

Why invest abroad?

There are many excellent reasons for investing abroad. There are also many different ways of doing so. But only once you are clear about your reasons can you identify the methods that best suit you and avoid costly, complex and unnecessary alternatives.

For example, as a risk-averse investor, you may simply wish to build a balanced, global portfolio. You do not have to buy anything from abroad to achieve this aim. Everything you need can be bought on the London Stock Exchange or from UK fund managers.

But if you prefer to specialise in hi-tech investments, you may have to look further afield. Yes, you could simply stick to technology funds based in the UK. But undeniably, most of the world's leading hi-tech companies are based in the US and quoted on the Nasdaq stock market. If you want direct exposure to the risks and rewards of those businesses, you will have to buy American stocks.

In summary, your reasons for investing abroad might include any or all of the following:

- Ordinary portfolio diversification
- Exposure to faster-growing economies (for growth investors)
- Exposure to faster-growing stock markets (for growth investors)
- Exposure to undervalued stock markets (for value investors)
- Exposure to foreign commodity markets
- Investment or trading in specific foreign stocks.