



DIVERSIFICATION FROM A HOME MARKET AND CONCENTRATION RISK

Key Takeaways

- › Diversify away from home market risk, business sector risk and other sector risks
- › Look out for interesting co-investment and diversification opportunities
- › Understand the risks of diversifying in two unrelated areas
- › The best investments are always in known markets and known product areas
- › Use other people's knowledge, other partners, advisors to the extent you can get new knowledge in new areas and proceed carefully step by step

Questions to Consider:

- › Have you researched the new market fully?
- › Is there potential for co-investment?

Guidance

As the world becomes more volatile, less certain, and more complex, a lot of investors are interested in diversifying away from home market risk, business sector risk, and other risks.

Family businesses are beginning to diversify their operations by seeking out other markets, whether that be in the same industry or a different one that the family business is already involved in. This is often one component in putting together a long-term asset allocation model that protects the family. Where once investors sought to put money into emerging markets, those emerging markets are now investing in a diverse way as well. This is creating the opportunity for co-investment and the chance to find the right kind of diversification opportunities.

When investing outside of typical understanding, it is important to understand that local investors have specific information, networks, opportunities and risk management practices that may take a very long time to learn. When diversifying investment remember to understand the risks of diversifying into unrelated areas. Find investment partners who are familiar with these areas, and research thoroughly beforehand. It's useful to find partners that are interested in investing within your home market so there is a level of reciprocation. The best investments are always in known markets in known product areas. It can be useful to look into other areas, but you can reduce risk through analysis and co-investment.

When diversifying Investments, it is important to research and understand the area or market that you will be investing in. Having co-investors who will in turn invest in your family business can be a useful way of understanding the area you are branching into, while also expanding your own professional network.