There was a time, not too long ago, when international investments were largely overlooked by many investors and financial professionals. People may have seen these investments as too ‘exotic,’ and in some cases they may have been right.

That was then. As we’ll see, the global investment landscape has changed dramatically in just the last decade or so. Opportunity knows no geographic borders in today’s market, and investors who build and maintain a globally diversified portfolio may be better positioned to pursue long-term financial goals.

In this presentation, we’ll examine the potential advantages of a global investment approach — and how Dreyfus can fit into such an approach.
Before we delve into the case for global investing though, let’s set the stage by looking at the allocation of investor assets.

Although international investments are widely available and have been for many years, the average U.S. investor remains heavily weighted in domestic equities. In 2014, almost 79% of individual investors’ equity mutual fund assets were invested in domestic funds. (Institutional investors have statistically more diversified their portfolios, reflected in a slightly higher percentage of equity assets allocated abroad.)

This data raises the possibility of a ‘home bias’ on the part of some U.S. investors, meaning that you too may have most of your capital — perhaps too much — invested domestically. With overseas market capitalization on the rise and a multitude of opportunities outside the U.S., the questions are Is there a home bias, and if so, why should it be overcome and what can be done about it?
The first step is to recognize if home bias explains your investing behavior, and to what degree — as well as its potential pitfalls if taken too far. In other words, by choosing to avoid or underweight foreign stocks and bonds, what potential benefits are you sacrificing? How could this cost you in the long run? By answering these questions, it may be easier to see that U.S. investments are more familiar but not necessarily better.

With that in mind, let's turn to the case for global investing. **There are five reasons why we believe overseas assets can play an important role in a diversified portfolio.** (Read from slide.)
Investors who desire access to the largest possible opportunity set should have a global perspective.

As this chart shows, the domestic ‘slice’ of global market capitalization has been shrinking over the last 15 years.

The increase in overseas market capitalization can be traced to several factors, including more money going into foreign markets and more securities being listed abroad. In addition, a growing number of the world’s largest, most successful companies can now be found beyond U.S. shores.
Foreign companies now dominate the materials and telecommunications sectors, and also five of the top 10 companies (in terms of Market Cap) in energy, health care and financials are foreign companies, as shown in the chart.

With lower expectations of GDP growth worldwide, a fundamental stock selective approach may offer advantages to a more short-term, top-down approach. Companies that possess positive cash flows, steady cash flow return on investment and a strong record of EPS growth may be better positioned to perform in a variety of market environments as opposed to more highly leveraged companies, where growth is less organic and more costly.

By not investing overseas, investors could be missing out on having some of the world’s corporate industry leaders in their portfolios.
The success of many overseas companies has been aided by the rapid expansion of global trade agreements such as the World Trade Organization (WTO), which replaced GATT (the General Agreement on Tariffs and Trade) in 1995.

Membership in the WTO and its predecessor has swelled over the past 68 years, opening up an array of new markets for the manufacturing, distribution and consumption of goods and services worldwide. The overall effect has been to speed and improve the flow of global trade.

As of 2015, there are 161 nations in the WTO with 25 more countries currently negotiating membership. China, the world’s most populous country, was admitted to the WTO in 2001.
The emerging economies of the BRIC countries — Brazil, Russia, India and China — have shown dramatic increases in consumer spending and industrial capacity. Combined with their relative outperformance in recent years, these developments make a case for emerging market investing to be a strategic asset allocation option for long-term investors.

As shown in the chart, auto sales in the BRIC countries have surpassed the United States.

Past performance is no guarantee of future results, and emerging market investing involves additional risks.
As we saw, part of the appeal of global investing lies in non-U.S. companies' attractive growth potential. Not surprisingly, this reflects a broader pattern of strong economic growth in many parts of the world.
Going forward, we think demographic trends favor prospects for overseas growth and support the case for global investing.

As these charts show, developing countries have most of the world’s young people and will probably be the chief engine of future population growth. But that’s only part of the story. By 2005, the number of people living in poverty in developing nations had dropped to 25%. In the next 20 years alone, roughly 600 million people in these countries are expected to enter the middle class, allowing them to boost their discretionary income.

Why does that matter? With more money at their disposal, developing populations will help drive consumer spending in the coming decades, spurring global growth. Consider this: By 2040, it’s projected that motor vehicle purchases in China and India could surpass today’s global figure of 800 million vehicles in use.
It’s no secret that international investing may offer enhanced diversification potential, enabling many investors to better balance risk and potential reward.

Although correlations* between domestic and foreign markets have converged in recent years, combining the two may still provide diversification benefits. As the chart shows, market leadership by country frequently changes hands, and today’s leaders could be tomorrow’s laggards (and vice versa). A global approach may therefore help smooth out long-term portfolio performance by offsetting losses in some markets with gains elsewhere.

