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## How to Beat the Index that Outpaced China, Surpassed Brazil (and Collect the World's Highest Yields Along the Way)

-- By Andy Obermueller

Data from the past 10 years show that a leading international dividend index exceeded the performance of every major market benchmark as well as most emerging markets, including Brazil, China and Mexico. As in the classic story of the tortoise and the hare, the slow and steady dividend investors came out ahead of colleagues who focused solely on high growth. The dividend investors' returns not only were stronger, they also were far less volatile -- an appealing portfolio trait in today's tumultuous investing climate.

In this issue, we'll look at the world's hottest markets for the past ten years and show why you should immediately seek the double-digit returns being offered by the world's best dividend payers. *(Full Story Below)*

Also in Today's Issue...

### Capture 14% Yields and Total Returns up to +185.6%

On the last trading day of 2009, 94% of the picks in this high-yielding portfolio were up. Most of them have returned more than +10%, and several have returned +100% or more. But the best part is that these picks carry stable yields of up to 14.3%!

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## How to Beat the Index that Outpaced China, Surpassed Brazil (and Collect the World's Highest Yields Along the Way)

Life's journey is a marathon, not a sprint. That's the moral of the story of the tortoise and the hare. It's a good thing for investors to keep in mind, too.

No one gets rich quickly -- even lottery winners are typically paid over time. Slow and steady wins the race. That's not just a soothing adage for market laggards to console themselves with when justifying lackluster portfolios. It's a quantifiable fact of long-term investing.

Consider China. Investors have been hearing about the country for the past few years: Its industry is booming and a middle class is emerging, both of which are powering remarkable economic growth.

## Income Notes

"Many markets are now cheaper than they have been for a long time," said Wayne Kozun, the chief stock picker for the Ontario Teachers' Pension Plan. Dividend yields in Japan, the Netherlands and the U.K. exceed 10-year-bond yields, he said. "So even if stocks don't go up, you are better off holding stocks than bonds because of the cash flow."

-- Bloomberg

Inflation has been running at rates that are high by recent historical standards. But signs are pointing toward an easing of pricing pressures. Prices for oil and other commodities are retreating, and growth in the money supply remains relatively flat. The price of gold, which typically rises when investors become concerned about inflation, has dropped. The rising value of the dollar versus other major currencies also is anti-inflationary.

-- Lord Abbett

## One Stock a Month is All You'll Ever Need

For the entire 2009 calendar year 100% of Amy Calistri's *Stock of*

It's a fascinating story: We're not disparaging China, criticizing its returns or discounting its very bright future.

But these are the facts: The Shanghai Index stood at 144.22 on Dec. 31, 1997. Eight years later, the index read 143.87. The capital investors sank into China was dead money for that time. Things weren't dead everywhere, though, so China's eight-year doldrums cost its investors a lot of opportunity. Even the S&P 500 managed a total return of +45.3% during that time.

Now, the rest of the story:

A few years ago, investors began to pour billions into China. The index sprang from 143.87 in 2005 to 342.79 in 2006 -- and then skyrocketed to 720.36 in 2007. Its annualized rate of return for the past ten years was +17.4%.

Impressive, right?

Sure. But the S&P International Dividend Opportunities Index -- the red line on our chart below -- did even better. It delivered annualized gains of +18.8% -- enough to turn an initial \$20,000 investment into an impressive \$111,698.



And notice what happened in late 2002: China's return flattened out while the dividend index began a steady climb. When China started to rise, it took off like the proverbial hare. But it couldn't catch -- let alone surpass -- the tortoise.

Let's look at another hot market and compare its results with the dividend index.

Brazil is one of the most vibrant economies in the world. Its markets offer the promise of standout returns. *High-Yield International* Editor Nick Lanyi has not only done extensive research on the country, he's also added several Brazilian picks to the income portfolios he manages for subscribers.

You can see the uptrend in the country's benchmark Bovespa Index. Actually, it's more of an explosion. Its annualized gain for the ten years ended Dec. 31, 2007 was a robust +14.7%. But Brazil's story mirrors China: Money invested in the South American nation languished until the end of 2004. In fact, many investors in the country took losses as the market fell as much as -75% before coming back to the break-even point.

Now, Brazil's performance for the last few years also mirrors China, as Brazil's index shot from below 10,000 to nearly 40,000 in only three years.

*the Month* picks have been winners. ALL of her picks are up -- as much as +58.4% in just a few months. And her subscribers are making money hand over fist alongside her. One has made \$10,272... another is up \$46,002.

[Click here to get her latest pick.](#)

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## Recent Articles

### [The Billionaire Watch](#)

By Nick Lanyi  
June 25, 2008

A billion dollars may not be what it used to be, but it's still a serious pile of cash. So why are more and more of the world's most eye-popping fortunes being made in foreign countries? Because that's where the growth is.

