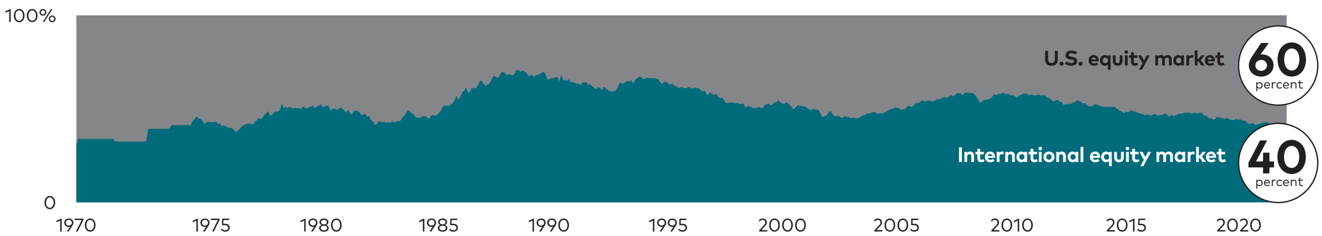
HOME BIAS

Overcoming biases against global stock investing

The U.S. stock market may offer the comfort of familiarity, but investing in both U.S. and international markets can benefit those with long-term perspectives.

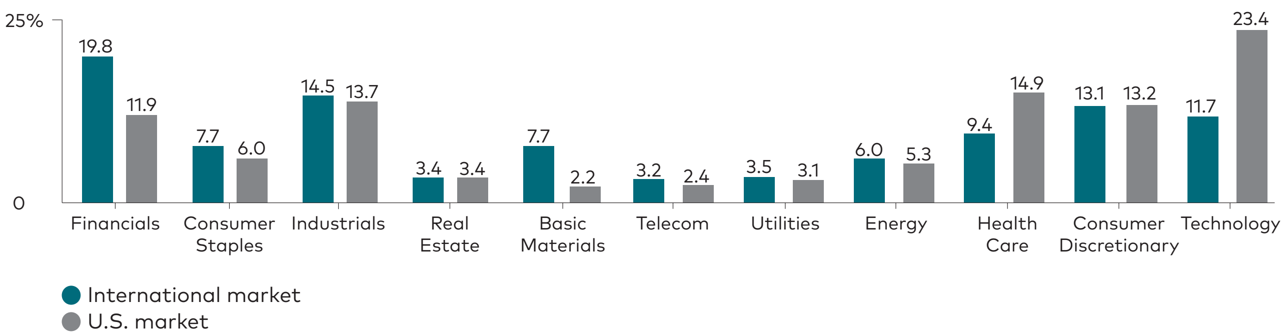
- Companies based outside of the United States account for nearly half of the value of all stocks worldwide. A portfolio heavily concentrated in U.S. stocks could exclude opportunities presented by leading companies in emerging and other developed stock markets.
- A U.S.-heavy portfolio may differ significantly in sector allocations—that is, in the types of companies it holds—relative to a globally diversified portfolio. Any such differences may increase risk compared with that of the global stock market.
- Investors who rely on multinationals to provide international exposure may lose the potential diversification benefit of foreign exchange. That's because many U.S. multinational firms seek to smooth their revenues by hedging their foreign currency exposures.

Composition of the global stock market



Notes: The U.S. portion of the global stock market is represented by the MSCI USA Index; the non-U.S. portion of the market is represented by the MSCI World ex USA Index from 1969 through 1987 and the MSCI All Country World Index ex USA thereafter. Last observation: December 31, 2022.
Sources: Vanguard, MSCI, and Thomson Reuters Datastream.

U.S. and international stock markets: Sector mixes vary meaningfully



Notes: U.S. and international stock market sector mixes are represented by the CRSP US Total Market Index and the FTSE Global All Cap ex US Index, respectively. Data as of December 31, 2022.

The bottom line

International stock markets can offer opportunities for U.S. investors. Shunning international stocks may increase a portfolio's risk relative to that of the global stock market.

For more information, contact your financial advisor.

All investments are subject to risk, including the possible loss of the money you invest.

Diversification does not ensure a profit or protect against a loss.

Investments in stocks issued by non-U.S. companies are subject to risks including country/regional risk and currency risk. Stocks of companies based in emerging markets are subject to national and regional political and economic risks and to the risk of currency fluctuations. These risks are especially high in emerging markets.

Currency hedging risk is the chance that currency hedging transactions may not perfectly offset the investment's foreign currency exposures and may eliminate any chance for the investment to benefit from favorable fluctuations in relevant currency exchange rates

Vanguard is investor-owned, meaning the fund shareholders own the funds, which in turn own Vanguard.

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The Value of Ownership

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