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Global vs. International: What's the Difference?

Global mutual funds vs. international mutual funds.

For investors who are looking to diversify their portfolio with exposure to companies located outside the U.S., there exist two basic choices: a global mutual fund or an international mutual fund.

By definition, international funds invest in non-U.S. markets, while global funds may invest in U.S. stocks alongside non-U.S. stocks.

Keep in mind that diversification is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline. Also, international investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risks unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater price volatility.[1]

Make a Choice. The definition may seem clear, but what may seem less clear is why an investor might select one over the other.

An investor may select a global mutual fund in order to give her portfolio manager the latitude to move the fund's investments between non-U.S. markets and the U.S. market. This may give the manager the flexibility to take advantage of shifting opportunities that could be present at any given moment.

By investing in a global fund, the challenge for the investor is that they may not know at any point in time their total exposure to the U.S. market, within the context of their overall portfolio.

Mutual funds are sold only by prospectus. Please consider the charges, risks, expenses, and investment objectives carefully before investing. A prospectus containing this and other information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.

An Inside Look. Some investors choose to manage their risk by setting the desired asset allocation for their portfolio and then identifying funds that are within those asset classes. For these investors, an international fund may make more sense,

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"Innovation distinguishes between a leader and a follower."

- STEVE JOBS

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since it allows them to maintain a greater adherence to their desired domestic/international stock allocation.

Remember, asset allocation is an approach to help manage investment risk. Asset allocation does not guarantee against investment loss.

As you consider a global or an international fund, you should also be aware of the fund's approach to the inherent currency risks. Some funds choose to engage in strategies that may mitigate the effects of currency fluctuations, while others consider currency movements – up and down – to be an element of portfolio performance.

Citations:
1 - world-exchanges.org/news/articles/world-federation-exchanges-publishes-2018-full-year-market-highlightspressrelease [2/12/19]

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