

Posted by: Lauren Young on July 25

Clarification: Rydex CurrencyShares are actually exchange-traded products (grantor trust structure)—not exchange-traded notes. I've updated this post to reflect the changes.

Over the past few months, I've fielded lots of questions from colleagues, readers, sources, and even my parents about the safety of cash. Alas, I am not a financial adviser—I just play one on TV.

I asked more than 30 financial advisers what they would do with a \$1 million cash portfolio to keep it safe for a year. I could only feature three of them [in this week's magazine](#). So I'll use this blog to share some other advice I received.

One of the most aggressive plans came from Don Martin, president of [Mayflower Capital](#), a financial advisory firm in Los Altos, Calif. His portfolio strategy: Put \$250,000 in Rydex CurrencyShares Euro Trust ([FXE](#)), \$100,000 Rydex Currency Shares Australian Dollar Trust ([FXA](#)), \$100,000 CurrencyShares Japanese Yen Trust ([FXY](#)), \$50,000 CurrencyShares Swiss Franc Trust ([FXF](#)); \$500,000 in Vanguard's Admiral Treasury Money Market Mutual Fund ([VUSXX](#)) or SPDR Lehman 1-3 Month T-Bill ETF ([BIL](#)).

Martin is a big believer that cash investments should be diversified internationally because of the risk the U.S. dollar could decline. That's why he recommends stashing 50% of an investor's cash into foreign currency Rydex CurrencyShares, which are actually exchange traded products (grantor trust structure).

The four currency products he likes are offered through Rydex Investments, mixing currencies from three continents. Each has an relatively low expense ratio of 0.40%, although you do pay commissions to trade these portfolios. Buyer beware: these products are subject to foreign exchange fluctuations.

For U.S. dollar-denominated cash, Martin suggests using a low-cost money market fund that invests in U.S. Treasuries, such as Vanguard's Admiral Treasury Money Market Mutual Fund. It features a razor-thin expense ratio of just 0.10%. Another option is an exchange-traded fund issued that invests in ultra short-term Treasuries.

However, cash investors should steer clear of municipal bond funds due to hidden credit risk. "Avoid closed-end funds, especially leveraged ones, due to risk of fluctuations in the premium as well as the discount from the net asset value," Martin says.

I'll post some other cash strategies on this blog in the coming week.

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FIVE FOR THE MONEY November 30, 2006, 12:00AM EST

Ways to Weather a Weaker Dollar

The greenback has plunged recently against the euro and other foreign currencies. Here's how to protect your portfolio

by [Marc Hogan](#)

The recent pattern in the currency market can be pretty much summed up this way: Another day, another decline in the U.S. dollar. The New York Board of Trade's dollar index, which tracks the greenback against a basket of major currencies, fell to a 20-month low on Nov. 28 (see BusinessWeek.com, 11/28/06, "[Europe May Bear Burden of Dollar's Swoon](#)"). While the buck rebounded in the next trading session, many analysts expect dollar weakness to continue.

The U.S. currency's drop comes amid speculation the Federal Reserve might cut interest rates next year as other central banks are raising them. The European Central Bank is projected to hike rates by a quarter of a percentage point at its Dec. 7 meeting. Bank of Japan policymakers have said rates may need to rise there as well.

Meanwhile, top government officials have rallied to the buck's defense. "A strong dollar is clearly in our nation's interest," Treasury Secretary Henry Paulson said in London this week.

Nevertheless, a weaker dollar isn't necessarily bad news for investors, analysts say, so long as the greenback's slide doesn't become an avalanche. This *Five for the Money* looks at a few asset classes that might be smart choices if the dollar remains woozy and wobbly.

1. U.S. Large-Cap Stocks

On Nov. 27, domestic stocks suffered their steepest losses since July, hampered in part by investor worries about the weakening dollar. Such fears are overdone, however, according to Alec Young, equity market strategist at Standard & Poor's, who says the dollar's skid should give a boost to U.S. corporate earnings. "It's a positive for the market, not a negative, as long as it's orderly," Young says.

