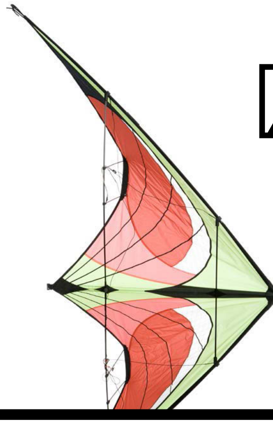
Global Investing



Broaden your horizons by investing globally

Most Canadians have the vast majority of their wealth invested in domestic assets: homes, cottages, businesses, pensions, and investment portfolios. That's akin to putting all your eggs in one basket. Looking beyond Canada's borders for investment opportunities can help reduce the risk of losing all your eggs if something should happen to the basket.

Investments concentrated in Canada will likely be affected by the same macroeconomic factors. For instance, if Canada's economy grows, then the value of your investment portfolio is likely to go up. The value of your business is similarly affected as consumer activity increases. That in turn is likely to increase your income or employment opportunities. Additionally, economic activity will likely raise the value of your home or any other property you may own. Conversely, if Canada's economy slows, then the opposite is likely to happen: your investments, property, and business holdings are likely to lose value.

Canada's economy (and its capital markets) is heavily dependent on a handful of industries – primarily natural resources, commodities and financial services. Shares of companies from three sectors – energy, materials and financials – comprise roughly 56% of the benchmark S&P/TSX Composite Index. The same runs true in the bond market: the top five issuers account for 25% of the benchmark Bloomberg Barclays Canada Aggregate Corporate Index and are concentrated in the financials sector.* The domestic bond index is also limited to three broad sectors: federal bonds, provincial bonds, and Canadian corporate investment-grade debt.

Looking beyond our borders, think about some of the world's biggest, and most recognizable companies. According to Forbes[1], of the world's 10 largest companies, four are Chinese banks. The biggest oil company globally is Saudi Arabian Oil Company, the biggest automotive company is Toyota Motor Corp. of Japan, the biggest semiconductor company is Samsung Electronics of South Korea. The largest U.S. company is JPMorgan Chase, which is third on the list. Canadian firms first appear on the list at #35, which is the Royal Bank of Canada.

Investing part of your portfolio globally may benefit your investment outcome through:

- Providing exposure to promising industries such as health care, technology and consumer discretionary, which have little representation in Canada
- Reduce your exposure to domestic economic events that disproportionately affects the resource or financial services industries
- Potentially increase diversification benefits by investing in assets that have little correlation with assets you are likely to already have in your portfolio

The risks of international investing

Investing has its risks and rewards. In the case of international investing, there are several key risks to bear in mind.

Currency risk

- The value of a country's currency can fluctuate, sometimes dramatically, depending on political and economic circumstances. This can affect the value of securities denominated in that currency when translated to your home country's currency.

Foreign company risk

- Companies domiciled in other countries are subject to the regulatory regime, business cycle and political environment of their home country. Certain foreign-based companies may operate with vastly different legal, accounting, environmental, corporate governance and safety regulations than in Canada and are therefore potentially vulnerable to greater risks.

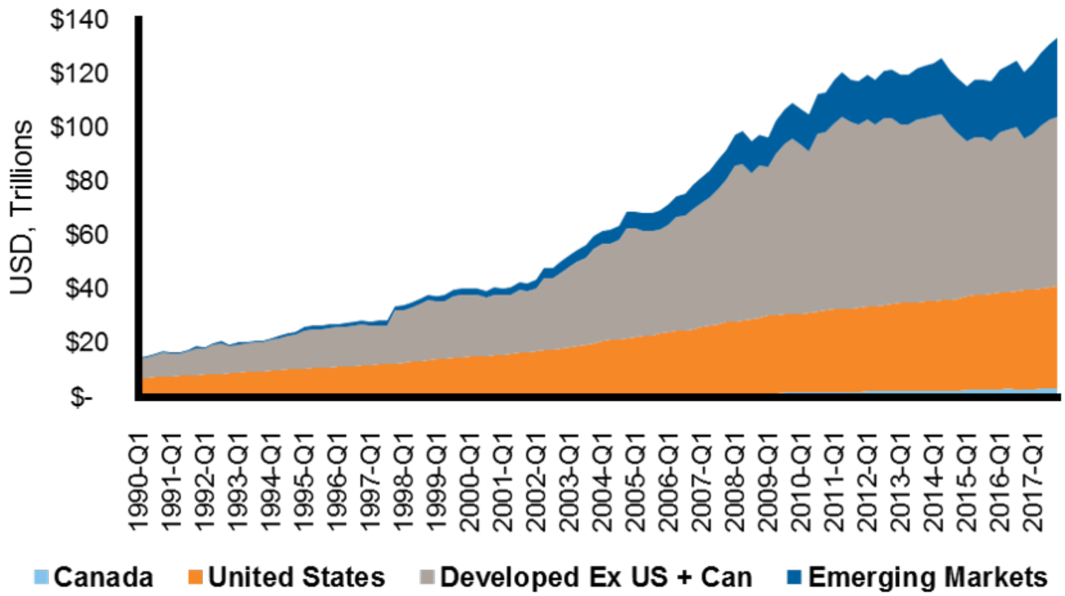
* Source for all index data: Bloomberg as of May 31, 2020

Liquidity risk

- Stocks of lesser-known companies or domiciled in smaller countries with a limited investor base may be difficult to buy or sell quickly enough to prevent or minimize a loss.

These risks can be mitigated through the use of various strategies such as currency hedging, diversification among globally focused funds and allocation strategies by experienced investment managers. Moreover, many global corporations earn the majority of their profits from operations outside their home countries, which can offset some of the risks listed above.

International Debt Securities



Source: Bank of International Settlements, Russell Investments. Data is as of September 2019

> *Canada may have one of the largest territories in the world, but its capital markets are relatively tiny on a global scale, representing less than 4% of the global total.*

For more information on how Russell Investments can help you pursue your investment goals, please ask your advisor or visit us at **russellinvestments.com/ca**

[1] http://www.forbes.com/global2000/list/

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