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# JOURNAL SENTINEL

INVESTMENT TRENDS

## Explosive growth seen for firms in smart phone industry

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Computers might come to mind first for surfing the Web, but portfolio manager David W. Risgaard is putting his money on smart phones as the preferred vehicle for Internet access.

"You're going to see increased usage of smart phones as a data device," said Risgaard, a managing director at North Star Asset Management in Menasha.

There are already more cell phones in use in this country than computers.

More than eight in 10 Americans had cell phone accounts in 2007, according to a report released in March by the United Nations' International Telecommunication Union. Seven in 10 American households had computers and six in 10 had Internet access, the report said.

Smart phones — mobile phones that offer Internet access — are key to Ris-

gaard's outlook. They use the relatively new 3G, or third generation, wireless technology, which provides high-speed data access and inspired an ever growing range of smart phone applications.

There's great potential, particularly in countries where some may never buy a computer, Risgaard said. Experts predict the growth of 3G devices will hit 900% in China and 400% in Latin America in the five years ending in 2013, he

said.

Here are some 3G stocks North Star owns:

**Apple Inc.** (AAPL, \$209.04), Cupertino, Calif., introduced the iPhone in July 2008, helping people around the world see the potential in smart phones and other 3G devices, Risgaard said.

"They're the innovative leader right

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## Wireless boom to continue

now in smart phones," he said. Considering its \$26 a share of cash, Apple's stock is attractively priced, Risgaard said.

**Verizon Communications Inc.** (VZ, \$33.36), New York, has the broadest 3G network

and leads in next-generation 4G technology, said Dave Hackfort, a North Star analyst.

**Sybase Inc.** (SY, \$44.06), Dublin, Calif., has historically been a database company, but developed software that allows business applications like banking functions and sales force information to go mobile, Hackfort said.

**RF Micro Devices Inc.** (RFMD, \$4.94), Greensboro, N.C., makes the radio chips used in 3G devices. Each new generation of wireless technology requires more radio chips in the devices, Hackfort said.

**Qualcomm Inc.** (QCOM, \$46.10), San Diego, designs chip sets, but is also a sort of



Hackfort



Risgaard

wireless product research-and-development lab.

The company gets a 3.5% to 3.75% royalty on the sale of every smart phone, electronic-book reader — or e-reader — and other device that uses 3G technology, Hackfort said. Qualcomm's royalty rate will be lower on 4G technology, but it should take years for that drop to happen, he said.

"After years of Qualcomm overpromising and under-delivering, we think investors' expectations are too low and the growth will come," Risgaard said. Taking out the company's \$10.50 a share in cash, it is trading at about 16 times 2010 earnings, he said.

The biggest risk Risgaard sees is if Qualcomm doesn't continue to innovate and lead, but the company is spending \$2.3 billion a year on research to make sure that doesn't happen, Risgaard said.

Qualcomm shares, which hit a 52-week high of \$48.72 in July, could go as high as \$55 in 12 months, Risgaard said.