



First Ascent Asset Management

# GLOBAL DIVERSIFICATION

A World Full of Opportunities



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## Why Global Diversification Is Important

Why invest internationally? That's a question many investors ask given the uncertainties of world events and the relative comfort and familiarity most US investors have with our domestic markets. Here are some good reasons a portfolio should include international investments.

## A World of Opportunities

International markets provide a wide range of investment opportunities for US investors. In 1970 the US stock market represented two-thirds of the global market<sup>1</sup>, as measured by market capitalization. By 2019, it represented just a little over half of the global stock market<sup>2</sup> and international markets represented 85% of global GDP, with the US comprising the remaining 15%<sup>3</sup>.

When Forbes published its 2019 list of the largest 2,000 public companies, only 575 of them were based in the US. In Kantar's listing of the Top 100 Most Valuable Global Brands, 46 were non-US companies. The list included many non-US brands that are well known to US investors: Adidas, Alibaba, BMW, Chanel, DHL, Gucci, IKEA, Mercedes, Samsung, Shell Oil, and Toyota.



By including international investments in their portfolios, investors can take advantage of the wealth of opportunities provided by leading companies in developed and emerging markets.

1. *International Diversification Can Improve Long-term Portfolio Performance*, OFI Private Investments, 2004
2. *Embracing a global stock market*, The Vanguard Group, Inc. 2019
3. *Q&A with Brandes: Why Look for Opportunities Overseas*, Advisor Perspectives, 9/16/2019

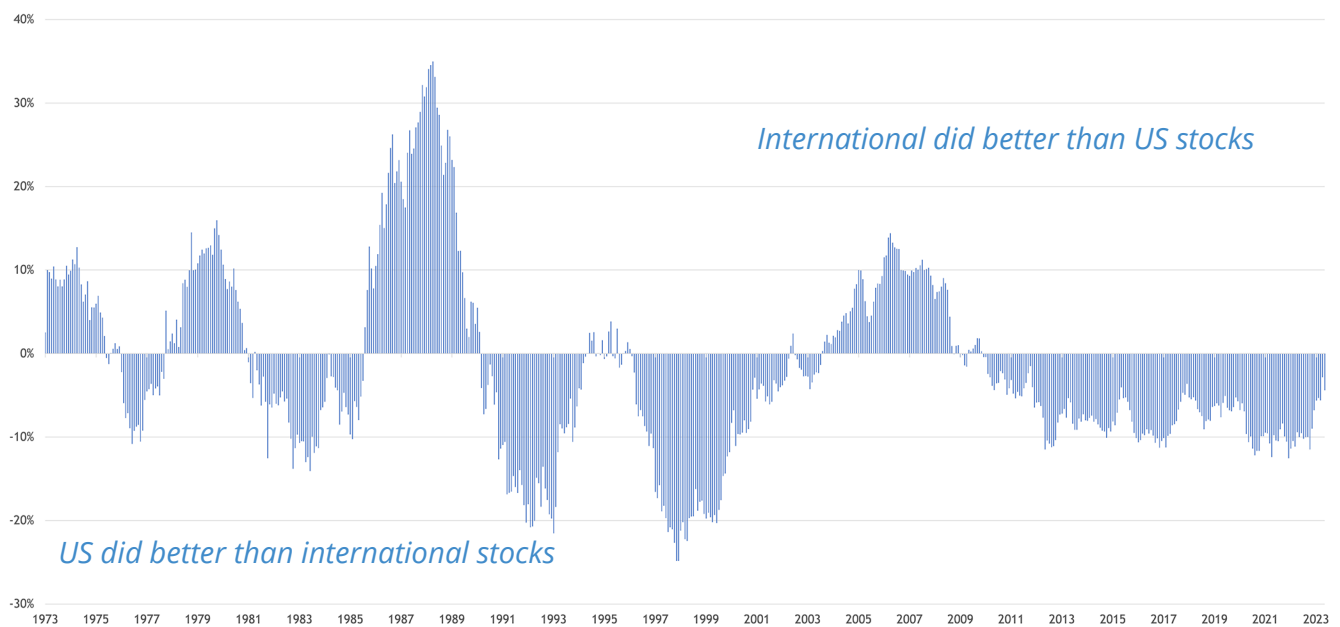


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## The Benefits of Diversification

Historically, US and non-US stocks have outperformed each other in impossible to predict cycles. Since 1970, non-US stocks have outperformed US stocks just over 35% of the time.

