

GLOBAL DIVERSIFICATION: A WORLD OF OPPORTUNITY



As an investor, you might ask, "Why would I want to include international stocks in my portfolio?" After all, the U.S. market is the most robust and efficient in the world. Does it really make sense to take money that could be working in companies here at home and put it to work among the companies that are based overseas?

Additionally, many investors have a preference for supporting American business. Can't you get the benefits of international markets by simply owning multinational U.S. companies?

These are good questions. But when you look at the data, you'll see that having broad exposure in foreign markets is part of a sound strategy for prudent, long-term focused investors.

Pick The Winners By Owning Everybody

The saying "Every dog has its day" came into popular use around the time of Shakespeare. The Bard used a form of this expression in Hamlet (Act V). It means that everybody is bound to have a period of success. And this is one of the reasons to invest in the stocks found in free markets outside the U.S.. Over time, Developed Non-US and Emerging Market Stocks tend to behave somewhat differently than our domestic market. Owning asset categories that tend to have dissimilar price movements is part of a prudent diversification strategy.

Of course, global diversification can't guarantee Non-US stocks always do something different than US stocks, but it does give you the opportunity to benefit from periods where US markets are down and international is "having its day." And since it's impossible to know in advance which markets or countries will be the best performing,

the most prudent thing to do is own a broad mix of all of them.

For example, from 1980 to 2016 the average annual real GDP growth for the countries in the Emerging Markets Index was 3.9 percent—more than 50 percent higher than the U.S. growth rate. Stock prices in emerging markets have historically reflected that higher growth. The Emerging Markets Index outpaced the S&P 500 by 3.8 percentage points annually from its inception in January 1988 to August 2007.¹

Recently, the US Market has been performing better than most Non-US markets. But abandoning global diversification to chase the “hot market” here at home doesn’t make sense in the long run.

The whole point of diversification is to be invested in instruments that tend to have different price movements at different times. That way when part of your portfolio is down, another part may be making up for it. The reality of this choice is that there will likely ALWAYS be something in your portfolio that, in the short run, doesn’t look like a winner.

Getting The Full Benefit

What about getting international exposure through American companies with large overseas operations?

Paul Merriman, writing for MarketWatch, points out that investing in U.S. multinationals will give you exposure to large-cap growth stocks in developed countries. "But U.S. multinationals don't give you as much exposure to value, small-cap, small-cap value or emerging markets—every one of which can be a powerful return booster."²

With more than half of the world's market capitalization *outside* the U.S., you want an allocation that takes full advantage of this available diversification.

How International Investment Benefits The U.S.

Even if you're convinced that having global diversity is good for your portfolio, you might wonder if sending money to companies outside the U.S. will hurt businesses here. Because of the way capital flows freely in the world market, investing internationally doesn't hurt American companies. Instead, it provides the money those companies need to purchase U.S. products and services. The more everyone invests, the greater the available capital for business around the globe.

Of course, every market, as well as every individual investment, has its risks. So for help with determining which mix of assets align with your personal investing and

retirement goals, talk to us if you have questions about the best way to take advantage of global diversification.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



Basic Driver Keys for Power and Accuracy

Your clubface hits the ball and the ball lands exactly where you envisioned—on the green. Your next move is to get out your putter and complete the shot.

That's the perfect world. The real world, however, is different. With a little more power, you can get the ball closer to the green. With a little more accuracy, you can get the ball to land on the green.

Let's go back to the basics.

Ball position: Play the ball just inside the front heel. As you drive forward, you turn behind the ball for the upswing.

Shoulder alignment: Play the ball up by keeping your shoulders parallel to the target line.

The windup: Start the downswing from the ground up. Move your knees and hips toward the target. Remember: chest to the ball at impact.

Shoulder movements: Keep your back shoulder down and in during the downswing. Don't let your shoulders move out of the path in order to pack more power. Keep the club inside during the swing and straighten your arms to the ball.

Tip adapted from GolfDigestⁱ

Recipe of the Week

Basil-Berry Lemonade Sorbet



Serves 6

Ingredients:

- 1 cup sugar
- 1 cup lightly packed fresh basil
- 6 cups frozen mixed berries
- $\frac{3}{4}$ cup lemon juice (from about 4 lemons)

Directions:

1. Mix sugar and 1 cup of water in a medium saucepan.
2. On high, heat until the sugar dissolves. Stir occasionally.
3. Mix in basil. Remove from the heat. Cover the saucepan and let the mix cool for 15 minutes.
4. Strain the syrup in a medium bowl and discard the basil. Refrigerate the mix until it is cold.
5. Put frozen berries, lemon juice, and cooled basil syrup in a blender and puree until smooth.
6. Put the mix in a metal 8-inch square baking pan, cover it with plastic wrap, and freeze until it is firm enough to scoop, about 2 hours.

Recipe adapted from Good Housekeepingⁱⁱ

Health Tip of the Week



Oh, My Aching Joints!

When those old joints start packing on the miles, they decide to take on a more ornery disposition. In other words, they become highly disagreeable. They're not as limber as in younger days.

But there's hope for those stiff, aching joints. Here are some tips to keeping you lively and pliable:

Get a move on. The more you move, the more your joints will get accustomed to movement. That means get off the couch, take frequent activity breaks from desk work or watching TV, and generally do something physical. Recall the 1981 song: "Let's get physical, physical."

Lessen the load. Those joints have to bear the burden of those extra pounds. Every pound you lose means 4 pounds of pressure off your knees.

Stretch it. Stretching is good, and ideally it should be done daily, but not when your muscles are cold. Warm up first.

Go low. As in low impact. Pounding those joints with high-impact exercises often translates into achy joints later. Walking, bicycling, swimming, and strength training are best.

I'll be back. To some weight training. Building stronger muscles helps provide better support of your joints. Consult with a physical therapist or certified trainer to learn the best exercise program for you.

Home on the range. Work to restore your range of motion. Range of motion is the normal amount of movement of joints. A doctor or a physical therapist can recommend movements.

Capture the core. Build your abs and the back muscles, which will help with your balance. Pilates and yoga are good for the core.

Watch the ouches. Sore muscles after exercise is generally good. But if you hurt for longer than 48 hours, you may have overdone it. Take it easy during your next workout to prevent injury.

Tips adapted from WebMDⁱⁱⁱ

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Our mailing address is:

Ballentine Capital Advisors
23 Buena Vista Way, Suite B
Greenville, SC 29615

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ⁱ <https://www.golfdigest.com/story/timeless-driver-keys-basics-on-setting-up-for-power-and-accuracy>

ⁱⁱ <https://www.goodhousekeeping.com/food-recipes/dessert/a44203/basil-berry-lemonade-sorbet-recipe/>

ⁱⁱⁱ <https://www.webmd.com/rheumatoid-arthritis/better-living-ra-17/active/slideshow-keep-joints-healthy>