



**“ Investors who shortchange their international exposure miss out on the majority of worldwide equity investments. ”**

compliments of:



# The Benefits of International Investing

## The Shrinking Planet

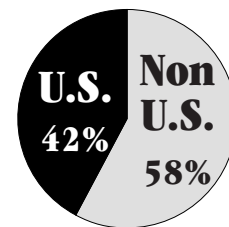
In some ways, the world seems to be getting smaller. With the lowering of trade and political barriers, and the remarkable technical developments of recent years, it's easier than ever to do business anywhere on the planet, at any time. Look at how this transformation has impacted our everyday lives. Many Americans work at multinational corporations, take international vacations, talk on cell phones with friends in faraway lands, wear clothes made overseas or drive foreign cars. While we have grown accustomed to many aspects of globalization, there's one area many Americans still steer clear of – investing internationally. That attitude can keep investors from benefiting from the world-class opportunities that international investing offers.

### Opportunities Overseas

Investors who shortchange their international exposure miss out on the majority of worldwide equity investments. As the pie chart shows, more than half of the world's stock market capitalization lies outside of the U.S. By shunning these international equities, investors are missing out on the potential gains of many outstanding opportunities.

### Total World Stock Market Capitalization

As of December 31, 2007

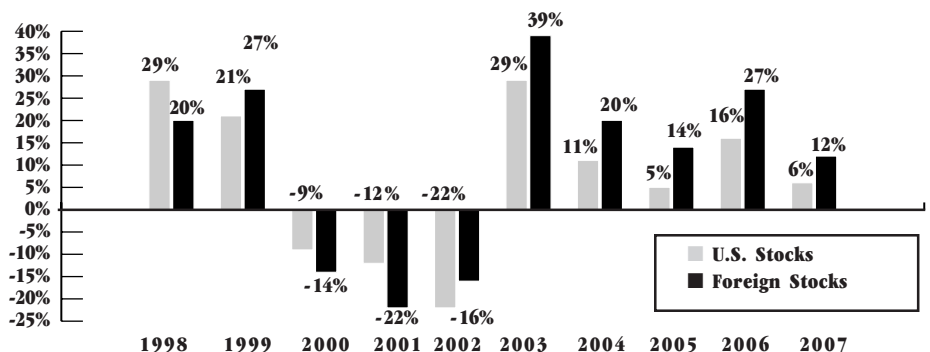


Source: Morgan Stanley Capital International, (MSCI) Inc.

### Why Invest Internationally?

Experts often point to asset allocation as one hallmark of successful investing. Spreading your investments among various asset classes – such as stocks, bonds and money market securities – can help lower the overall volatility in a portfolio and potentially boost returns. You can also go one step further and diversify the “mix within the mix.” For example, within the equity allocation of a portfolio, adding an international fund alongside a group of domestic funds can help smooth out returns. That's because historically, stock markets in the U.S. and abroad have not performed in lockstep. Therefore, by holding a diversified portfolio that includes both domestic and international funds, disappointing performance in market may be counterbalanced by strong performance in another. The chart below shows that the annual returns of domestic and international markets have sometimes differed sharply over the past 10 years.

### U.S. and The World Annual Performance 1998 to 2007



**Note:** U.S. stocks are represented by the S&P 500 Index. Foreign stocks are represented by the Morgan Stanley Capital International Europe, Australasia and Far East Index (MSCI-EAFE). The results shown above do not represent the performance of any First Investors fund. They do not take into account fees and expenses associated with the purchase of mutual fund shares. Individuals cannot invest directly in an index. Past performance is not a guarantee of future results.

## World-Class Performance

Although world markets are cyclical and past performance cannot predict future returns, the recent performance of foreign stock markets has been impressive. As of the end of 2007, foreign stocks had outpaced their U.S. counterparts for six consecutive years and for seven out of the last 10 years. And, as the chart shows, for the 10-year period ended December 31, 2007, the cumulative return for international stocks was almost double the return for U.S. equities.

