Why invest *globally?*

Whether it’s shopping at a local market or eating at a nearby restaurant, many of us are naturally inclined to make selections close to our geographic familiarity. This can also be the case when making investment choices. Although investing in your home market may seem like the safe option, you could be concentrating your investments too much, leaving them exposed to the impact of localised events, while at the same time missing out on the opportunities to be found in the global market.

HERE ARE THE THREE MAIN REASONS WE THINK YOU SHOULD CONSIDER INVESTING GLOBALLY:

Better diversification

Most investment specialists agree about the benefits of spreading your money across different investments. Spreading your investments across different asset classes is a great way to start diversifying your portfolio, but investing globally also adds two more ways to increase your diversification.

Geographical diversification

This involves spreading your investments across different global regions. By not holding your money in a single country or region, you reduce the impact the negative performance of one entity can have on your overall investments. Geographical diversification can also give you access to developing countries that could offer greater potential for growth than in more developed economies.

Currency diversification

As with geographical diversification, this involves spreading your money across different regions and accessing investments denominated in more than one currency. By having a range of different currencies in your portfolio, it will typically have less exposure to exchange rate risk than if you were only invested in one single foreign currency.

More investment options

By only investing in your local market, you are missing out on a whole world of investment opportunities. Investing globally rather than taking a purely local view can help provide a better balance of sectors, and further help with diversification.

There are certain economic sectors that tend to be under-represented depending on which country you are in, or you might not even have exposure to them at all. Overseas markets can offer the potential to invest in ‘big name’ companies that have a global customer base with greater revenue opportunities than more local competitors.

For example, most of the biggest technology companies, such as Amazon, Netflix and Facebook, are based in the US. Or if we look in the food sector, household name Nestlé is based in Switzerland. The same can be seen in the high-tech manufacturing sector with global Japanese-based players Hitachi and Sony. If you choose to only invest locally you miss out on the benefits companies like these could add to your portfolio.

Reduced volatility

Investing globally not only allows you to diversify and gain access to companies from outside your local country, it can also help protect your investments from the impact of market volatility – the amount a market moves up or down. Stock markets will always rise and fall and this is a natural part of investing, but some regions tend to be more volatile than others.

This can be influenced by a number of factors, such as rate of economic growth and political stability. If your investment is spread between different regions across the world, it can lessen the impact negative performance in any one country's stock market or single sector has on the value of your overall investment. As a result you should experience smoother returns over time.

Accessing the global market

It might feel more comfortable to invest within your home market as it is familiar and therefore seems safer. But as we've seen, by only investing locally you miss out on all of the opportunities the global markets have to offer. It also makes your investments vulnerable to localised market events and means you experience more volatile returns throughout your investment journey.

An easy way to access the global markets is through a multi-manager fund. These funds are made up of multiple underling managers who are specialists in their fields, focussing on one geographic region or asset class. They are expertly mixed together to give you a fully diversified solution that has the freedom to access the best investment opportunities available across the globe.