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TIP SHEET: Best Defense Is Offense For Some Investors

May 18, 2010 15:00:00 (ET)

By Joe Bel Bruno
Of DOW JONES NEWSWIRES

NEW YORK (Dow Jones)--With the market's recent tumult, money manager Christian Wagner has a pretty simple strategy: These days, the best offense starts with defense.

The chief investment manager of Longview Capital Management is taking a more cautious and calculated strategy given the current market conditions. He points out the Dow Jones Industrial Average's nearly 1,000 point dive in less than a half hour earlier this month, an historic event whose cause is still being investigated, serves as a good example about what already nervous investors are facing.

Wagner is taking defensive positions for the \$150 million investment management business he runs, with an idea the moves will eventually set him up offensively. Longview, which invests only in exchange-traded funds, looks to areas like equal-weighted indexes, gold funds, and even real estate to generate profit.

"We happen to like the U.S. markets these days, we've been invested in them since March 16 last year and think they continue to be attractive," said Wagner, who ran Commerce Bank's broker-dealer before the company was bought by Canada's Toronto-Dominion bank. "We're invested a little more differently."

In stocks, Wagner sticks with the Rydex S&P Equal Weight ETF (RSP), which owns the same stocks as the Standard & Poor's 500 index. The ETF weights all 500 companies equally, while the S&P 500 index gives the biggest companies more weighting.

He said this ETF allows Longview to minimize foreign exposure, which has been precarious during the past few months given the financial problems being faced by Greece and the rest of Europe. Further, Wagner said, the ETF also will benefit should acquisitions boom this year among companies.

Longview also has an investment in the real estate industry through the Vanguard REIT ETF (VNQ). "It's a play on the improvement of the economy, and future confidence," he said, noting key economic data has helped boost the index in just the past week.

The National Association of Home Builders/Wells Fargo Housing Market Index gained 3 points to 22 in May, its highest point since August 2007 and up for a second consecutive month despite the ending of a government subsidy for buyers on April 30.

Another strategy Longview uses is a bet on the appreciation of gold through the SPDR Gold Trust ETF (GLD), which is based on bullion and not futures contracts. Wagner also invests in the Market Vector Junior Gold Minders ETF (GDXJ), which tracks the performance of smaller mining companies.

Wagner said the approach appears to be working so far this year despite the market's gyrations. His investments are up 2.35% so far this year, compared to 1.9% for the S&P 500 index. Longview posted a 34.01% return in 2009, 6.05% gain in 2008, and a 13.42% jump in 2007.

(Joe Bel Bruno covers the securities industry for Dow Jones Newswires. He can be reached at 212-416-2469 or by email at joe.belbruno@dowjones.com.)

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