## Explore Emerging Markets

By expanding one's investment horizons to include foreign markets that are considered developing or emerging (such as Brazil, India or Taiwan), an investor can also discover attractive companies that have not yet been fully valued by the market. These opportunities can add significant upside potential. However, risks may be heightened when investing in emerging markets, which may be less stable than developed markets.

## Familiar Names

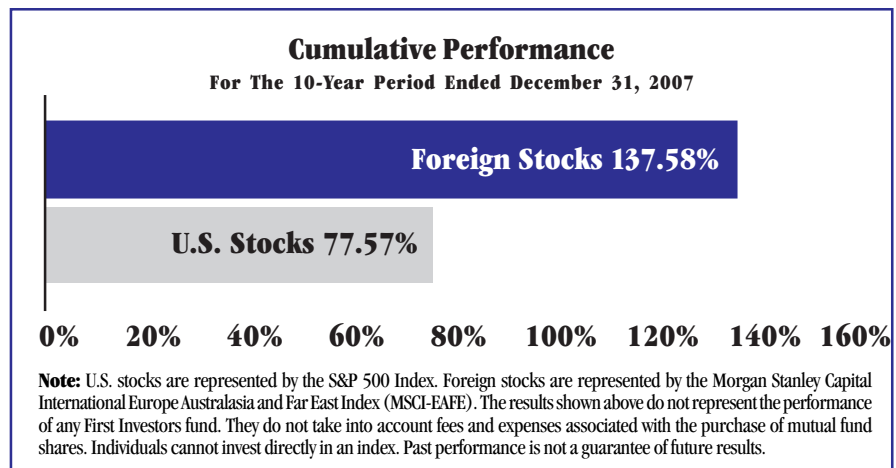
Foreign investing may seem, well, foreign to many Americans. However, many non-U.S. companies make very familiar products. In fact, some firms, like Bayer (Germany), seem as American as baseball and apple pie. Car manufacturers like Toyota (Japan) and Volvo (Sweden), produce some of the most popular models in America. U.S. cell phone customers are familiar with Nokia (Finland), "gamers" know Sony (Japan), beer drinkers appreciate Heineken (the Netherlands) and athletes are comfortable with Adidas (Germany). **(Please note: The securities of these companies may or may not be in a First Investors fund.)**

## International Funds & Global Funds

International investing can be very complex for individuals. An effective way for individual investors to participate in the global marketplace is through mutual funds. There are many subgroups of mutual funds that invest in the stocks of companies based outside of the U.S., but they all fall into two broad categories – international funds and global funds. In general, global funds invest in foreign stocks and U.S. stocks. While international funds may also invest in foreign and U.S. stocks, the vast majority (and sometimes all) of their assets are in foreign stocks.

## Special Risks

While investing in non-U.S. funds can offer benefits, it also entails special risks. It's important to consider these risks when deciding how to allocate your portfolio between domestic and international



investments. In addition to general market risks, investments in foreign securities involve certain considerations not typically associated with U.S. securities. Those risks include fluctuations in foreign currency and the potential impact of political, economic and social developments in foreign countries. In addition, in comparison to U.S. markets, foreign securities markets are generally less liquid, less regulated and have less uniformity of accounting standards and less publicly available information on companies. Because of the higher level of risk, successful international investing generally requires a long-term commitment. Your representative can help you determine if international funds are right for you.

## Talk To Your Representative

For information on international investing, contact your First Investors Financial Services Representative today. He or she can act as your personal "travel agent" of sorts, helping you understand the benefits and risks of international investing. Your representative can analyze your current portfolio, help you pinpoint your goals, gauge your risk tolerance and help you determine if international diversification is right for you. He or she can discuss what products may be suitable for your unique needs and make specific investment recommendations.

Neither First Investors nor its representatives offer tax, legal or estate planning services. Clients should contact their personal tax and legal advisers for any advice about tax-related investment decisions, estate planning or gifting.

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