Less familiar names offer international opportunity

Amazon.com, Facebook, Alphabet (the parent company of Google), Apple, PepsiCo, Johnson & Johnson—these are just a few of the well-known names driving the U.S. equity markets. If these names represent a significant portion of your clients' current portfolio weightings, you may want to look outside of U.S. borders for more potential growth opportunities, particularly among emerging markets.

Not all great stocks are found in U.S. markets. In fact, companies based outside the U.S. make up nearly half of the value of stocks worldwide.[1] And international investing offers the benefit of diversification. For example, by spreading money across international and domestic companies, there is a greater opportunity to lower the overall risk of your clients' investment portfolios.

1 Source: FTSE Global All Cap Index, as of November 30, 2020.

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5 international equity investment counterparts to well-known U.S. companies

Internet shopping marketplace

Amazon.com

Alibaba

Alibaba Group Holding (Alibaba) is a Chinese multinational technology company that is similar to Amazon.com. It specializes in e-commerce, retail, online marketing platforms, and internet services. The company also provides electronic payment services, retail search engines, and cloud computing services.

Alibaba's consistent above-average revenue and earnings growth may help drive the stock's future performance. Alibaba's three-year sales growth (46.2%) is significantly higher than Amazon's (27.7%), while having a lower P/E ratio (22.8% versus 106.0%).[2] Much of Alibaba's performance can be attributed to the strong growth of its cloud and e-commerce businesses on a global basis.

Internet and entertainment technology

Alphabet

Tencent

Tencent Holdings (Tencent) is a Chinese holding company similar to Alphabet (Google) that provides value-added technology and internet-related services for specific entertainment and artificial intelligence scenarios.

Tencent has higher three-year sales growth when compared with Google (33.7% versus 21.8%, respectively),[2] and like many emerging markets technology companies, it has a lower valuation and greater growth potential than its U.S. counterpart.

Pharmaceutical business

Johnson & Johnson

Roche

Roche Holding (Roche) is a Swiss multinational health care company that operates worldwide under separate pharmaceutical and diagnostic divisions. Roche produces prescription drugs in the areas of cardiovascular, infectious, autoimmune, and respiratory diseases; dermatology; metabolic disorders; oncology; transplantation; and the central nervous system.

Relative to Johnson & Johnson, Roche has higher three-year sales growth (6.7% versus 4.7%).[2] Roche is also attractively valued, with shares trading below expected earnings.

Both companies have stakes in coronavirus vaccines, which positions them for success in the current environment.

Food and beverage

PepsiCo

Nestlé

Nestlé is a Swiss multinational packaged-food company that manufactures and markets a wide range of food products including bottled water, chocolate, confectionery, milk, coffee, creamers, food seasoning, and pet foods.

Nestlé's financial health and growth prospects bode well if you're interested in international diversification. When compared with PepsiCo, Nestlé is in a strong position from a valuation perspective (23.1 versus 27.0).[2]

Given that international companies in general historically have had higher dividends, it's important to note that Nestlé has a moderate dividend yield that has been growing steadily.

Online food delivery

GrubHub

Meituan

Meituan is a Chinese company that has transformed itself into a super app, offering users the ability to access items from food delivery to group buying to hotel services. While U.S.-based GrubHub delivers around 300,000 meals a day, Meituan delivers more than 25 million meals a day![3]

While Meituan offers similar exposure as GrubHub, it is a more established company. Its three-year sales growth is 93.6% versus 39.4% for GrubHub, and its market capitalization is approximately 30 times larger.[2] In addition, its new online grocery delivery service has been booming as a result of COVID-19 lockdowns.

2 Source: FactSet, as of June 30, 2020.
3 Source: Baillie Gifford Overseas Ltd., as of June 30, 2020.

Access these international opportunities through Vanguard ETFs® and mutual funds

Exposure to some of the top companies in the world

Vanguard ETF®/fund	Ticker	Alibaba Group	Tencent 腾讯	Roche	Nestlé	美团 Meituan	Total
		Portfolio weighting					
Emerging Markets Stock ETF	VWO	7.90%	6.45%	—	—	1.97%	16.32%
International Growth Fund Admiral™ Shares*	VWILX	6.23%	5.24%	1.18%	1.07%	2.59%	16.31%
International Dividend Appreciation ETF	VIGI	—	5.56%	3.43%	3.96%	—	12.95%
Emerging Markets Select Stock Fund*	VMMSX	5.84%	5.01%	—	—	0.81%	11.66%
ESG International Stock ETF	VSGX	2.17%	2.03%	1.11%	1.46%	0.63%	7.40%
FTSE All-World ex-US ETF	VEU	2.38%	1.95%	0.99%	1.39%	0.59%	7.30%
Total International Stock ETF	VXUS	2.14%	1.75%	0.90%	1.25%	0.53%	6.57%
FTSE Europe ETF	VGK	—	—	2.13%	2.85%	—	4.98%

Source: Vanguard, as of November 30, 2020. Alibaba holdings in the Emerging Markets Select Stock Fund are a combination of local and ADR shares.
*Data as of September 30, 2020.

From portfolio growth to investment growth, investing internationally can help expand clients' financial horizons.

For more information about international investing, speak with your financial advisor.

For more information about Vanguard funds or Vanguard ETFs, contact your financial advisor to obtain a prospectus or, if available, a summary prospectus. Investment objectives, risks, charges, expenses, and other important information are contained in the prospectus; read and consider it carefully before investing.

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