Why Non-U.S. Stocks Now?

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Catholic Responsible Investing

Why Investors Seek Non-U.S. Stocks During Periods of Deglobalization

Drastic shifts in the dynamic global economy, driven largely by the COVID-19 pandemic, the war in Ukraine, geopolitical turmoil, and supply chain volatility, have eroded global interconnectedness as countries try to insulate themselves and protect against possible financial downturns.

What does this global evolution mean for investors? Deglobalization illustrates the importance of diversifying a portfolio, and one way investors are minimizing portfolio fluctuations is by incorporating non-U.S. stocks into their investment strategy.

Leveraging Non-U.S. and U.S. Stocks to Manage the Effects of Deglobalization

No country is immune to the ongoing unpredictability of the worldwide supply chain, including delayed delivery timelines, material shortages, and other business interruptions. However, companies outside the U.S. can be less susceptible to the transportation-related pressure of deglobalization, like high costs and supply chain fluctuations.

Non-U.S. stocks, especially those in Europe, tend to fare better against an unstable global market because they are able to source materials much closer to home, enabling them to avoid global shipping concerns. Using non-U.S. stocks to supplement a U.S.-focused investing approach can fill in potential deficiencies during a period of market slowdown.

Deglobalization is the reversal or decline of the effects of globalization

Three Key Benefits of Owning Non-U.S. Stocks

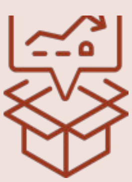
No one knows how the U.S. and non-U.S. markets will respond to deglobalization. But incorporating U.S. and non-U.S. stocks into your portfolio can bolster investments against underperformance and help balance risks.

1. Shields Investors from the Effects of Deglobalization

Across the world, countries are easing their reliance on the global marketplace and prioritizing their own supply chains and financial markets. As economies become less intertwined, it's likely that we'll see variable economic cycles, which opens the door for investors to capitalize on global growth opportunities. While countries turn inward to fortify themselves against global turbulence, investors have the chance to look outward and realize the benefits of a geographically expanded investment strategy.

2. Strengthens a Long-Term Intentional Investing Strategy

A solid long-term investing outlook demands conviction in the face of market fluctuations. While U.S. stocks have delivered strong results over the past several years, it's crucial to integrate long-term performance considerations into your investment strategy. No market can outperform forever. Finding opportunities for different investments to work in tandem, rather than simply choosing one over the other, can enhance your long-term financial outlook.



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3. Protects Against Corrections and Market Weak Spots

While tempting to invest in those geographies or sectors that have recently outperformed, history is ripe with examples where the trends change quickly. Diversification helps keep your investment program afloat when the tide goes out.

While FAANG (Meta, Amazon, Apple, Netflix, and Alphabet) stocks have been a popular, relatively stable source of investment returns, the market is showing slowdown signals. The Federal Reserve's ongoing rate hikes are also impacting FAANG stocks, delivering a sobering reality check. Riding the highs of overperformance is important but navigating the lows of underperformance can be even more critical.

Portfolio Diversification is a Time-Tested Strategy

A diversified portfolio with allocations across both U.S. and non-U.S. stocks means that investors don't have to worry about trying to time the market in an uncertain and ever-changing economic climate. Instead, investors are better positioned to weather the storm of underperformance in any given market.

Important Information

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