

RECENT MARKET TURMOIL REINFORCES THE WISDOM OF GLOBAL DIVERSIFICATION



When you watch the Winter Olympic Games, it's natural for you to think that the competitors from the U.S.A. are among the best in the world.

So even when your favorite American ski racer is sitting in 17th place after two rounds, you still hold onto the possibility that he could have a miraculous final run and win the gold. After all, he seems like such a nice kid from Colorado.

This natural favoritism is called "home bias." And while it's appropriate for watching sports, it can be detrimental to your investing strategy.

The recent stock market volatility has again shown why it's so important to ignore this bias which predisposes us to be overly in favor of domestic stocks. Maintaining broad diversification based on math, statistics and research is the disciplined approach to overcoming natural biases.

Mitigating Short-Term Losses

Even though focusing on short-term market noise has little value for long-term investors, the data can help illustrate why diversification is so important. After analyzing data from early February's wild swings, Dan Lefkowitz has found that those investors diversified into international, multi-asset-class funds experienced milder losses when the market dropped.¹

Writing for Morningstar U.K., he says, "Recent days have reinforced the benefits of multi-asset investing, diversification among stocks, bonds and beyond."

So the numbers show that internationally diversified portfolios had fewer losses in the short-

term. But aren't we supposed to be thinking long-term? How do globally balanced portfolios perform over a longer time frame?

Analyzing Global Diversification As A Long-Term Strategy

According to Luis Viceira, Harvard Business School Dean for International Development, global diversification is still a prudent strategy for the long term.² Since markets in foreign countries have recently experienced periods where they moving in tandem with the U.S., some so-called experts are suggesting a globally- diverse strategy is less worthwhile than it used to be. Viceira decided to investigate that claim using a broader data set.

Using 25 years of international market data, Viceira and his research team found that while markets around the world have been more likely to correlate, the linkage can be attributed to an alignment in investor sentiment and not the underlying fundamentals. Attitudes are a short-term phenomenon while market trends are not.

In other words, the global economy is still very diverse and an investment plan that takes advantage of this diversity still makes the most statistical sense.

"In fact," says Viceira, "not diversifying can hurt those investors (who follow their home bias) by causing them to miss the more dynamic part of the economy if they get stuck in one country that is stagnating."

Ultimately, the free flow of capital is a benefit to all economies. So U.S. companies can benefit from investing in foreign markets and vice-versa. Trying to predict in advance which country or region will do better than another is an unnecessary risk with low-probability return.

Stock price randomness and unpredictability are true wherever they're freely traded. Pursing equity premiums everywhere they're likely to exist over time makes sense because, home or abroad, stock prices are the best reflection of all known information in the short term and tend to outpace inflation in the long run.

Have a great weekend!

Source: Efficient Advisors

Golf Tip of the Week



The Right Height

The traditional advice has been that you should tee your ball so that its equator is even with the top of your driver. These days, that's too simplistic. Metal woods, which are now used by nearly every golfer, have a lower center of gravity than old wood-headed clubs, which means you'll usually want to tee the ball a bit below the 'equator' guideline.

Tee height also depends to some degree on the nature of your swing. If you're a sweeper of the ball you probably prefer a slightly high tee, to give you the feeling of staying behind and under the ball. A more downward hitter, on the other hand, will generally opt for a slightly lower tee to encourage the strong lateral move to the left that creates the down-and-through type of impact.

It's fine to begin with the equator rule, but you may be cheating yourself if you don't experiment a bit with higher and lower tees until you pinpoint the ideal height for your swing and your club.

From Greg Norman's Golf Tips

Recipe of the Week



Crock Pot Honey Garlic Chicken

Serves 4

Ingredients:

- 2 pounds chicken thighs, bone-in
- 1 pound baby red potatoes halved
- 1 pound carrots peeled
- 1 cup onions chopped
- 1 pound green beans trimmed
- fresh parsley chopped, for serving optional
- salt and pepper to taste

Honey Garlic Sauce

- 1/3 cup honey
- 1 tbsp minced garlic
- 1/2 cup soy sauce low sodium recommended
- 1/4 cup ketchup or tomato paste
- 2 tsp oregano

Instructions

1. In a small bowl, whisk together honey, garlic, soy sauce, oregano and ketchup.
2. In a 4-6 quart slow cooker, add chicken thighs, potatoes, carrots and onions and finally sauce mixture on top.

3. Cover the slow cooker tightly and cook at high setting for 2 1/2 hours or the low setting for 6-8 hours.
4. Before serving, add the green beans and cook for another 15 minutes. Meanwhile, you may wish to broil the chicken for 2-3 minutes for a crispy skin.
5. Remove the chicken and vegetables to serving plates. Spoon sauce on top and sprinkle on optional parsley. Enjoy!

Recipe from TipBuzz

Health Tip of the Week



Fight Allergy Symptoms with Food

Spring is coming and pollen counts will be heading up around the country. Seasonal allergy sufferers may be able to mitigate some of their symptoms by changing the way they eat during allergy season. As always, make sure you speak to your physician about any dietary changes that may affect medication. Here are some tips:

Avoid spicy food when pollen counts are high. Spicy food can trigger a histamine response that can add to your body's reaction to pollen.

Drive green tea. Some green teas contain natural antihistamines that can help fight symptoms.

Try local honey. Though the research is mixed, some studies have found that eating small amounts of honey produced in your area may help you develop a tolerance to local pollens.

Tip courtesy of Everyday Health & WebMD

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Sources:

1. <http://go.efficientadvisors.com/e/91522/for-multi-asset-investing.aspx/55b8ph/345292498>
2. <http://go.efficientadvisors.com/e/91522/stment-portfolio--6b21279460a1/55b8pk/345292498>

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