

Some advisers turn to nontraditional investments

Trying to steer clear of Europe's woes, they look at Asia

By [Kathleen Gallagher](#) of the Journal Sentinel

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Investors looking to diversify beyond domestic stocks and bonds have a staggering number of choices.

Wall Street in the last 24 months has created a slew of new, nontraditional products that do everything from buying junk bonds and real estate investment trusts to betting on gold, foreign currencies and interest rates, said Brian Andrew, chief investment officer at Cleary Gull Inc. in Milwaukee.



Brian Andrew

Investors are often at a disadvantage when sifting through all these choices because of a lack of understanding of the different markets and their peculiarities. Exchange-traded funds are often used, and they come with their own sometimes complicated structures and rules, such as how much leverage they can use.

"The industry is very good at marketing. That doesn't mean it's always great at making products that are relevant for people's portfolios," Andrew said.

It's a good time for investors to consider nontraditional investments because of the effect the European debt crisis is having on traditional markets, he said.

That's not to say investors should flee stocks, Andrew said.

"Most of the managers, particularly international managers, are really excited about their ability to buy good companies benefiting from growth, especially in Asia, at multiples that are at 50- to 60-year lows," he said.

Cleary Gull has increased some of its institutional clients' holdings in nontraditional investments outside of U.S. stocks and bonds to as much as 30% of total assets, Andrew said. Not just hedge funds, many of these nontraditional assets are involved with foreign currencies, interest rates and emerging market bonds, he said.

Templeton Global Bond Fund (TGBAX, \$12.32) has underperformed recently, but Andrew said its track record suggests that will be a temporary situation.

Lead manager Michael Hasenstab has a solid understanding of international fixed-income markets and generally has done a good job of investing in the right fixed-income markets and hedging currency risk, Andrew said.

The biggest risk is that the fund can falter in years like 2011, when market-moving news affects what should ultimately be wise long-term currency-hedging strategies, Andrew said. "But you have to use that as an opportunity to buy the fund at a lower level," he said.

The fund's 52-week range is \$12.26 to \$14.06, and Andrew expects it to outperform other international bond funds over time.

T. Rowe Price New Era Fund (PRNEX, \$40.69) normally invests at least two-thirds of its assets in the common stocks of natural resource companies but can diversify into other areas with the remainder.

That helps the fund avoid becoming as overweighted in one area as some of its peers, Andrew said. Also, the fund diversifies its energy holdings to cover the whole industry, including exploration and production, services and refining companies, he said.

"That gives you a little downside protection when the price of oil is being clobbered," Andrew said.

The biggest risk with the fund is the possibility of a dip in energy prices, but the growth in developing economies is expected to drive an upward trend in commodity prices over the long term, Andrew said.

This fund's 52-week range is \$38.19 to \$58.14, and Andrew said it is expected to outperform other commodity funds when commodity prices are rising.

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