For one thing, big U.S. companies do a growing chunk of their business abroad. In 2005, 41% of revenues for the Standard & Poor's 500 index came from overseas, up from 32% in 2000, and the percentage is expected to rise this year. When the dollar is weak, international sales denominated in foreign currency translate into more revenue in dollars. S&P has a strong buy recommendation on package shipper FedEx ([FDX](#)), which generated 37% of FedEx Express revenues internationally in its most recent fiscal year.

Beverage giant PepsiCo ([PEP](#)) may be another well-positioned U.S. name, with more than a third of its business in exports. "Coke ([KO](#)) exports significantly more, but we think Pepsi is a much better buy at today's levels," says Morningstar ([MORN](#)) equity analyst Allan Nichols. PepsiCo shares earn Morningstar's highest rating of five stars.

2. Foreign Stocks

U.S. companies doing business overseas aren't the only ones likely to benefit from a weaker dollar. Investors with a reasonable allocation to international stocks should get a boost as well, analysts say. When the greenback goes down, the value of non-U.S. securities goes up in dollar terms.

An international mutual fund can be a good way to tap into overseas stocks. Investors looking for protection against a weaker dollar should make sure to pick a fund that doesn't use a relatively rare strategy called currency hedging. Neil Brown, a certified financial planner at West Columbia (S.C.)-based Burkett Financial Services, says he uses such unhedged funds as Artisan International ([ARTIX](#)), Dodge & Cox International ([DODFX](#)), and UMB Scout Worldwide ([UMBWX](#)).

Exchange-traded funds, or ETFs, might be another savvy, low-cost option for investors seeking broad international exposure. S&P's Young suggests allocating 15% of the equity portion of a portfolio to developed foreign markets, represented by the iShares MSCI EAFE index ([EFA](#)) ETF, along with a 15% weighting in iShares MSCI Emerging Markets ([EEM](#)) (see BusinessWeek.com, 11/17/06, "[World Won't Sniffle If U.S. Sneezes](#)").

Whatever the dollar's direction, some foreign exposure can be a smart addition to an investor's portfolio. By adding foreign bonds funds, "a well-diversified portfolio will not only gain from multiple currencies but add diversification," says Scott Leonard, president of Redondo Beach (Calif.) financial planning firm Leonard Wealth Management.

3. Foreign Bonds

Along with overseas stocks, foreign bonds would also get a boost from a falling greenback, financial planners say. "The most direct beneficiary of the weakening dollar are bonds denominated in foreign currencies, most commonly the euro and the yen," says Louis Kokernak, a certified financial planner with Austin (Tex.)-based Haven Financial.

Kokernak uses institutional shares of Pimco Foreign Bond (Unhedged) ([PFUIX](#)), which invests in government-issued overseas bonds. The fund posted a 5.76% return this year through Oct. 31. T. Rowe Price International Bond ([RPIBX](#)) also provides foreign currency exposure and has a three-star Morningstar rating.

It's important to keep in mind that not all currencies move in the same way vs. the dollar. Investments pegged to various foreign currencies will probably have varying results. "Each economy can react quite differently to a rise or fall in the greenback," says Anthony Ogorek, operating manager of Williamsville (N.Y.)-based financial planning firm Ogorek Wealth Management. "As investors will certainly discover, nothing is as simple as it appears."

4. Energy

Energy-based commodities, like crude oil, could get their own boost from the dollar's drop, some analysts say. That could be particularly true if the greenback's decline were to accelerate from a gradual dip into a full-fledged panic. "If we had a severe crash, interest rates and inflation would take off," says Jeffrey Bogue, principal at Wells (Me.) financial planning firm Bogue Asset Management. "Commodities would do well with heightened inflation," he says.

As the underlying commodities rise, companies in the energy sector are also poised to gain from the greenback's woes, adds Shigeko Makino, global investment manager at Putnam Investments and manager of the Putnam Global Equity Fund ([PEQUX](#)). Specifically, Makino likes Houston-based oil companies Grant Prideco ([GRP](#)) and Marathon Oil ([MRO](#)).

5. Basic Materials

Metals from copper and zinc to silver and gold might also see their prices rise as the dollar drops, analysts say (see BusinessWeek.com, 11/28/06, "[Time to Hop on the Gold Wagon?](#)"). Don Martin, owner and founder of Los Altos (Calif.)-based Mayflower Capital recommends investing in base and precious metals—and the companies that make them—along with foreign securities, oil, and natural gas.

