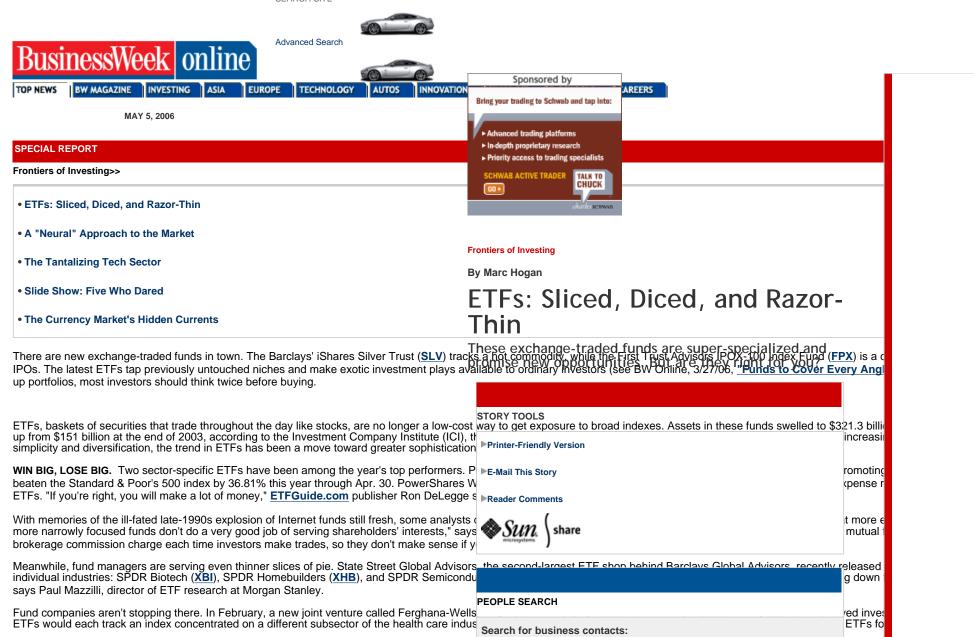


SEARCH SITE



charles schwab

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Ferghana-Wellspring is a joint venture between biotech-focused investment bank Ferghana Partners and Wellspring Partners, a financial-services entrepreneurial group.

'FAT CENTER.' The Ferghana-Wellspring approach offers investors increased precision, says Bill Kridel, executive chairman and founder of Ferghana Partners. Rather than investing in giants like Amgen (AMGN), Genzyme (GENZ), Merck (MRK), and Pfizer (PFE), the DAISies would focus on "the fat center of innovation and growth," Kridel says. "This means you can slice and die as an investor very finely," he says.

At the same time, other funds are finding a niche investing in the newest public companies. Kicked bir Namer: 13, the First Trust Advisors IPOX-100 Index Fund (FPX) aims to reflect the market for U.S. initial public offerings, in the wake of closely-watched IPOs by companies like Chipotle Mexican Grill (CMG) and doughnut seller Tim Hortons (THI).

YOUR STYLE. The fund invests in the 100 largest IPOs by market cap, buying the new stock on the seventh day after the IPO and selling it on its 1,000th trading day. The fund follows less than a year after Van Kampen's more narrowly focused IPOX-30 Index Portfolio, which is a unit investment trust, not an ETF.

PREMIUM SEARCH

Then there are ETFs that concentrate on styles. Rockville (Md.)-based Rydex Investments on Marar Clubyejlectris, Runges and Ru

ETFs have also picked up on the commodities craze. On Apr. 28, Barclays Global Investments TF focusing exclusively on silver. Barclays' iShares Silver Trust finished its first day of trading up 7% at \$138.12, with a volume of 2.342 million shares. Its 0.5% price tag is higher than 100 million shares. Its 0.5% price t

NOW WITH LEVERAGE. For investors seeking a more general commodities fund, Deutsche Bank's (DB) DB Commodity Index Tracking Fund (DBC) opened in February. It's the first ETF to invest in a basket of futures on crude oil, heating oil, gold, aluminum, corn, and wheat. But it costs a steep 1.3%. Another ETF investing in crude futures, Victoria Bay Asset Management's U.S. Oil Fund (USO), opened Apr. 10. It has an expense ratio of 0.5%.

The biggest new wrinkle for ETFs could be the use of leverage, or more sophisticated derivatives, options, and debt securities commonly used by hedge funds. ETFs using leverage are expected to gain SEC approval this year, according to a report released in April by Tiburon (Calif.) financial services consultancy Tiburon Strategic Advisors.

For several years, Bethesda, Md.-based ProFunds has been awaiting the regulatory go-ahead for both long- and short-leveraged ETFs. The ETFs would likely carry lower expense ratios than ProFunds' corresponding traditional mutual funds. ProFunds fueled speculation about the funds late last year when the company hired former State Street ETF innovator Gus Fleites as chief investment officer. A ProFunds spokesperson says the company cannot comment on the funds during their registration period.

CHOOSE CAREFULLY. Finally, industry watchers say ETFs may soon cross into the final frontier: active management. All ETFs currently track indexes, but the SEC could approve actively managed ETFs as early as this year, according to the Tiburon report. "It's not will they be coming, it's when," says Tom Lydon, president of financial advisory firm Global Trends Investments. Still, questions remain about how such ETFs would address transparency, among other concerns.

Investors have plenty of ETFs to choose from. The number of ETFs on the market soared to 212 as of March, up from 119 at the end of 2003, according to the ICI. While more are in the pipeline, some experts think many investors should avoid ones that are highly specialized and cost more than the average index fund. Says Morningstar's Culloton: "Most people can live a long and happy life and be successful investors without a lot of these very nichey funds."

**Edited by Karyn McCormack** 

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