Global vs. International: Whatâ€™s the Difference?

With international stock markets comprising about 40 percent of the world's capitalization as of 2023, a broad range of investment opportunities exist outside the borders of the U.S.[1]

For investors who are looking to diversify their mutual fund portfolio with exposure to companies located outside the U.S., there exist two basic choices: A global mutual fund or an international mutual fund.[2,3]

By definition, international funds invest in non-U.S. markets, while global funds may invest in U.S. stocks alongside non-U.S. stocks.

Make a Choice

The definition may seem clear, but what may seem less clear is why an investor might select one over the other.

The reason that an investor may select a global fund is to provide the portfolio manager with the latitude to move the fund's investments among non-U.S. markets and the U.S. market in order to take advantage of the shifts in relative opportunities these markets may present at any given moment.

By investing in a global fund, the challenge for the investor is that he or she may not know at any point in time their total exposure to the U.S. market within the context of their overall portfolio.

An Inside Look

As a consequence, some investors want to manage their allocation risk by setting the broad asset allocation for their portfolio and then identifying funds that are within those asset classes. For these investors, an international fund may make more sense since it allows them to maintain a greater adherence to their desired domestic/international stock allocation.

Keep in mind that asset allocation is an approach to help manage investment risk. Asset allocation does not guarantee against investment loss.

As you consider a global or an international fund, you should also be aware of the fund's approach to the inherent currency risks. Some funds choose to engage in strategies that may mitigate the effects of currency fluctuations, while others consider currency movements – up and down – to be an element of portfolio performance.

Mutual funds are sold only by prospectus. Please consider the charges, risks, expenses and investment objectives carefully before investing. A prospectus containing this and other *information about the investment company can be obtained from your financial professional. Read it carefully before you invest or send money.*

1. Statista.com, 2024
2. Diversification is an approach to help manage investment risk. It does not eliminate the risk of loss if security prices decline.
3. International investments carry additional risks, which include differences in financial reporting standards, currency exchange rates, political risk unique to a specific country, foreign taxes and regulations, and the potential for illiquid markets. These factors may result in greater share price volatility.