International vs US Stock Returns  
3 Year Rolling Return



Data Source: Morningstar. S&P 500 vs MSCI EAFE

Over the last 10-15 years, the US market has had a very good run relative to international markets. But many experts believe the return outlook for international markets going forward is superior to the US market.

In a 2023 study, Vanguard projected that non-US stocks are likely to return 7.4-9.4% over the next 10 years, while the US market is likely to return only 4.7-6.7%. This research is consistent across many other organizations including BlackRock, Envestnet, JP Morgan, and Invesco. Their research forecasts that international stocks will outperform the US market over the next 10+ years.



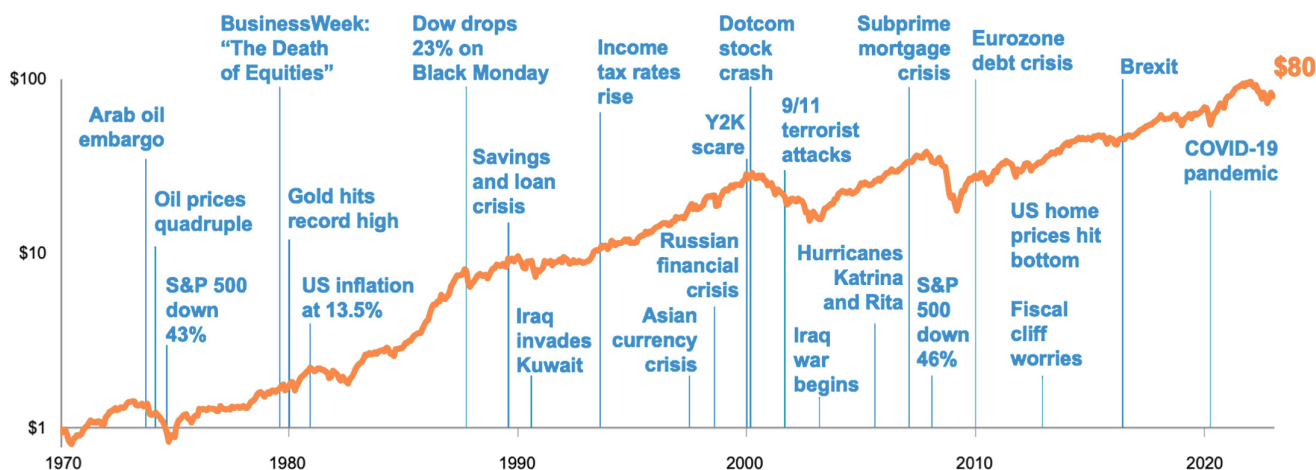
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## Markets Rise Even in an Uncertain World

The world is full of uncertainty and negative events that cause investors to ask the question, “is now the right time to invest?” Unfortunately, there is rarely a time when we see *only* smooth sailing ahead, and it is nearly impossible to correctly predict the right time to enter into any particular market around the world.

The good news for investors is, over time, markets all over the world tend to rise anyway. The graph shows the steady increase in value of the MSCI World Index<sup>4</sup> over almost 50 years from 1970 through 2022—a period that included a variety of crises and catastrophic occurrences.

Growth of a dollar: MSCI World Index (net dividends)  
1970-2022



In US dollars. MSCI data © MSCI 2023, all rights reserved. Indices are not available for direct investment. Their performance does not reflect the expenses associated with the management of an actual portfolio.

The message is clear. Investors cannot wait on the sidelines until the world outlook is rosy—it never is. The rewards come not to investors who try to avoid periods of turmoil, but to those with the discipline to stay the course despite times of trouble and uncertainty.

4. The MSCI World Index includes large and mid-cap stocks from 23 developed stock markets in the Americas, Europe, the Middle East, and the Pacific region.