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BEST ETFs 2019

STRATEGIST'S PICKS

Money Pro Offers 3 Best ETF Ideas For Current Market

'Keep Things Dialed Back'

Broader holdings may provide more stability in uncertain environment

BY NANCY GONDO
INVESTOR'S BUSINESS DAILY

Following a very tough fourth quarter, the stock market has kicked off the new year with gains. And while volatility may persist the rest of the year, Churchill Management Group says potential moneymaking opportunities may exist, though they suggest a cautious approach.

The Los Angeles-based financial advisory firm, which oversees more than $5.5 billion in assets (as of Dec. 31), was founded by Fred Fern in 1963. Its tactical equity strategies use cash and cash equivalents during perceived riskier periods, while its fully invested equity strategies stay the course through all stock market cycles. Churchill also offers combination equity and fixed income strategies.

"For equity investors who want growth but capital preservation first, we believe there are essentially three market environments that they will confront," Churchill President Randy Conner told IBD. "There are times to be aggressive, like 2017. There are times to run for the hills, like 2008. And there are times to treat the market with some caution and keep things dialed back a bit. We believe the current environment is most like the latter."

ETF Picks For Stock Market Outlook

Here, in his own words, Conner explains why he is a bit cautious on the stock market and offers three of his best ETF picks:

The current bull market celebrates its 10th birthday on March 9. While age alone doesn't kill bull market runs, the aging of the Fed-aided decadelong run, combined with what has been a "V" bottom rebound from a tough 2018 fourth quarter, has this current low-volume rally leaving many feeling uneasy about its technical sustainability.

Additionally, after off-the-charts growth in 2018, which saw S&P earnings growth of around 25%, current forecasts are for much slower, lower-single-digit earnings growth this year. Some projections are for negative earnings growth in the first quarter, if not the year. Throw in the ever-changing story over trade negotiations, and the now ever-changing story on interest rate direction, and the market's course gets harder to predict.

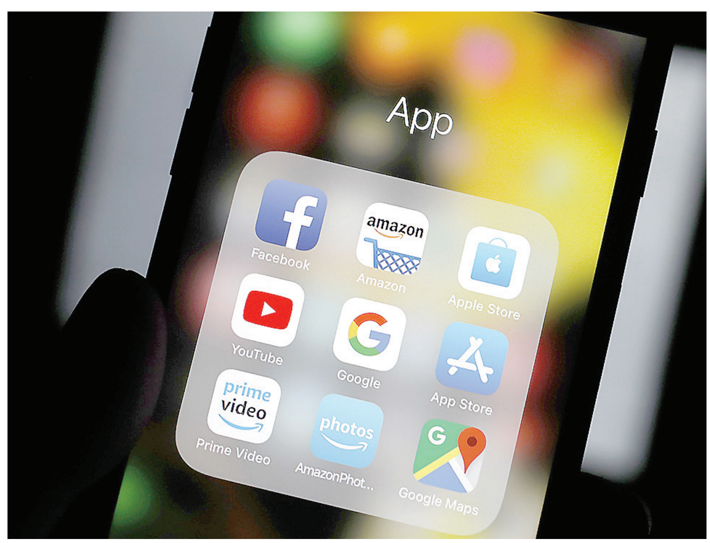
All this doesn't mean that the party is over, but it would suggest to us to play things a little closer to the vest until the skies are clearer. During these questionable periods, we tend to stick with broader ETF holdings for stability. Here are three suggestions:

• **SPDR Technology**[XLK]
By now you almost assuredly feel like technology dominates your life. Yet, what if I told you it was just getting started? Industry after industry are just now in the early stages of being transformed by what technology can do for them. When we hear about many of our clients' business models, ranging from oil to health care, even to cattle ranching, we find they are morphing more and more into tech-driven companies.

Seeing that, we think it is beneficial to own the group. Given the market environment, we prefer to stick with the big and more established players found in the Spider XLK (top holdings **Microsoft**[MSFT], **Apple**[AAPL], **Visa**[V], **Intel**[INTC] and **Cisco Systems**[CSCO]), which is one reason we presently own it. Put this one in the drawer and

Randy Conner

- President
- Churchill Management Group
- Conner's three best ETF ideas include broader picks, such as an S&P 500 growth fund, because he thinks the current market environment warrants some caution



Kyodo/Newscom

Centene Chairman and CEO Michael Neidorff wants to grow the insurance at a sustainable level and not be a "flash in the pan."

revisit it in five years.

• IShares S&P 500 GrowthIVW
With the valuations on value stocks not exactly cheap, growth looks as if it is going to have to lead the way for the bull to continue running its marathon. As mentioned above, given the stage of the market, we prefer to play it more down the fairway. IVW allows us to do that by offering the growth side of the larger cap S&P 500.

IVW (top holdings include Microsoft, **Amazon**AMZN, **Facebook**FB and **Alphabet**GOOGL) is also a good way to get a slice of tech exposure without an overload on Apple. It is another broader market holding that should serve as a core of your portfolio from which you can build around. We have been able to enjoy nice alpha over long holding periods in IVW and presently own it.

• First Trust NYSE ARCA BiotechFBT
For a more targeted play on technology advancing and revolutionizing an industry over the long term, we like the biotech fund FBT. While we presently do not own it, it would not be surprising if we did in the future. Advances in computational power and newly available big data from medical record digitization will enable a sea of change that includes individualized medicine, advanced modeling and the compression of the drug discovery process. The mapping of the human genome was the first big step and took over a decade. Now that can be done in an hour. Exciting things are coming in the biotech space and FBT should benefit.

FBT (holdings include **Bluebird Bio**BLU, **Ionis Pharmaceutical**IONS and **Acadia Pharmaceuticals**ACAD) is an “equal weighted” ETF, which also allows it to benefit from the acquisition game happening in the industry. Expect a little more volatility here as political winds can change the direction of the group. However, long term, this area should be a winner.

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