

For opportunity and risk mitigation, wise investors look beyond Canada's borders

Canada's markets have been a great place to invest over the last five years. The S&P TSX Composite has rebounded nicely from its lows, our banks are the envy of the world and natural resources prices have been robust.

Wise investors know that all good things must eventually come to an end, however, and are setting their sights on a much wider horizon.

There are many reasons for diversifying outside Canadian borders, says Tony Mahabir, CFP, chair of the Canadian Institute of Financial Planners, but the primary reason couldn't be simpler. "As Canada represents only about three per cent of the total global market, we can presume that the other (approximately) 97 per cent holds potential opportunities."

Canada's equity market is

largely focused in just three sectors: energy, materials and financials. That has worked out well for the last few years – but as the demand for cyclical natural resources wanes, as it inevitably will, investors will once again be reminded that "diversified Canadian portfolio" is an oxymoron.

"It is an issue of size, and of concentration," says Michael Irwin, assistant vice-president, Sun Life Global Investments (Canada) Inc. "Consumer staples, health care and information technology, which are important sectors for both diversification and growth, are under-represented in Canada's market. When you think about the boomers and the technology we use, as well as the health care the world will inevitably require in the next few decades, you start to see how important

it is not to limit your portfolio in terms of market size and sectors."

It is outside Canadian borders that fund managers can add the greatest value to the investment process. "Frequently, information that we rely on to make investment decisions is stale by the time we receive it," says Mr. Mahabir. "You may gain a sense of what is going on in your local economy. You don't need the experts to tell you a few months later that we were in a recession because you experienced it; the experts later confirm it. But if we choose to invest globally, it is important to have expertise in the foreign markets to gain a sense and perspective of what is going on in those regions."

"Today's economies are more integrated than ever before," says Mr. Irwin. "When

essential info

from the Canadian Life and Health Insurance Association

If you are thinking about whether to buy critical illness or long-term care insurance, the well-known Boy Scout motto comes to mind – be prepared. If you are the sole breadwinner in your family, for example, consider what would happen if you were struck down by a potentially life-threatening illness such as cancer or a heart attack. Critical illness insurance would help to soften the financial blow by providing a lump sum benefit that you could use for any purpose: to help pay off debts, finance medical equipment or special care, assist with child care expenses or even change careers. Similarly, long-term care insurance allows you to set aside funds for personal care needs that may arise from an unanticipated debilitating condition, or for future elder care.

Talk to your advisor about which options would be most appropriate to your circumstances.

you look at the major companies of the world, they are doing business and competing with companies everywhere. U.S.-based Ford Motors has a big business in Europe and Asia, for example, and competes with Toyota, Hyundai and Honda. A network of professionals based in other parts of the world will see what is selling there and understand its competitors and suppliers."

Whether investing in global funds, which have a mandate to invest around the entire world, or international funds, which typically avoid North American investments, the first step is to determine an appropriate long-term asset allocation given your risk tolerance and time horizon, he says. "With the help of your advisor, figure out what the proper global component of your overall asset allocation is for you.

"Currency fluctuations can add to the volatility of global and international investing, making it even more important to invest in the context of a long-term financial plan and to rebalance regularly," says Mr. Irwin.

"We don't know what the next two or three years will bring, but over the next 10 to 15 years, most investors should consider a diversified portfolio as the best strategy."

! "It is an issue of size, and of concentration. Consumer staples, health care and information technology, which are important sectors for both diversification and growth, are under-represented in Canada's market. When you think about the boomers and the technology we use, as well as the health care the world will inevitably require in the next few decades, you start to see how important it is not to limit your portfolio in terms of market size and sectors." Michael Irwin, assistant vice-president, Sun Life Global Investments (Canada) Inc.

online? Visit clhia.ca for more information from Canada's Life and Health Insurance Association. For more investing information, visit Sunlifeglobalinvestments.com.

This report was produced by RandallAnthony Communications Inc. (www.randallanthony.com) in conjunction with the advertising department of The Globe and Mail. Richard Deacon, National Business Development Manager, rdeacon@globeandmail.com.

ILLUMINATING global opportunities

SECURING YOUR FUTURE STARTS WITH THINKING GLOBALLY.

With strong roots in Canada, Sun Life Global Investments also understands how important the international market is. Our investment solutions can show you why diversifying your investments outside Canada is key to planning ahead. Speak to an advisor.

Sun Life  GLOBAL Investments
sunlifeglobalinvestments.com

Commissions, trailing commissions, management fees and expenses all may be associated with mutual fund investments. Please read the prospectus before investing. Mutual funds are not guaranteed, their values change frequently and past performance may not be repeated.
© Sun Life Global Investments (Canada) Inc., 2010.