Four Reasons to Invest Globally

1. **Increased Opportunity-** As of December 31, 2013, U.S. stock market capitalization represented approximately 38% of the total global stock market capitalization.[1] It may surprise U.S. investors that among the companies listed in the S&P 500 Index, 46.6% of all sales were produced and sold outside of the U.S.[2] Conversely, foreign domiciled businesses, like Nestle, Unilever and Toyota Motor Corporation, not only sell a significant amount of their products to the United States, but an ever increasing amount to faster growing Emerging Markets. A portfolio investing solely within the U.S. stock market thus automatically excludes well over 60% of the global opportunity set.
2. **Diversification-** Diversifying across a number of industries in different regions of the world limits the possibility that a downturn in any one industry or country might reduce the long-term growth potential of your portfolio. Owning stocks in a wide variety of companies can help to shield against business risk—the possibility that a company will have lower-than-expected profits, or at a loss. It also means you gain exposure to multiple currencies. This exposure can help diversify a portfolio away from a focus on the U.S. dollar.
3. **Risk Reduction-** Although international markets can be more volatile than the U.S. markets, a 2010 study titled*, International Diversification Works (in the Long Run)*, noted that a blend of foreign and domestic securities protects portfolios against the negative effects of holding concentrated positions in countries with poor economic performance and should produce higher risk-adjusted returns versus holding a portfolio of assets from a single country.[3]
4. **Rates of Return-** Although the Developed Markets, as measured by the S&P 500 and MSCI EAFE Indices, have performed more closely in step with each other in recent years, the performance of Emerging Markets, as measured by the MSCI Emerging Markets index, has exceeded the Developed markets by a wide margin in the last ten years. The economies of many foreign countries continue to grow at faster rates than the U.S. economy. Although stock markets in Brazil, China and India underperformed the U.S. & European markets in 2013, they have significantly outperformed developed markets over the past ten years due to their greater rates of economic (GDP) growth.[4]

1. 2013 Word Federation of Exchanges Market Highlights, January 28, 2014
2. S&P 500® 2012: GLOBAL SALES, Year in Review, August 2013
3. Clifford Asness, Roni Israelov and John Liew, **International Diversification Works (in the Long Run).** Working Paper, March 3, 2010.
4. Barclays IShares & MSCI Indices, Annual Returns, Dec 31, 2013

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