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ETFs Work Well to Lasso a Market

Taking Aim

Here are several narrowly focused exchange-traded funds that some investment specialists see as attractive.

NAME (SYMBOL)	YEAR-TO-DATE GAIN	12-MONTH GAIN
iShares MSCI Brazil Index Fund (EWZ)	24%	79%
iShares MSCI Mexico Index Fund (EWW)	7	59
PowerShares Golden Dragon Halter USX China (PGJ)	21	26
PowerShares Water Resources (PHO)*	18	*
PowerShares WilderHill Clean Energy (PBW)	32	46

*Began trading on Dec. 6, 2005

Sources: WSJ research; WSJ Market Data Group

BY GREGORY ZUCKERMAN

Exchange-traded funds are attracting increasing interest from investors, and for many good reasons. ETFs usually have lower expenses than traditional mutual funds and generally are easier to trade.

But one of the best reasons to turn to ETFs is that they can do a better job than individual stocks and most mutual funds of allowing an investor to make a targeted—but still diversified—bet on a specific slice of the stock market.

ETFs trade throughout the day on an exchange, much like stocks. But ETFs aim to track an index or a basket of stocks, sometimes in a single foreign country or industry, providing some diversification and an ability to target a specific corner of the broad market.

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as alternative energy. Many of the companies in this sector are young and will never generate big earnings, and some probably will fail.

But by buying an ETF, such as the **PowerShares WilderHill Clean Energy Portfolio (PBW)**, one can invest in a diversified basket of small alternative-energy stocks.

This portfolio was the best performing ETF in the first quarter of this year, with a 31% gain. It tracks about 40 companies, including Active Power, a manufacturer of power-generation systems whose shares have a \$250 million market value, and Ultralife Batteries, a lithium-battery maker with a \$200 million market capitalization. The ETF has climbed 46% over the past 12 months.

ETFs are especially valuable for sectors with big dangers, such