Equally important for investors in search of higher return potential is the fact that select overseas markets have historically outperformed U.S. markets over various time frames. Of course, different time periods may produce different results.

*Correlation measures the degree to which one asset or asset class has tracked that of another over a given time period, on a scale of -1 to 1. A correlation of -1 indicates a perfectly inverse relationship, 1 indicates a perfectly positive relationship and 0 indicates no relationship at all. Asset allocation and diversification cannot assure a profit or protect against loss.
When discussing the abundance of investment opportunities that exist overseas, it's important to stress that these opportunities are by no means limited to equities alone. In fact, by investing globally, you can tap into three other distinct asset classes globally — fixed income (bonds), real estate and commodities.

As in the equity arena, the global fixed-income universe has undergone a significant transformation in the last 25 years. The market is not only bigger today, but also more diverse. In 1990, 65% of the world's fixed-income capitalization was located in the U.S. Today, the majority of fixed-income options has shifted overseas, with 59% of the global market now residing in foreign countries.
A range of yield opportunities can be found internationally. For individuals willing to assume the additional risks of the potential benefits of global exposure and greater diversification, investors can add the potential benefits of global exposure and greater diversification, while employing income-generating securities in pursuit of long-term total return.
In short, we believe most investors should consider international assets as an integral part of a sound asset allocation plan. Now let’s address the question of how we can be of help in this area.

By partnering with the right organization, you may be better prepared to plan for the future and navigate today’s complex, dynamic financial markets. BNY Mellon, parent company of Dreyfus, is just such an organization. With dedicated investment teams located in offices throughout the world, few financial firms can match BNY Mellon’s global reach, expertise and research capabilities.

When investing with Dreyfus, you harness the strength of BNY Mellon’s exclusive network of 12 world-class money managers from around the globe — each offering quality investment solutions within its area of specialty. All of these products are built with an in-depth knowledge of foreign economies, keen insight into the global marketplace and an intimate understanding of our clients’ goals and needs.

In addition, we strive to produce timely intelligence on a variety of investment topics so our clients can stay current, and our commitment to providing superior client service hasn’t wavered since Dreyfus was founded over 60 years ago. Everything we do is focused on our most valuable asset — our clients.
Learn More

Investors should consider the investment objectives, risks, charges and expenses of a mutual fund carefully before investing. To obtain a prospectus, or summary prospectus, if available, that contains this and other information about a Dreyfus fund, mutual fund investors should contact their financial advisors or visit Dreyfus.com.
Read the prospectus carefully before investing.
Main Risks

Asset allocation and diversification cannot ensure a profit or protect against loss.

Equity funds are subject generally to market, market sector, market liquidity, issuer and investment style risks, among other factors, to varying degrees. These risks are more fully described in a fund’s prospectus.

Bond funds are subject generally to interest rate, credit, liquidity and market risks, to varying degrees, all of which are more fully described in a fund’s prospectus. Generally, all other factors being equal, bond prices are inversely related to interest-rate changes, and rate increases can produce price declines. High-yield bond funds involve increased credit and liquidity risk compared with higher-quality bond funds. Foreign bonds are subject to special risks including exposure to currency fluctuations, changing political and economic conditions, and potentially less liquidity.

REIT funds are generally subject to market, issuer, small and midsize company, foreign investment and liquidity risks, to varying degrees, all of which are more fully described in the fund’s prospectus. Because these funds’ investments are concentrated in the securities of companies principally engaged in the real estate sector, the value of the fund’s shares will be affected by factors particular to the real estate sector and may fluctuate more widely than that of a fund which invests in a broader range of industries. Equity REITs may be affected by changes in the value of the underlying property owned by the trust, while mortgage REITs may be affected by the quality of any credit extended. Further, REITs are highly dependent upon management skill and often are not diversified. REITs also are subject to heavy cash flow dependency and to defaults by borrowers or lessees.

Investments in foreign currencies are subject to the risk that those currencies will decline in value relative to the U.S. dollar, or, in the case of hedged positions, that the U.S. dollar will decline relative to the currency being hedged.

The stock and bond markets of the Greater China and Brazil regions, like those of other developing economies, have experienced significant volatility. The fund’s performance will be influenced by political, social and economic factors affecting investments in companies in such regions. These special risks include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, a lack of comprehensive company information, differing auditing and legal standards, political instability and less diverse and mature economic structures. The fund’s concentration in securities of companies in the Greater China, Brazil and other emerging market regions could cause the fund’s performance to be more volatile than that of a more geographically diversified fund.

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