3 Top Canadian Investments to Diversify Internationally

Description

International diversification is overlooked by many beginner investors who may have a bit of home-country bias. Undoubtedly, by neglecting high-growth international markets, one stands to miss out on a lot of growth, especially younger investors who are better able to cope with higher levels of volatility that come with international and emerging markets.

Indeed, staying in Canadian stocks has delivered sub-par results over the past decade. The **S&P 500** has clobbered the **TSX Index,** and the tech-heavy **Nasdaq 100** has put the Canadian index to shame. Canadians don't need to settle for sub-optimal results in Canadian securities. In fact, it's not recommended to have all of one's assets in Canadian stocks.

Why? The TSX is overweight energy, materials, and financials and underweight technology and consumer staples. Undoubtedly, the TSX isn't diversified from a sector standpoint, inspiring the need for Canadians to expand their investment boundaries past Canada's borders.

Indeed, many Canadians hold U.S. equities to get the "essential nutrients" lacking on the TSX. Most notably, tech and staples have been go-tos for Canadian investors. With valuations at the higher end, though, Canadians seeking value may wish to expand their boundaries further, perhaps into emerging markets, which are now discounted following recent damage done by the COVID-19 pandemic's impact.

International diversification could be a brilliant idea right about now

Undoubtedly, many international markets have been under considerable pressure over the past year and a half. For Canadians who've been putting off international diversification, now is as good a time as any to do some buying. With a properly diversified portfolio across sectors and geographies, one can navigate these rough markets that much better amid volatility.

Many investors are likely fully aware of the risks of having a portfolio that's not diversified across sectors. But many may not have given much thought to a portfolio that's not diversified at the international level. Sure, one can do well just in Canadian and U.S. securities.

Still, in the era of COVID-19, where outbreaks are localized at any given time, I think broadening one's exposure across countries is a strategy that could really pay off.

Two great international TSX plays

In this piece, we'll have a look at two TSX-traded ways to gain international exposure on the cheap. Such names don't require one to sign up to trade stocks on foreign exchanges and are magnificent ways to diversify one's portfolio further.

Enter **Fairfax India Holdings (**TSX:FIH.U)**, BMO China Equity ETF**, and European-focused high-yield property play **Inovalis REIT**. Each TSX-traded play (one stock, ETF, and REIT) are a great (and cheap) way to expose one's portfolio to the Indian, Chinese, and European markets, respectively.

The ZCH is a terrific contrarian option for investors looking to load up on battered Chinese tech stocks following Beijing's recent crackdown. In a prior piece, I outlined why the ETF was a compelling option for value-seeking Canadians while the ETF shed almost half its value. Inovalis plays on French and German office properties and is a great income option for those seeking a juicy 8.4% yield alongside exposure to Europe.

Finally, Fairfax India is a wonderful holding company managed by the legendary Prem Watsa, a man known to Canadians as Canada's Warren Buffett. The Indian market has steadily been climbing back over the past year, yet shares remain ridiculously cheap amid delta variant concerns.

Bottom line

There you have it: three simple ways to internationally diversify one's portfolio. Each name has been under pressure and could prove to be of great value as the world heals from the pandemic.

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