Putnam's Makino favors Canadian mining company Teck Cominco ([TCK](#)), which produces copper, nickel, and zinc.

"They're about 8 to 9 times earnings, copper is only marginally off its all-time highs, and the supply-demand situation looks very positive," Makino says.

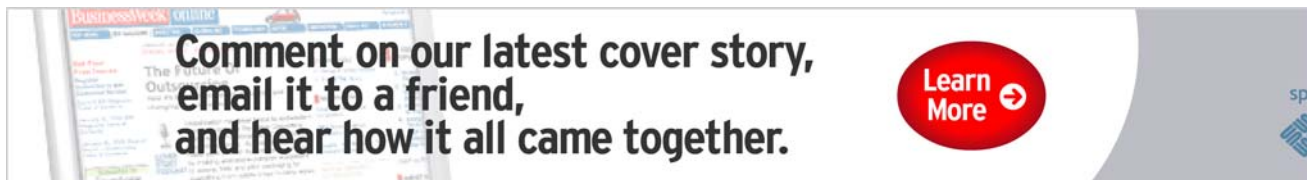
Whether or not the greenback's decline persists, savvy investors can find plenty of ways to hedge against currency risk. The key is to maintain a globally well-diversified portfolio, experts say. Though the dollar may be falling, the sky is not.

[Hogan](#) is a reporter for *BusinessWeek.com* in New York.

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MAY 10, 2006

FIVE FOR THE MONEY

By Marc Hogan

Parents' Day in the Sun

Flowers are fine for Mother's Day, but financial peace of mind is a gift that keeps on giving

Let's face it: Mom and Dad can do without a bouquet of flowers or necktie. For the upcoming Mother's Day and Father's Day holidays, give them a gift of financial peace of mind by making sure their finances are in order.

Parents of any age have a host of complex financial needs, from retirement accounts to estate planning. The Sundays honoring moms (May 14) and dads (June 18) should be spent relaxing, but try setting aside some of the other 363 days of the year to make sure these needs are all met. "Most parents want the gift of time, so planning the time to help them is the real value and what they'll appreciate most," says Patricia Konetzny, a financial planner in Maynard, Mass.

It's a two-way street. Being financially secure also happens to be one of the best gifts parents can bestow upon their children, financial planners say. "If we give them everything they want but become a burden in the future, we haven't really given them anything," says Linda Leitz, owner of Colorado Springs-based Pinnacle Financial Concepts and author of *The Ultimate Parenting Map to Money Smart Kids*.

This week's *Five for the Money* looks at what parents should have in place to simplify their financial lives for themselves and their loved ones. And yes, you can still send flowers.

1. Prepare for the worst.

While never a pleasant subject, wills are a must-have for all adults. Find an attorney to put together a will, trust, and power-of-attorney documents for your loved ones. Without a will, assets will be passed according to state law, rather than according to your parents' wishes.

If your parents already have wills, be sure they know where they're located. Also ask them when they last had their will reviewed. If it's been more than three to five years or a major change has occurred in their financial situation, it's time for a check-up, says Susan Elser, a fee-only financial planner in Indianapolis.

In addition to the typical estate documents, help your parents create a letter of intent. This should use simple, everyday language to make it easier to carry out their wishes in case the formal documents are unclear. "Sometimes an individual's desires are muddled in the legalese," says Adam Leavitt, president of Red Rock Financial Advisory in Tulsa, Okla.

2. Name names.

What's in a name? Quite a lot, it turns out. It's a good idea to double-check who is designated a beneficiary on retirement accounts and insurance contracts. "Qualified retirement account beneficiary designations cannot be overridden by a will, so if the owner forgot to change the name of the beneficiary to the desired person, then the funds will go to an unintended beneficiary," says Don Martin, owner and founder of Los Altos (Calif.)-based Mayflower Capital.

Such a review is particularly important for parents who divorced and remarried, Martin says. And if someone who was widowed forgets to update beneficiary designations, then their previously deceased spouse's estate would inherit the retirement account. That adds an extra layer of taxes, fees, and hassles.

