

Squeal.

HSBC  Direct.

TheStreet.com

Financial Advisor Forum

[Return to Article](#)

Review: Best ETFs So Far in 2008

Billy Fisher

06/17/08 - 10:34 AM EDT

The top-performing ETFs from the first half of 2008 show a common theme -- commodities.

With the price of crude hovering around \$130 a barrel and inflation fears beginning to surface, this trend is not a shocker. Challenging conditions have made for a market in which only 12.1% of all ETFs have even seen price appreciation of 5% or better in the first two quarters of 2008.

Year to date, there has been no better ETF than the **United States Natural Gas Fund** UNG. The fund, which uses futures contracts to track the price of natural gas, has surged 60.9% since the beginning of the year. This sharp move higher has surpassed even that of oil.

"Oil rallies last year were significantly greater and independent of natural gas, a phenomenon not too common since both come from the same hole in the ground many times," says Morris Glasgow, Managing Director and Portfolio Manager for [Sterne Agee Investment Advisors](#). "Now the gap to oil has been somewhat filled."

Glasgow thinks that natural gas will trend higher over the long run, but this [ETF](#) could be reaching a short-term plateau.

"We would expect over the coming summer months of 2008 that UNG may take a breather," he says. "And if oil prices reverse course to any degree, speculators may drop the position to protect profits, or go the other side of the trade. Though long-term trends suggest natural gas -- and therefore UNG -- may rise in value over the next decade, as demand is significantly greater than supply replacement."

A Black Gold Rush

With soaring oil prices, one might expect that oil-related [ETFs](#) have done reasonably well this year. The **United States Oil Fund** USO is up 41.1% thus far. Similar to that of UNG, this ETF uses futures contracts to track the price of light, sweet crude oil.

The narrow focus of some commodity ETFs has been instrumental in returning strong short-term gains.

"Top performing funds tend to be the most concentrated," says Ron DeLegge, editor of [ETFGuide.com](#). "With USO, there's no surprise there. As long as crude continues to appreciate, then clearly it will be a huge winner."

Although oil has been a clutch performer so far in 2008, DeLegge believes that [individual investors](#) might be better served by ETFs with a wider focus than USO. One of the names he likes is the **iShares S&P GSCI Commodity-Indexed Trust** GSG, which is up 34.0% year to date. The fund tracks 24 different commodities, with approximately two-thirds of the fund weighted in energy.

"It's a nice way for people to get diversification as well as exposure to commodities," he says.

DeLegge also likes the **PowerShares DB Commodity Index Tracking Fund** DBC, which tracks the Deutsche Bank Liquid Commodity index and is up 36.0% so far this year.

"These funds are probably a better choice than going with a highly speculative, highly focused ETF that bets on

just one commodity," he says.

Room to Run?

Given the first-half surges that have been seen from oil and commodity ETFs, this momentum is likely to continue.

"USO has been a great performer and is still in an uptrend," says Marvin Appel, CEO of [Appel Asset Management](#). "I don't expect oil prices to get cheap ever again, but I'm also not betting on the price of crude rising by \$40 a barrel over the next six months, as it has during the first six months of the year."

One drawback that Appel sees with investing in USO is its associated cost of carry, which has the potential to prevent the fund from achieving gains that are commensurate with those of crude. He does like the **SPDR S&P Oil & Gas Exploration & Production ETFXOP**, which is up 27.7% so far this year.

The fund has holdings that include **Exxon MobilXOM**, **ChevronCVX**, **ConocoPhillipsCOP**, **Devon EnergyDVN** and **ApacheAPA**.

"It's functioning like a mid-cap oil ETF because it's equal-weighted," Appel says. "It's an excellent long-term play on energy and has no cost of carry."

Overall, Appel has a bullish long-term outlook on energy. "Energy is going to be a rich sector for decades to come," he says.

Visit TheStreet for more great features

THESTREET PREMIUM SERVICES

From the action-oriented investing ideas of *Action Alerts PLUS* by Jim Cramer to the expert technical trading strategies of Helene Meisler's *Top Stocks*, TheStreet.com offers a range of premium services to help boost your portfolio's performance. [View now](#).

EXPERT ADVISORS ALERTS DELIVERED TO YOUR INBOX

Action Alerts PLUS: Cramer's personal portfolio, emails before he acts.

RealMoney: 45+ experts share their top investing ideas and analysis.

Stocks Under \$10: Alerts identify undervalued stocks with profit potential.

Sponsored Links

Hot Energy Stocks

Oil & Gas, Green Energy, Solar, Ethanol, Wind, Biofuels
www.TopEnergyStocks.com

Today's Mortgage Tip:

Refinance to a FIXED rate. No SSN required. LendingTree® QuickMatch
www.LendingTree.com/Quickmatch

GEICO Car Insurance

GEICO could save you over \$500. Get an instant insurance quote.
www.geico.com

[Buy a link here](#)

BROKERAGE PARTNERS



© 1996-2008 TheStreet.com, Inc. All rights reserved.

TheStreet.com's enterprise databases running Oracle are professionally monitored and managed by [Pythian Remote DBA](#).

Quotes delayed at least 20 minutes for all exchanges. Market Data provided by [Interactive Data](#). Company fundamental data provided by Hemscott. Earnings and ratings provided by Zacks. Mutual fund data provided by Valueline. ETF data provided by Lipper. [Terms & Conditions](#). Powered and implemented by [Interactive Data Managed Solutions](#).

TheStreet.com Ratings updates stock ratings daily. However, if no rating change occurs, the data on this page does not update. The data does update after 90 days if no rating change occurs within that time period.

IDC calculates the Market Cap for the basic symbol to include common shares only. Year-to-date mutual fund returns are calculated on a monthly basis by Value Line and posted mid-month.

*Oil Data in Market Overview is Brent Crude Pricing