

## **Benefits of Diversification**

### *Solutions*

We're proud of our country and proud of our economy.

It makes some sense that we want to invest here but if we only invest within our own borders, we may be exposing ourselves to certain kinds of risk.

Home bias is a term used to describe the tendency for some investors to predominantly focus on opportunities within their own country.

For Canadians, this means investing in the Toronto Stock Exchange, or TSX. While investing at home may be good for a portion of a portfolio, it's important to understand that the TSX is heavily weighted in three main sectors: energy, materials and financials.

Investing in only a few sectors from one country can expose a portfolio to some risk, especially if one or more of those sectors experiences challenges.

One strategy to help reduce these risks is to diversify by investing globally so that investments are less exposed to the ups and downs of a single country's economy. Another benefit to investing globally is the potential to take advantage of emerging markets.

Some sectors in different countries can grow faster than others, providing a growth opportunity for those who invest in international markets. What's important to consider is that diversification and global investing has two intentions: to help reduce risk and increase opportunity.

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