Trouble can occur even when parents are both still alive and have remained married. Parents who name a trust for a child as a beneficiary in their wills must also change the beneficiary forms for their retirement accounts and life insurance policies. "Otherwise, upon their deaths, the trust won't get funded," says Elaine Scoggins, president of Tampa-based Scoggins Financial.

3. Collect their records.

Many people can barely keep their own files straight, so imagine the challenge of sifting through someone else's during a time of crisis. "Frankly, the administrative specifics after death are more time-consuming and emotionally draining than the 'official' topics," says Mary Clair Allvine, a financial planner with Chicago-based Brownson, Rehmus & Foxworth and author of *The Family CFO*.

Ask your parents to provide a list of their investment, bank, and insurance accounts, along with contact information and account numbers. Also find out where they keep important documents and assets. Dave Ragan, a financial planner at Denton (Tex.)-based Grunden Financial Advisory, recommends every family have an "I Love You Book." This binder or notebook would include all bank accounts, credit cards, liabilities, assets, doctors, and other information.

What about parents' safe deposit boxes? Parents should "consider giving an adult son or daughter a second key and access privileges

to the box," says Mathew Gelfand, president of Bethesda (Md.) -based MDG Financial Advisors. He cautions that this may require a visit to the bank. Moreover, many financial planners suggest moving securities out of safe deposit boxes and into brokerage accounts.

The Internet era has brought with it a proliferation of passwords. These, too, should be kept in a safe place where children can find them if necessary. "Since many people have a variety of online accounts, access to passwords may become critical in a time of emergency," says Penny Marlin, president of Delray (Fla.) -based Marlin Financial.

4. Ensure they've got the right insurance.

Insurance needs differ from person to person, but it's worth a moment to check whether your parents have the policies they need. Parents who qualify should sign up for the new prescription drug benefit plan (see BW Online, 05/05/06, "[New Medicaid Complications](#)"). Some planners also recommend picking up supplemental health-care insurance.

Long-term care insurance (LTC) may be right for many parents. "Parents over 60 should certainly consider themselves candidates for good LTC coverage," says Wexford (Pa.) financial planner Robert Choiniere. He suggests children think about funding the LTC, because it can help prevent the erosion of the estate they will presumably inherit.

As for homeowner's insurance, make sure the properties your parents think are covered actually are. Mark Gleason, a financial planner with Burbank (Calif.) -based Wescap Management Group, recalls a recent case of fire on a property with two dwellings. "It turned out the insurance only covered the one dwelling that didn't have the fire," he says. Planners also recommend owning an umbrella policy, which offers extra liability insurance in case of auto accidents or lawsuits.

Then there's life insurance. Older parents who don't need their policies should either give them to their children or sell them to a third party, Gleason says. Both options are typically better than simply surrendering the policy and cashing it in, which has the lowest expected value.

5. Check their retirement accounts.

After talking about wills and beneficiaries, asking your parents about IRAs and such should be a snap. Parents over age 70½ need to be making their required distributions from IRAs and pension plans. If they're still working, they should fully fund their 401(k) plans up to the level of the employer match. Many planners also recommend Roth IRAs for those who qualify.

Just as with insurance, investment needs will vary. "The main question is, do they need income from their investments to live on?" asks Argyle (N.Y.)-based financial planner Marjorie Randles. If so, they need to invest in income-producing securities. She uses iShares exchange-traded funds, like the iShares Dividend Index Fund ([DVY](#)), which has a relatively low 0.4% expense ratio.

Still, even older parents should be sure their portfolios are not too conservative. As with any investor, their assets should be diversified across a number of different asset classes. "They may still live a very long time, and growth above the inflation rate should be a part of the portfolio objectives," says Gleason.

Many planners also suggest keeping a cash account for emergency expenses. It should contain at least three months of living expenses, they say. Depending on the economic environment, it might take too long to sell off real estate or other assets, so ready cash can help pay off debts, taxes, or other unexpected costs.

Talking with parents about important financial matters can be easy to put off. Still, you'll be glad you did -- and they will, too.

