What is International Investing?

Worksheet

International investing is purchasing financial assets in foreign markets for diversification and growth. It spreads investment risk across borders and taps into global economic opportunities.

Questions

1. Main advantage of international investing?

A) Diversification across economies
B) Higher returns guaranteed
C) No risk involved
D) Less regulation overseas

2. Which of these is an emerging market?

A) Japan and Canada
B) India, Brazil, Vietnam
C) US and UK
D) Australia and Germany

3. Currency risk happens when:

A) You buy stocks
B) You convert foreign currency back to home currency
C) Stocks lose value
D) Interest rates change

4. Advantage of international ETFs for small investors?

A) Instant diversification
B) Low fees
C) Easy to trade
D) All of the above

5. A US investor buys 50 shares of Sony (Japan) at $95 per share. What is the international exposure?

6. A Canadian investor purchases an ETF tracking 20 emerging market countries. What is the main benefit?

7. German investor buys 10,000 of Australian bonds yielding 4%. One year later bonds gain400 but AUD weakens 5%. Net return?

8. Define: What is international investing?

9. Define: Main benefit of international investing?

10. Define: What is currency risk?

Answer Key

1. A) Diversification across economies — International diversification spreads risk. Guaranteed returns and no risk don't exist.

2. B) India, Brazil, Vietnam — India, Brazil and Vietnam are fast-growing economies with higher growth potential.

3. B) You convert foreign currency back to home currency — FX risk occurs during currency conversion as exchange rates move.

4. D) All of the above — ETFs give all three benefits: diversification, low costs, and liquidity.

5. Total investment = 50 × 95 =4,750 in Japanese market Gains currency risk if yen weakens vs dollar

6. Diversification across India, Brazil, Mexico, Vietnam, etc. Reduces single-country political risk

7. Bond gain = +400 Currency loss = 5% of10,000 = −500 Net return =400 − 500 = −100

8. Buying financial assets like stocks or bonds in foreign markets.

9. Diversification across multiple economies and faster-growing markets.

10. Exchange rates can move against you, reducing returns when converting back.