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These 5 Underdogs Are No Dogs

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Rich Duprey
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Short-sellers and hedge funds may be shadowy, but sometimes they are the smartest guys in the room. They've done their homework, and they're willing to bet their capital against the crowd -- an investing strategy that can be as lucrative as it is contrarian.

On [Motley Fool CAPS](#), we've also got leading analysts who find the chinks in a company's armor and correctly call its fall. Our "Underdogs" have earned 100 or more CAPS points by correctly predicting that one or more stocks would underperform the market.

Let's look at some of the recent calls these All-Star investors have made. Instead of studying more of their pessimistic picks, we'll focus on the stocks these top members expect will *outperform* the market. If these CAPS investors have scored big by correctly predicting which stocks will fail, it may be worth our while to see which others they think will succeed.

Underdog	CAPS Member Rating	Company	CAPS Rating (out of 5)
scampbel131	99.54	Ebix (Nasdaq: EBIX)	****
cvdynasty7	97.56	China Security & Surveillance Technology (NYSE: CSR)	*****
rbelloc	98.89	Baidu.com (Nasdaq: BIDU)	**
wallen99	93.40	Phillip Morris International (NYSE: PM)	*****
terapixel	98.88	SYSCO (NYSE: SYY)	*****

Not every short sale goes as planned, making shorting a risky proposition. [Stock prices can be irrational longer](#) than you have money to stay in the game. So don't use this as a list of stocks to sell or buy -- just the launching pad for further research.

Underdogs still wag their tails

Although the S&P 500 might resemble the running of the bulls at Pamplona, with the market up to a 20% return year to date, American markets surprisingly haven't been the top place to invest. In fact, the U.S. wouldn't have cracked the top 10 markets worldwide -- not even the top 20! The best market has been Greece, up 70% so far this year, followed by Norway and Australia.

That means investors can't ignore the opportunities that abound in international investing, and as our list of underdogs above shows, some of the best CAPS members think a number of companies with an international flavor [have the best chance to succeed](#).

However, [SYSCO](#) is predominantly a U.S.-based company, and insurance industry e-commerce provider [Ebix](#), while less so, still derives 72% of its revenue from North America. On the other hand, both Baidu.com and China Security & Surveillance could be said to [suffer from a reverse case of the same problem](#): They're international companies, but primarily serve China.

Investors looking to lace their portfolios with foreign stocks might consider starting in China, but for a truly worldwide experience, cigarette maker [Phillip Morris International](#) could be the go-to company, deriving 100% of its revenue from a mix of non-U.S. markets. In the last four quarters, the European Union accounted for 47% of sales; Eastern Europe, Middle East, and Africa 23%; and Asia 19%. Moreover, it pays a nice dividend -- 4.6%.

CAPS member [mikethejoker](#) appreciates Phillip Morris's sturdy cash-generating capabilities and the protection it offers from a weak dollar.

Steady cash flow, high dividend, good management, and 100% offshore earnings will protect against dollar crash. Should outperform as market experiences severe correction within the next year or so.

In times when it appears that the [dollar is doomed](#), protection against the greenback weakening further against foreign currencies is a consideration investors need to make. For those who don't have a hang-up about investing in a so-called "[sin stock](#)," Phillip Morris is one to consider.

Even so, there are other [less controversial picks](#) to choose from, with some of the best perhaps being a surprise. **Procter & Gamble** (NYSE: [PG](#)), for example, pays a dividend yielding more than 3% while deriving 60% of its revenue from international markets. And **Yum! Brands** (NYSE: [YUM](#)), the owner of restaurant chains KFC, Taco Bell, and Pizza Hut, is another that makes less than half its sales each year in the U.S. while also offering a tasty payout.

There's no need to fear ...

Underdogs often shine brightest with their backs against the wall. Still, it takes more than a few All-Star picks and a quick paragraph to make buy or sell decisions. Start your own research on these stocks on [Motley Fool CAPS](#), where your opinion can still save the day. While there, you can read a company's financial reports, scrutinize key data and charts, and examine the comments your fellow investors have made -- all from a stock's CAPS page.

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