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### ['Hidden' Yield in a High-Growth Market](#)

By Nick Lanyi  
Sept. 3, 2008

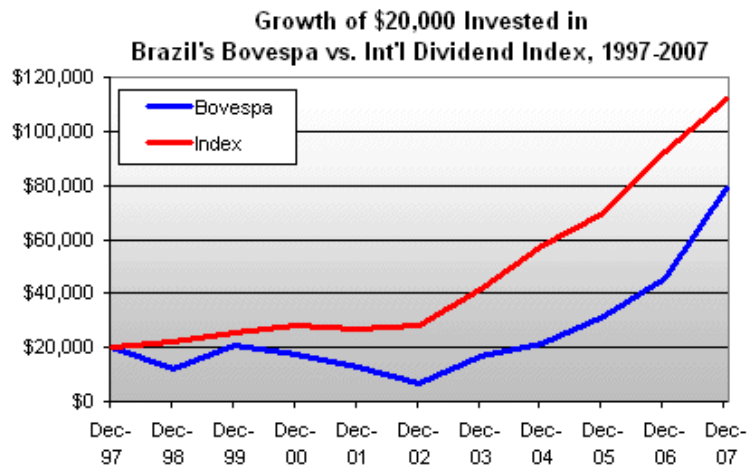
Some cartographers say the map used by most of the world understates the size of South America. Certainly many investors have made this mistake and underestimated Brazil, the planet's fifth largest country and tenth largest economy. As its market returned nearly 1,000%, several strong, steady companies have been paying double-digit yields.

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[The Best of Both Worlds: A 10.1% Yield](#)

That's a return any investor should be proud of -- but it's nevertheless the bottom line of the chart below. As you can see, the Dividend Index reached the Bovespa's high fully *two years* earlier -- and it continued to rise steadily after that ...



Given this index's performance, you're probably wondering exactly what the S&P International Dividend Opportunities Index tracks. And you're definitely wondering how you can invest in it.

The index tracks 100 non-U.S. companies. To be included, companies must be listed on an exchange, be profitable, have positive five-year cumulative growth and a market cap of more than \$1.5 billion. Of all companies that meet these criteria, the 100 highest-yielding companies are chosen for the index.

Now for how to invest in it.

Would you believe you might only be a couple of mouse clicks away from owning all of these 100 outperforming, high-yielding stocks? The SPDR S&P International Dividend exchange-traded fund, which trades under the ticker symbol DWX, allows investors to buy all the shares in the index and mirror its performance. The fund pays dividends quarterly and has an expense ratio of 0.45% -- far less than you'd otherwise pay to buy these international shares, none of which are U.S. companies. So far this year, this fund has paid \$3.25 in dividends. If that payout continues, the fund will yield 12.9% this year.

You may well be wondering what would happen if you added the best U.S. dividend achievers into the mix. Data from S&P's Global Dividend Opportunities Index, which includes U.S. companies, shows that this would indeed increase the yield to more than 10.2%.

And how do you invest in *that*?

Alas, you can't. At least not for another 13 days.

On Sept. 30, the Claymore/BBD High Income Index ETF (AMEX: LVL) is changing its name and revamping its strategy. The new name will be "Claymore/S&P Global Dividend Opportunities Index" and the fund will adjust its holdings to track this index.

This fund will seek to mirror the Global Dividend Opportunities Index, which has a 10-year average return of 12.5%. We can't predict the fund's dividend payout, but the index's current yield is 10.2%.

## [and Exposure to Foreign Markets](#)

By Nathan Slaughter  
July 30, 2008

With the average yield of the S&P 500 hovering at 2.4% and the U.S. one-year Treasury Bill offering a paltry 2.36%, investors need to travel farther afield to find steady double-digit yields.

Find out how exchange-traded funds can let you search the far reaches of the globe for the best yielding opportunities.

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[Escape the U.S. Financial Turmoil](#)

By Andy Obermueller

[How to Add a Margin of Safety to Your Stock Portfolio in a Tumultuous Market](#)

By Andy Obermueller

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## Special Offers

That's undoubtedly a strong yield -- superior to its sister index -- but you can do better still. If these two indices have piqued your interest in international investing, we'd like to show you a pick that has beaten them both. It has exceeded the indices' year-to-date performance, and its 2008 performance has already surpassed the indices' ten-year average.

It's a pick *High-Yield International* Editor Nick Lanyi made in January -- and it has since generated a total return of +22.6%. (And, not surprisingly, it's also the highest-weighted stock in the Global Dividend Opportunities Index.)

If the International Dividend Index provided +18.8% gains with meager single-digit yields, then imagine if you invested in the best individual stocks that make up this index -- cherry-picking only those with the highest yields.

That's what we do in our premium [High-Yield International](#) newsletter. We recently recommended a Brazilian stock with a 13.0% yield, and a Canadian natural gas trust with a 14.1% yield. And if the past is any guide, then these high-yielding companies in foreign lands should blow away the index that blew away China and Brazil!

To learn the names and ticker symbols of these two picks, as well as dozens of other foreign stocks with double-digit yields, [visit this link](#) to read our latest in-depth research report.

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