Hogan is a reporter for BusinessWeek Online in New York

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Five for the Money May 24, 2007

Checking Out China Funds

Managers still see solid opportunities away from Shanghai's frenzy. Here are five savvy plays

by [David Bogoslaw](#)

Alan Greenspan may have warned of a possible "dramatic contraction" in Chinese equities in a May 23 speech, but investors appear so far to be unfazed. Despite the bubble talk, many fund pros are still focused on opportunities in the Middle Kingdom.

When investors think of opportunities to make money in China, companies riding the wave of huge exports are typically the first to spring to mind. But fund managers have begun to pay attention to stocks whose fortunes are tied more to growth in the domestic market, as the sizzling Chinese economy creates a widening population of eager consumers.

With China's economy growing at around 11% a year, investors are looking for ways to grab a piece of the action. Although the current Year of the Pig may excite investors with visions of becoming fat, happy, and prosperous, a note of caution is in order: Investors should be wary of gorging themselves amid what appears to be a stock-market bubble to many economists (see BusinessWeek.com, 5/18/07, "[China Tries to Turn Down the Heat](#)").

Consider the relatively new Shanghai Stock Exchange, whose composite index has jumped 50% since the beginning of the year. Some fund managers are steering clear of the index, warning that its sharp and sudden gains reflect a torrential inflow of domestic money with nowhere else to go at the moment. That's bound to change as the government's Qualified Domestic Institutional Investor (QDII) plan, which would allow a greater portion of domestic funds to be invested in other markets, gains traction, albeit ever so slowly. The government quota on how much money can be invested outside the country is a paltry \$15 billion to \$17 billion, chump change compared with China's \$2.6 trillion economy.

With an eye toward prudence, some portfolio managers who wish to play China are sticking to stocks that list in Hong Kong, where transparency and corporate governance are far better than on the mainland. While economic growth is expected to moderate in 2007 due to slowing U.S. export demand, the continued rise in property prices is likely to support local investor sentiment in the months ahead, according to a May research note from Aberdeen Asset Management.

Obviously, investing in China carries notable risks. Investors who want some exposure to one of the world's most dynamic economies may want to do some homework first. With that in mind, this week's Five for the Money looks at a few funds with sizable exposure to China that remain open to new investors.

1. Guinness Atkinson China & Hong Kong Fund ([ICHKX](#))

This \$172 million fund has been making money by focusing on companies staking a claim in the infrastructure boom. That includes energy companies with ADRs trading on U.S. exchanges such as CNOOC ([CEO](#)), PetroChina ([PTR](#)), and Yangzhou Coal, and industrials such as Angang Steel and Dongfang Electrical Machinery.

Dongfang is one of the two largest domestic manufacturers of electrical turbines, which are in great demand in "a country installing the equivalent of the U.K. national grid every year," says Edmund Harriss, who has co-managed the fund since 1998.

He prefers Dongfang to its competitor Harbin Power, which he faults for over-diversifying, and points to Dongfang's slimmer balance sheet; cleaner, more straightforward business focus; and superior returns on investment.

In the auto industry, Harriss has been a buyer of Denway Motors, which, through a joint venture with Honda Motor ([HMC](#)), makes the Honda Accord and Odyssey for the Chinese market. There has been a general upgrade in the car models available to Chinese consumers; they're now as good as anything being sold in the U.S. or Europe, he says.

Harriss advises investors interested in China to avoid getting caught up in the vaunted huge growth story and instead to drill down into particular market niches, with the aim of finding those companies that have genuinely been generating high growth, beating their competitors, and capturing higher margins. The fund has a 70% weight in Hong Kong-listed stocks, with the other 30% invested in Hong Kong-based companies doing business in other parts of Asia.

2. Oberweis China Opportunities Fund ([OBCHX](#))

Managed by James Oberweis since its launch in October, 2005, the China Opportunities Fund is taking cues from the explosion in consumer buying power on the mainland. Looking beyond the 20 largest companies favored by most institutional investors, Oberweis is buying up shares of second-tier companies that have strong retail potential.

"This is a country where the biggest consuming class in the world is likely to develop over the next 20 years, and it's already happening," he says. That creates an opportunity for retailers to develop brands—and they stand to profit nicely by doing it sooner rather than later.

