Portfolio *Confidential*

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I manage my own portfolio and currently have half invested in the U.S. market and half in the Canadian market. Do you think now would be a good time for me to diversify and add some international (non-North American) exposure?

As always, I would need to know more about your overall situation to be in a position to offer specific investment advice. Having said that, given that Canada's global index weight is only about two to three percent of the global market cap, you are significantly over-weight Canada! Interestingly, Canadians and Australians are among the countries where investors over-weight their home market—look at the chart below.

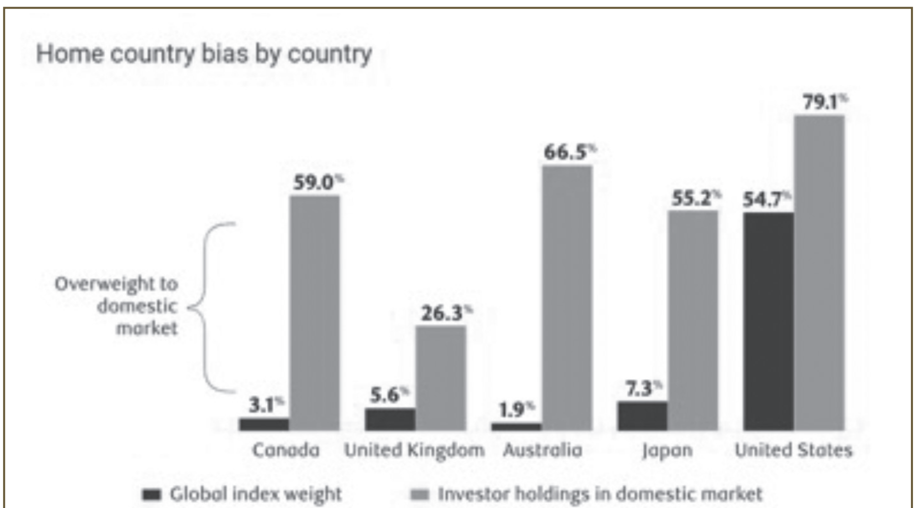
Nothing wrong with rooting for Canada (or Australia) in the Olympics, but that level of home market favouritism is a bad idea when investing: the 50-year (before tax) average annual returns in Canadian dollars to 31 December 2021, has been 9.6% for the TSE versus 11.7% for the S&P 500 and 10.5% for European stocks. Giving up a percentage point or two to European or U.S. markets may not seem like a big deal, but over enough years, it makes a huge difference.

According to a Financial Times post from 24 December 2022 "…in Europe, the UK and in Japan, stocks are on sale. Our friend Dec Mullarkey, of SLC Management, reckons the gap in P/E ratios between U.S. and European stocks sits at six points, the widest it has been in decades."

Sounds like a great opportunity to me! But how to play it? EAFE markets could be pretty shaky right now as we may be heading into a global recession and/or World War III as a result of the war in Ukraine. And as John Bogle said in InvestmentNews in 2017 when asked about the argument that overseas stocks are cheaper than U.S. stocks: "One reason could be they are underpriced," Mr. Bogle said. "The other could be that they have a higher risk. Price/Earnings (PE) ratios don't come out of nowhere."

In the same article, Bogle also pointed out that "when you buy the S&P 500, you buy a portfolio where roughly half the earnings and revenue comes from abroad." Taking this into consideration, since you have 50% invested in the U.S. market, we can assume that you already have a 25% exposure to international stocks. My advice is to reduce your Canadian exposure to a much lower percentage of your overall portfolio and, depending on your risk tolerance, either add to your existing U.S. holdings and/or invest in EAFE markets via a low-cost Exchange-Traded Fund (ETF).

Full disclosure: at the time of writing, my personal portfolio has 15% exposure to Canada, so I am going to take my own advice and



Source: Global index weight reflected by country's weight in the MSCI All Country World Index as of May 31, 2019. Investor holdings in domestic market sourced from the IMF, as of December 2014.

sell 12% to mirror the fact that Canada represents only two to three percent of the total world equity market value. I'll move 7% into my Vanguard U.S. Total Market Index ETF (ticker: VUN), and I'll add a new 6% position in iShares MSCI EAFE ETF (ticker: EFA.) The MSCI EAFE Index is composed of large and mid-cap developed market stocks, excluding the U.S. and Canada, and the ETF provides broad exposure to markets in Europe, Australia, and Asia.

The answer to your question is: yes. I do think now would be a good time to diversify and add some international exposure. But this isn't because I have a crystal ball and can accurately predict how world markets will perform in 2023 and beyond. I am basing my opinion on historic data and the relevant weight of the Canadian equity market versus world markets. Once again, since I do not know the details of your full financial situation, this is just a general answer to your question and needs to be taken in that context.