

# Your Custom Title

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Title

## It's a Wide, Wide Investment World

### *International Securities Offer Diversification Potential*

The United States is the world's largest economy, but it produces only about 23% of global gross domestic product (GDP).<sup>1</sup> There are almost 200 countries in the world, and economic activity is not restricted by national boundaries.<sup>2</sup> Of the 2,000 largest companies listed by Forbes, 1,421 have headquarters outside the United States.<sup>3</sup>

Although it's natural to focus on domestic investments, you may also want to consider the potential of the international market. Foreign economies could be influenced by different factors than those that influence the U.S. economy, and companies that do business overseas might perform differently than domestic companies. In some years, foreign stocks have outpaced domestic investments. Of course, they have also experienced years of weaker performance.

Because of these differences, investing internationally offers the potential to diversify your portfolio further. For example, you might divide the stock portion of your portfolio into domestic and international stocks. Diversification and asset allocation are methods used to help manage investment risk; they do not guarantee a profit or protect against investment loss.

### UNDERSTANDING REGIONAL AND ECONOMIC DEVELOPMENT ISSUES

Mutual funds offer one way to add international investments to your portfolio. These funds are typically managed in the United States but seek investment opportunities in foreign companies. Like domestic funds, international funds may focus on various



industry sectors and asset types, but they may also focus on a specific region or an economic development level — or a mix of them — depending on the fund's objectives.

Many funds classify national economies as **advanced** or as **emerging and developing**. The International Monetary Fund classifies 37 countries as advanced and 152 as emerging and developing. Advanced economies include the United States, Canada, Australia, New Zealand, most European countries, Japan, and the four "Asian Tigers" — South Korea, Taiwan, Hong Kong, and Singapore.<sup>4</sup>

Some investment analysts do not consider the so-called BRICS countries (Brazil, Russia, India, China, and South Africa) to be on the verge of transitioning from emerging to advanced economic status. Though these nations have formed an economic alliance, it's still too early to tell how much influence it may have.<sup>5</sup>

Countries can also be classified by region, sometimes including a wide mix of economies. For

example, an Asia-Pacific fund might include not only advanced economies such as Australia and Japan but also the emerging economic power of China and smaller emerging economies such as Thailand and the Philippines.

### **BALANCING RISKS AND REWARDS**

Emerging economies could be appealing because they may offer growth potential that might not be found in advanced economies. But be aware that their securities could be substantially more volatile and less liquid than the securities of companies in more developed countries.

Although all countries face the risk of political unrest, emerging economies may have a greater potential for instability. Political demonstrations, contested elections, terrorist attacks, civil wars — even rumors of such events — can affect the investment climate.

Other risks associated with international investing include currency exchange fluctuations and differences in financial reporting. If the value of the

dollar rises or falls against a foreign currency, it may affect the value of your investment.

The return and principal value of mutual funds fluctuate with changes in market conditions. Shares, when sold, may be worth more or less than their original cost. The performance of funds with investments in multiple foreign countries could be affected by each country's political and economic conditions.

Investing internationally offers a wide range of opportunities. It would be wise to examine the risks before adding global securities to your portfolio.

*Mutual funds are sold by prospectus. Please consider the investment objectives, risks, charges, and expenses carefully before investing. The prospectus, which contains this and other information about the investment company, can be obtained from your financial professional. Be sure to read the prospectus carefully before deciding whether to invest.*

1, 4) International Monetary Fund, 2015

2) CIA World Factbook, 2015

3) forbes.com, May 6, 2015

5) Fortune, February 2015

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