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AN UPDATE ON GLOBAL INVESTING

July 1, 2006
Issue: 41

During my 25 years in the investment business, I have witnessed a steady growth in the popularity of international investing. It is a trend that is likely to continue, for many good reasons.

Traditionally, international investing has been perceived as just a way to diversify one's assets. While it certainly does serve this purpose, I would offer several other reasons that are just as compelling. For example, international investing allows us to invest in economies that are growing faster than ours. This helps explain the interest in Emerging Markets. Few will argue with the premise that China, India or Brazil's economies are likely to grow faster than the US or Europe's economies. Of course, more growth incurs greater risk, but that is a trade-off worth making for a reasonable percentage of one's investments.

Another reason to invest internationally is because obviously, not all great companies are American. While we do have our share of great companies, there are many foreign companies that also fit that description. For example, the world's largest food company, Nestle, is not American but Swiss. Similarly, many of the world's largest oil companies are not based in the USA.



Another reason for international investing is the opportunity to benefit from the devaluation of the US dollar. Over the past five years the dollar has been weak, and many strategists expect that weakness to continue. I should add the caveat that predicting currency moves is extremely difficult.

There are many US managers who claim they only invest in the US and that they can achieve international exposure by buying US multinationals. To me, this sounds like an easy excuse for not doing the additional work needed for international investing. At Baltimore Capital, we are very willing to invest internationally. When faced with the choice of owning Honda Motors, a fine Japanese company with a great product line and superior balance sheet, versus owning General Motors, an American company with a questionable product lineup and poor balance sheet, it seems like an easy choice!

In summary, international investing should be seen as a willingness to look further for great companies and increased diversification. That quest is much easier now than it was ten years ago, due to the proliferation of foreign stocks traded in the US markets as ADRs (American Depositary Receipts) and the many new ETFs (Exchange-Traded Funds) that are country-specific. Like it or not, we are living in a much more global environment. It only seems logical to incorporate that broader perspective into our investments.