

Buena Vista Investment Management, LLC

Creative Investment Solutions

International Investments and Your Portfolio

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With all of the discussion in the media about Greece's financial situation and the future of the European Union we thought we might take a look at the global economy and how it will impact the future of your investments.

According to the World Bank, global economic activity measured by the gross domestic product (GDP) of 193 countries in 2010 totaled \$63 trillion dollars. The GDP of the United States in 2010 was \$14.5 trillion dollars. To put that in perspective, the next three largest economies were China at \$5.8 trillion, Japan at \$5.5 trillion and Germany at \$3.3 trillion.

Based on these numbers, the United States accounts for approximately 25% of all global economic activity and the other 192 countries make up 75% of economic activity.

As long as we are looking at statistics, according to CNN, if we rank global corporations by revenue then Wal-Mart would be the largest company in the world but 62 out of the top 100 corporations are domiciled outside of the United States.

This means non-US economies account for 75% of all global activity and 62% of the top 100 companies are foreign. Yet, I would venture to say that most investors have less than 25% allocated to international investments.

If that is the case in your investment portfolio, you might want to consider increasing your allocation to international investments. It would be our position that a well-diversified portfolio, containing a proper allocation to international investments will provide you with better investment returns over time.

According to Morningstar.com, over the last 10 years, large capitalization foreign blend mutual funds averaged a 5.5% return compared to 3.8% return posted by the average large capitalization domestic blend mutual fund. Remember that these are average numbers. So if you are managing your own portfolio and you have done the right amount of homework that performance differential could have been even greater.

If we want to get more region specific, according to Morningstar, Asian funds with a ten year track record posted a 12% annualized gain over that period of time. A substantial improvement over the returns provided by domestic large cap mutual funds.

Investing internationally is not without risk. International investments have higher volatility characteristics than large capitalization domestic stock funds. As such, investors you must be willing to deal with higher volatility in order to achieve higher long-term returns.

Bottom line for investors is that we live in a dynamic, complex global economy. There are investment opportunities all over the world and if the emerging economies of China, India and Brazil continue to move forward, the investment opportunities will also continue to grow.