-cap value exchange traded fund, which has 104 holdings, tracks the performance of the Morgan Stanley Capital Investments Taiwan Index. The fund has an IBD Composite Rating of 67.

It's heavily weighted in technology, and semiconductors have been very, very good recently, analysts say.

Among those companies that have helped boost the fund is **United Microelectronics**. ([UMC](#)) One of the fund's top holdings, the company saw its profit fall 3% last year. However, United Microelectronics officials announced earlier this month that a big order for chip sets recently placed by **Intel** ([INTC](#)) will power profits for the coming year. United has a Relative Strength Rating of 59.

Locally Listed

Another semiconductor company among the fund's top holdings, Taipei-based MediaTek, isn't listed in the U.S. but enjoys strong institutional support. But the fund's biggest holding, **Taiwan Semiconductor**, ([TSM](#)) is definitely the muscle behind the upward move right now. Although its RS is only 49, the company has been a strong performer recently.

"Taiwan Semiconductor is huge, and it's growing," said J. Mark Spallanzani, managing partner at Alcott Capital Management and publisher of the Online ETF Watch.

Tech Play

Nearly 60% of the fund's holdings are technology-based, which right now is a big plus. Global growth is at an all-time high in countries in Asia, Latin America and Africa; all are building up infrastructure.

"Obviously, they're all going to need technology," Spallanzani said. "This might be the beginning of an upgrade cycle. For investors who want to invest in technology growth, this would be a decent play."

Yet it isn't necessarily an easy play. While it's profitable right now — the fund even has a 1.9% dividend yield — there's a shadow in the background.

"China is a 300-pound gorilla breathing down your neck with Taiwan," Spallanzani said.

That's no problem when all is well in China, and it seems to be right now. Although February's dive was severe and felt heavily in the U.S., the recovery was quick. A similar drop recently didn't scare U.S. investors. Chinese construction continues at a record pace, and the 2008 Beijing Olympic spotlight seems to have ramped up interest in all things Chinese on the international front.



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