INVESTING

Invest Internationally With ETFs

[By Selena Maranjian]

According to the financial press, many foreign-focused exchange-traded funds have wrapped up their first quarter for the year in impressive fashion. The iShares MSCI Singapore (AMEX: EWS) ETF, for example, gained more than 10% in the quarter, while the iShares MSCI Malaysia (AMEX: EWM) ETF surged 18%. Should you be getting excited?

Well, remember that three months is but a blip in the realm of investing. For long-term investors, longer periods are usually more relevant. We need to back up and look at the big picture. Fortunately, it's also rather bullish beyond our borders:

all growing faster than that of the United States.In no year since 1993 has the U.S. stock market been the world's best performer.

In other words, we'd do well to look beyond the U.S. for wealth-generating investments. One new way we can do so comes from State Street Global Advisors, which has just launched a new ETF zeroing in on international small-cap companies. The **SPDR S&P International Small Cap ETF** (AMEX: GWX) offers up companies in developed markets with market capitalizations of less than $2 billion. The fund invests 26% of its assets in companies from Japan, 14% in companies from the United Kingdom, and 10% in Canadian companies. Interestingly, according to the folks at seekingalpha.com, Canada is often excluded from various international funds, on the basis of its being part of North America, while it's also not included in domestic funds.

This new ETF should attract many investors, because of a growing interest in small-cap companies. They are, after all, the companies with the most room to grow - the only trick is to find the best, most promising outfits. That's one of the philosophies that Bill Mann, lead analyst of the Fool's *Global Gains* newsletter, follows. Having used the untapped small-cap universe to generate huge returns for *Motley Fool Hidden Gems* on the domestic front, Bill puts his globetrotting experience to good use for *Global Gains* readers who are interested in finding the best investments in the world.

If you find yourself not quite ready to park much money in international investments quite yet, consider easing into it by way of big American companies. Many of them generate a lot of their income from abroad, so they already represent global investments - and their international divisions are growing briskly. For example, look **at PepsiCo** (NYSE: PEP). According to its latest earnings report, PepsiCo's international-drinks unit posted a 29% increase in profits on a 19% increase in revenues. **Citigroup** 's (NYSE: C) CEO, meanwhile, has said he's aiming to generate some 60% of the company's growth internationally, partly via operations in China.

Want more? The International Card & Global Commercial Services division of **American Express** (NYSE: AXP) recently reported first-quarter net income up 64%. See? You *can* invest internationally without leaving home.

If you want to learn more about ETFs - the investing tool that's kind of a cross between an index fund and a stock - head over to our ETF Center. And if you do want to send a few of your dollars packing overseas, learn more in these articles:

If You Buy Only 1 Foreign Market ...
Stocks With Huge Potential
6 Foreign Values With Star Power

Longtime Fool contributor Selena Maranjian owns shares of PepsiCo. The Motley Fool has a disclosure policy.