Li Ning ([LNNGF](#)), which makes athletic shoes, is an obvious choice, since domestic sports-apparel manufacturers are well-positioned to go up against international rivals like Nike ([NKE](#)) in catering to domestic Chinese demand with their lower prices. But an equally savvy way to play the surge in consuming power is the advertising market, Oberweis says.

He points to the focused approach Focus Media ([FMCN](#)) is taking, targeting affluent consumers by placing flat-panel display screens in the lobbies of large office buildings in China's biggest cities. With a 95% market share in this area, Focus Media nearly tripled its sales in 2006 from the prior year, with sales expected to nearly double this year. Focus Media is a Chinese-owned company based in Shanghai, but its shares trade only as ADRs on the NASDAQ exchange.

Oberweis is also leery of shares trading on the Shanghai Stock Exchange and says the bulk of his portfolio is in H shares of Chinese companies, or those listed on the Hong Kong Stock Exchange, which can be bought for half the cost of Shanghai-listed A shares. Once the government's QDII scheme takes hold and is expanded beyond the initial quota of \$17 billion, he expects prices of H shares to rise and prices of A shares to drop, as investors take advantage of arbitrage opportunities between the two markets.

"We're not buying for the arbitrage opportunities. We're buying because we think they're good companies. And [buying H shares] is the cheapest way for us to invest in those companies," he says. Oberweis has \$825 million in assets under management.

3. U.S. Global Investors China Region Opportunities Fund ([USCOX](#))

For 2007, this \$90 million fund is pushing the theme of "asset-injection" plays as an easy concept for investors to wrap their minds around. Romeo Dator, who has co-managed the fund for the past five years, is betting on Hong Kong-listed names that are buying assets at hefty discounts to market prices from their government-controlled parent companies on the mainland. "It's a way for the parent company to realize the benefits of getting these assets off their books, and the government getting out of the business of owning some of these companies," Dator says.

The bonus is that this is happening mainly to resource companies at a time when the massive infrastructure buildup in China has stoked demand for these products. The stock price of China's premier copper producer, Jiangxi Copper, is up at least 50% since it bought cheap copper mines from its parent earlier this year. And coal producers China Coal Energy and China Shenhua Energy should see comparable gains after their asset injections, Dator predicts.

The China Region Opportunities Fund also favors health-care suppliers such as Shandong Weigao, a manufacturer of female sanitary napkins and other health-care-related products. Dator says he believes these stocks will benefit from the emphasis the Chinese government has placed on health-care spending in its latest five-year economic plan.

The fund's turnover rate was 200% in 2006, the result of the managers' decision to prune their holdings and take profits following dramatic runups in stock prices across the board.

4. Eaton Vance Greater China Growth A Fund ([EVCGX](#))

Portfolio manager Pamela Chan is also a great believer in the profit potential of branding. She likes high-end department stores such as Ports Design, Peace Mark, and Parksons that have come to dominate the market thanks to strong brand recognition.

With the infrastructure development in China showing no sign of abating, she's also a fan of building-materials manufacturers such as Anhui Conch and China National Building Materials. These companies are benefiting from ongoing consolidation within the cement industry, which has been aided by government policy stressing sustainable growth. That has driven out highly polluting kilns, which had been a source of excess supply and low pricing in recent years.

Chan thinks the property sector is another attractive bet amid rising income levels and the ability of developers to increase their land-banks, she wrote in an e-mail message.

5. Dreyfus Premier Greater China A Fund ([DPCAX](#))

Don Martin, president of Mayflower Capital, a California-based financial adviser, recommends this fund, which invests in midcap growth stocks. With 20% of its portfolio allocated to consumer-discretionary names, 17% to industrials, and 15% to financial companies, he sees Dreyfus' China fund as a safer bet than some other options that are too heavily weighted in financials and more vulnerable should the volatile China market crash.

To avoid the potential for capital-gains taxes of around 30%, which would be triggered if portfolio managers started selling off shares of stocks, Martin advises new investors who haven't benefited from the stock gains to buy through a fee-only planner that can get the load fee waived on these funds.

Bogoslaw is a reporter for *BusinessWeek's* Investing channel.