



Università Ca' Foscari Venezia

Project Assignment:

International Diversification & Currency Risk Analysis Academic Year 2024/25

As global investors seek to improve portfolio performance and reduce unsystematic risk, international diversification has become a key strategy. However, investing across multiple countries introduces not only market risk but also currency fluctuations. Understanding the role of foreign exchange in shaping returns and portfolio risk is essential when evaluating cross-border investments.

In this assignment, you will examine the performance of a mutual fund or ETF that operates across several equity markets and currencies. Your objective will be to perform a detailed performance attribution, isolating the effects of local market returns from those caused by currency movements. This analysis will help you better understand how exchange rate dynamics influence overall performance.

Through this workshop, you will gain practical skills in assessing international equity investments with a focus on currency exposure. Starting from a real-world fund selection, you will conduct a breakdown of return drivers, quantify the contribution of currency volatility to total risk, and evaluate the diversification effects of investing across currencies. By comparing market performance in local terms and in Euros, you'll develop insights into how currency risk can both enhance and undermine diversification benefits.

Finally, your conclusions will be supported by visual tools, helping to communicate your findings clearly and effectively.