Financial Wellness
& Education

International investing

The shrinking planet

In some ways, the world seems to be getting smaller. With the lowering of trade and political barriers, and the remarkable technical developments of recent years, it's easier than ever to do business anywhere on the planet, at any time. Look at the impact this transformation has had on our everyday lives. Many Americans work at multinational corporations, take international vacations, talk on cell phones with friends around the world, wear clothes made overseas or drive foreign cars. While we have grown accustomed to many aspects of globalization, there's one area many Americans still avoid — investing internationally. That attitude can keep investors from benefiting from the world-class opportunities that international investing offers.

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Opportunities overseas

Investors who shortchange their international exposure miss out on the potential benefits of worldwide equity investments. Currently, slightly more than one-half (51 percent) of the world's stock market capitalization lies outside of the U.S.* By shunning these international equities, investors are missing out on the potential gains of many opportunities.

Why invest internationally?

Experts often point to asset allocation as one hallmark of successful investing. Spreading your investments among various asset classes — such as stocks, bonds and money market securities— can help lower the overall volatility in a portfolio and potentially boost returns. You can also go one step further and diversify the "mix within the mix." For example, within the equity allocation of a portfolio, adding an international fund alongside a group of domestic funds can help smooth out returns. That's because historically, stock markets in the U.S. and abroad have not performed in lockstep. Therefore, by holding a diversified portfolio that includes both domestic and international funds, disappointing performance in one market may be counterbalanced by strong performance in another.

Explore emerging markets

By expanding one's investment horizons to include foreign markets that are considered developing or emerging (such as Brazil, India or Russia), an investor can also discover attractive companies that have not yet been fully valued by the market. These opportunities can add significant upside potential. However, risks of international investing may be heightened when investing in emerging markets, which may be less stable and less liquid than developed markets and have more volatility.

(Please Note: The securities of these companies may or may not be held by a Foresters Financial mutual fund.)

**Sources: Thomson Reuters Datastream and MSCI, as of February 2014.*

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Familiar names

Foreign investing may seem, well, foreign to many Americans. However, many non-U.S. companies make very familiar products. In fact, some firms, like Bayer (Germany), seem as American as baseball and apple pie. Car manufacturers like Toyota (Japan) and Volvo (Sweden), produce some of the most popular models in America. U.S. cellphone customers are familiar with Nokia (Finland), "gamers" know Sony (Japan), beer drinkers appreciate Heineken (the Netherlands) and athletes are comfortable with Adidas (Germany).

International global funds

International investing can be very complex for individuals. An effective way for individual investors to participate in the global marketplace is through mutual funds. There are many subgroups of mutual funds that invest in the stocks of companies based outside of the U.S., but they all fall into two broad categories—international funds and global funds. In general, global funds invest in foreign stocks and U.S. stocks. While international funds may also invest in foreign and U.S. stocks, the vast majority (and sometimes all) of their assets are in foreign stocks.

Special risks

While investing in foreign or international funds can offer benefits, it also entails special risks. It's important to consider these risks when deciding how to allocate your portfolio between domestic and international investments. In addition to general market risks, investments in foreign securities involve certain considerations not typically associated with U.S. securities. Those risks include fluctuations in exchange rates between U.S. and foreign currencies and the potential impact of political, economic and social developments in foreign countries.

In addition, in comparison to U.S. markets, foreign securities markets are generally less liquid, less regulated and have less uniformity of accounting standards and less publicly available information on companies. To the extent a fund invests a significant portion of its assets in a country or region, it's more likely to be affected by events in that country or region. Because of the higher level of risk, successful international investing generally requires a long-term commitment. Your Representative can help you determine if international funds are right for your well-diversified portfolio.

Benefit from our experience

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- Create retirement income strategies
- Protect the ones you love
- Plan your legacy

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