

## Why Does Exchange Invest in Emerging Markets?



If you've stumbled across this article, you're probably doing some due-diligence work and investigating wealth management firms. In your search, you may have come across the need to diversify your portfolio and could be wondering how emerging markets fit within our management style.

Exchange is a goals-based wealth management firm that offers financial planning and portfolio management to our clients. For us, your financial plan is the main driver to reaching your long-term goals and your portfolio is one aspect of how we reach those goals.

Your portfolio will consist of multiple different investments all based on your short and long-term goals. Depending on those goals, you might benefit from investing in emerging markets. Not only does this provide global diversification but it may bring high returns for long-term investors.

### What Are Emerging Markets?

An emerging market is a developing country that is showing signs of economic growth faster than developed economies, such as the U.S., Europe, and Japan. While emerging markets are transitioning to greater industrialization and globalization, they can often exhibit economic and political instability that can lead to high volatility. That said, they share some qualities with developed markets, such as liquid markets, foreign accessibility, and a regulatory system. Some examples of emerging markets are India, Mexico, China, and Brazil.

### Why Do We Invest in Them?

Exchange invests in emerging markets due to the unique opportunity they provide investors. Unlike developed markets that have stable economies, emerging markets are in the process of industrializing and growing. This means you may find higher returns in these markets than in a developed international market.

While their potential growth is the main reason we invest in these markets, they also provide some global diversification for our clients. A national investment and an international investment will react differently in certain economic periods.

## **The Bottom Line**

There are plenty of investments one can choose to incorporate into a portfolio. While emerging markets should not make up a large percentage of your portfolio, you might benefit from investing some of your assets into emerging markets.

At the end of the day, what investment you choose should correlate with your long-term financial plan. Consider scheduling a discovery meeting with us to learn if investing in emerging markets makes sense for your financial plan and portfolio.