

PROS AND CONS

OF INVESTING IN FOREIGN MARKETS

Purchasing shares of foreign companies is a tempting option for anyone looking to add diversification to their portfolio. However, investing in foreign markets usually comes with higher risks than the typical U.S. investment due to higher volatility. Lack of transparency and regulations can also be problematic.

Consider these pros and cons before deciding if foreign markets are a good option for you:

	PROS	CONS
GROWTH POTENTIAL	<ul style="list-style-type: none">▶ Some foreign markets have a huge potential for growth▶ There are new investment opportunities all the time▶ The overall performance of foreign markets is similar and sometimes superior to the U.S. market	<ul style="list-style-type: none">▶ Be aware of the political and economic risks. Some countries are stable, but other markets are highly volatile due to events that are difficult to predict
CURRENCY	<ul style="list-style-type: none">▶ Investing in a currency that gains value will result in a higher yield	<ul style="list-style-type: none">▶ There is a risk that the currency you invest in will lose its value
COST	<ul style="list-style-type: none">▶ You can build a good portfolio with low fees if you invest in a currency that is not as strong as the U.S. dollar	<ul style="list-style-type: none">▶ The exchange rate might make some investments less interesting▶ Fees can be higher than on the U.S. market

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FOREIGN BROKERS	<ul style="list-style-type: none"> ▶ There are some very reputable foreign brokers with reasonable fees ▶ You have the option of investing in American depository receipts if you do not want to go through a foreign broker 	<ul style="list-style-type: none"> ▶ Some countries have very little regulations brokers have to follow ▶ There can be a lack of transparency and protection for the investor ▶ You'll have to wait a while before the money you want to withdraw is sent to you
FOREIGN COMPANIES	<ul style="list-style-type: none"> ▶ You have the option of investing in a wide range of companies and industries ▶ It's easy to build a diverse portfolio 	<ul style="list-style-type: none"> ▶ Some countries do not require companies to follow any standards when it comes to sharing financial information with investors ▶ Researching foreign companies can be difficult ▶ Some foreign companies use unethical practices
THE BOTTOM LINE	<ul style="list-style-type: none"> ▶ Foreign markets are a great way to add diversification to your portfolio ▶ Investing in foreign markets provides you with a safe position in case the U.S. market crashes 	<ul style="list-style-type: none"> ▶ Foreign markets are highly volatile ▶ Foreign investments are not as accessible as the U.S. market