

# Expanding Opportunities Abroad

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**Executive Summary:** With more than 60% of world market capitalization and more than 80% of publicly traded stocks located outside of the U.S., **investors should seriously consider a long-term allocation to international markets.** Attractive dividend yields, reasonable valuations and earnings growth potential all bode well for the asset class at present. Please note that investing in non-U.S. securities entails political and economic risk, including risk of currency fluctuations and these risks may be enhanced in emerging markets.

## Foreign stocks present a wide opportunity set

- Many of the largest and most essential companies are based outside the U.S. Focusing solely on domestic equities means that you may miss out on two-thirds of the world's investment opportunities.
- At least eight of the 10 largest companies in the oil and gas, metals mining, wireless telecom, gas utilities, beverage, commercial banks, insurance, electrical equipment, airlines, automobiles and construction materials industries are based abroad.<sup>1</sup>
- The number of publicly traded non-U.S. companies has more than quadrupled in the past 20 years and continues to grow.<sup>2</sup>

In many major sectors, the number of foreign companies far outweighs the number of U.S. firms

	Materials	Energy	Information Technology	Consumer Discretionary	Financials	Consumer Staples	Health Care	Industrials	Telecommunications Services	Utilities
U.S.	34	51	81	92	98	48	64	76	13	40
Non-U.S.	235	113	152	218	413	138	68	298	89	98

Source: FactSet. Sectors Global Industry Classification Standards (GICS) and companies based on MSCI AC World Index. Data as of 12/31/09.

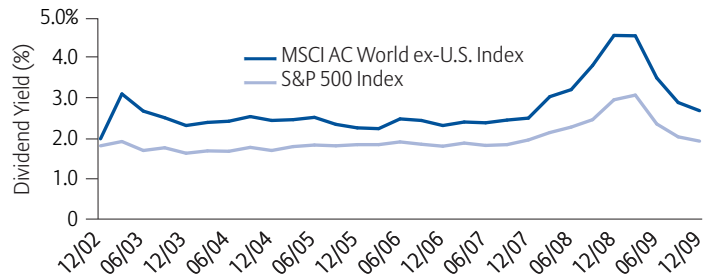
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## Dividend yields have been attractive relative to U.S. equities

- In the period from 12/31/02 through 12/31/09, dividend yields on foreign stocks were consistently higher than those of U.S. stocks.
- This yield premium has been attractive. As of December 31, 2009, dividend yields of foreign stocks averaged 2.7% while those of U.S. stocks averaged only 1.9%.

There is no guarantee that dividend-paying stocks will continue to pay dividends.

Dividends abroad have historically been higher than those in the U.S.

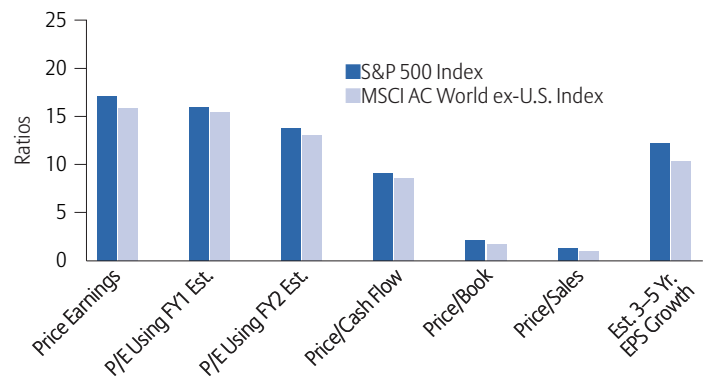


Source: FactSet, MSCI, Standard & Poor's. Data as of 12/31/09. This chart is not indicative of the past or future performance of any Allianz Global Investors product. Foreign stocks are presented by the MSCI AC World ex-U.S. Index and U.S. stocks are represented by the S&P 500 Index.

## Outlook for valuations and earnings is favorable

- Estimated forward-looking 1- and 2-year price-earnings (P/E) ratio for foreign stocks are an attractive 15.6 and 13.2, respectively. That compares to 16.1 and 13.9 for the S&P 500 Index over the same time periods.
- Estimated 3-year earnings per share (EPS) growth for foreign stocks is a favorable 12.4% compared to 10.5% for U.S. stocks over the same time period.

Valuations and earnings growth appear attractive going forward



Source: FactSet, MSCI. Data as of 12/31/09. This chart is not indicative of the past or future performance of any Allianz Global Investors product. Forecasts, estimates and certain other information contained herein are based upon research. Forecasts and estimates have certain inherent limitations, and are not intended to be relied upon as a guarantee of future results.

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P/E is a ratio of security price to earnings per share. Typically, an undervalued security is characterized by a low P/E ratio, while an overvalued security is characterized by a high P/E ratio. P/B is a ratio of the current stock price to the book value. This is used to identify undervalued stocks. Earnings Per Share (EPS) is a company's profit divided by its number of outstanding shares. If a company earning \$2 million in one year had \$2 million shares of stock outstanding, its EPS would be \$1. In calculating EPS, the company often uses a weighted average of shares outstanding over the reporting term. Price/Cash flow is the share price divided by the cash flow per share. Typically, an undervalued security is characterized by a low price/cash flow ratio. Price/Sales ratio can be used to value a stock relative to its own past performance, other companies or the market itself.

The Standard & Poor's 500 Composite Index (S&P 500) is an unmanaged index that is generally representative of the U.S. stock market. The Morgan Stanley Capital International All Country World ex-U.S. Index (MSCI ACWI ex-U.S.) is a market capitalization weighted index composed of approximately 2000 companies. It is representative of the market structure of 21 developed countries in North America, Europe and the Pacific Rim, and excludes securities of United States' issuers. The Morgan Stanley Capital International All Country (MSCI AC) World Index differs from the MSCI ACWI ex-U.S. in that it includes United States' issuers. Unless otherwise noted, index returns reflect the reinvestment of income dividends and capital gains, if any, but do not reflect fees, brokerage commissions or other expenses of investing. It is not possible to invest directly in an index.

Managed accounts are available through Allianz Global Investors Managed Accounts LLC, 1345 Avenue of the Americas, New York, NY 10105-4800.

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