

## Use caution when buying sector funds

Sector funds have the potential to enhance the performance and diversification of your portfolio. But they are no sure-fire route to success. Many concentrate on narrow industries, making them highly volatile. And chances are they overlap your other holdings. Finally, many pack hefty expenses.

Still, sector funds can add a kicker to your portfolio, provided you pick the right fund in the right sector. Investors looking to play a particular sector should favor funds with consistent performance and low expenses.

For many investors, ETFs may be a better choice because of their lower expenses, improved tax efficiency, portfolio transparency, and ease of trading.