

# Tech investing will be a tougher play in 2010

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In this undated photo provided by Fidelity Investments, Charlie Chai, a portfolio manager of the Fidelity Select Technology Fund, is shown. (AP Photo/ Fidelity Investments)

(AP) -- Mutual funds that bet exclusively on technology stocks are the star performers of 2009.

Tech sector funds are up an average 57 percent this year. That's more than twice the increase for the Standard & Poor's 500 index, and puts tech funds atop Morningstar's rankings for 21 U.S. stock fund categories.

But for the coming year, one of 2009's top tech fund managers is looking for companies with the strongest long-term potential in an economy

where only moderate growth is expected the next few years.

"I'm not quite sure tech is going to be the lead horse next year," says Charlie Chai, whose \$1.9 billion Fidelity Select Technology Fund (FSPTX) has racked up a sizzling 83 percent return so far this year. "But even if it underperforms, I can't see it underperforming by a lot."

The best bets may not be obvious to consumers whose grasp of tech barely extends beyond the latest gadget they've got in their hand. While he's not giving up on consumer tech stocks, Chai sees more investment opportunity now in makers of products that help corporate clients run their businesses more efficiently.

Patience is needed, he counsels, because those customers will remain cautious buyers this early in a sluggish economic recovery. It could be a while before increased orders boost revenue at corporate tech suppliers like Oracle, Cisco and EMC.

You may also have to wait years to see big returns from the tech trend that Chai believes offers the richest opportunity. He likes companies at the forefront of "[cloud computing](#)" - software and services such as data storage and e-mail delivered and managed over Internet connections, rather than kept on local company desktops and servers.

Here are excerpts from an interview on Chai's tech outlook:

Q: Why do you like the investment opportunity from corporate tech better than the one from consumer tech?

A: There are opportunities in both. Consumer tech stocks have been faring well, even though consumers have been cutting back on many types of discretionary spending. But they seem pretty happy about buying more electronics - maybe not as fast as they were a couple years

ago, but they're still buying. On the corporate side, spending has been cut dramatically, and the snapback to the old levels hasn't happened yet.

But if you look at corporate balance sheets now versus consumers', the corporations are in a lot better shape. Corporate cash is at very high levels. Compared with past recessions, the consumer is not as strong as in the past. So, by and large, I'm more optimistic about corporate tech.

Q: So would investors do well to buy corporate tech stocks now, if their clients' spending is likely to rise?

A: You have to be careful. Corporate tech buyers, unlike consumers, change their behavior very slowly. Multiple people are making decisions at various levels, unlike a family deciding to buy a new gadget. But eventually, corporate spending will catch up.

Q: Why do you think cloud computing will be a game-changing technology?

A: The Internet is dramatically lowering the cost of doing business. It's tough now to get financing for a new business. But using cloud computing and online applications, you can start a business in your backyard. You don't need your own data center or servers. So this is going to enable a lot of creativity on the small business side.

And you could do lots of data analytics. There's a lot being written about how much Google will know about you, and how it will be able to predict what you do next, based on your Web searches. With cloud computing, you'll be able to put data and analytics together, and that will help improve business in many ways. You can get more sales leads, improve your ability to turn leads into actual sales, shorten the sales cycle, and evaluate your employees better.

Q: When might investments in cloud computing pay off?

A: It's hard to say. Like with any trend, people tend to overestimate the short-term impact and underestimate the long-term impact.

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