

Three Promising Foreign Funds to Spice Up Your Portfolio

These young funds have real potential as supplemental foreign holdings.

Fund Spy

by William Samuel Rocco

Investors can certainly be forgiven if they don't closely monitor all the new funds that are launched each year. New traditional mutual funds are still being rolled out on a regular basis, and new exchanged-traded funds are being launched at a very rapid rate, so the overall pace of fund openings is pretty overwhelming these days. Moreover, many of the new funds that open simply don't have enough positive attributes to be appealing or have major flaws that make them downright unattractive.

However, there normally are a few good options among the scores of new funds that are launched each year. In fact, we identified a handful of young domestic large-cap, foreign large-cap, allocation, and bond funds with real potential in recent columns, and now we'll highlight a trio of young supplemental international funds with considerable promise. Causeway Emerging Markets Investors, Matthews Asia Pacific Equity Income, and Thornburg International Growth have fine family pedigrees and other encouraging characteristics that make them worth a look from investors seeking complements to their core foreign holdings. Here are the details on each.

Thornburg International Growth TIGAX

This foreign small/mid-growth fund, which opened in February 2007, has several attractive features. For starters, it's clear that its managers, Alex Motola and Brian Summers, have a lot of talent. Thornburg Core Growth THCGX—which Motola manages with help from Summers—has crushed its average mid-growth peer since opening at the end of 2000 by posting generally respectable results during downturns and generally terrific gains during rallies.

What's more, the strategy Motola and Summers are using at this fund is quite similar to the one they follow on Thornburg Core Growth. Indeed, they're focusing on the same three types of growth stocks here as they do there, namely growth industry leaders (fast-growing firms with proprietary advantages and in rapidly expanding industries), consistent growers (those with steady earnings and revenue growth), and emerging-growth companies (firms establishing leading positions in promising areas). They've also exported their practice of pursuing the best opportunities without concern about benchmark and peer-group weightings, so distinctive country and sector stakes will be the norm here. And they run fairly compact portfolios at both funds, though this one will tend to hold somewhat more stocks than that one.

There are other factors in this fund's favor. Motola and Summers regularly devote a significant portion of Thornburg Core Growth's assets to foreign stocks, and they've picked a number of overseas winners over the years, so they already have had some experience and success investing abroad. Thornburg International Value TGVAX—which has very different stock-selection criteria than this fund but also invests in three types of names and runs a distinctive and compact portfolio—has one of the better long-term records in the foreign large-blend category. And Thornburg Investment Management treats its fundholders pretty well overall. Thus, we think this young fund is well worth consideration from investors who are seeking a foreign small/mid-growth offering and who can handle the risks that come with its commitment to growth, willingness to go its own way, and issue concentration.

This is an excerpt of the full article. The other two funds were omitted from this reprint.

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