

WHAT'S UNDER THE HOOD?

Some investors think that having a portfolio of ten different mutual funds automatically provides risk mitigation or diversification. One of the things that people experience in that type of portfolio is a lack of focus or attention. The chances are high if you have that many funds; you also will have a lot of company overlap. You have to know the investment makeup of each individual fund investment lineup to determine what is under the

hood. Let's face it, everyone wants to own the FAANG's, but how much do you hold in your multi-fund portfolio? Do you own too much of it because of overlap? Do you have geographical diversity? On the point of geographical diversity, it is even more important to ascertain which areas of the world you have

exposure to. International exposure could mean different things. For example, investing in China has become more complex, with all the tension brewing between the US along with China cracking down on its own companies. Europe on the other hand has the potential to be a desirable area in the next 12 months. The NextGenerationEU (NGEU) fund recovery program is being implemented in Europe, which looks like the US infrastructure plan. It is calling for about 800 billion euros in relief which will help its Member States repair the immediate economic and social damages caused by the coronavirus pandemic. The NGEU fund is expected to transform the future of Europe by assisting the green transition, modernizing the EU facilities, and digital transformation, including providing job training to name just a few. The region's economy is starting to rebound as pandemic restrictions are lifting, plus they have underperformed our domestic markets in the past few years. Knowing what you own could make a world of difference in performance.



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