Optimal International Portfolio Strategy:
Utilizing Different Caps Stocks in Emerging and Developed Countries

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\textbf{ABSTRACT}

This research showed that the behavior of returns generated from Large- and Small- Cap stocks are different and should not be ignored by international portfolio investors. We found that Small-Cap markets indices have low correlations with both World market indices and among Small-Cap market indices themselves; while Large-Cap funds have high correlations including amongst each other. Investors can obtain additional gains from international diversification if they consider including Small-Cap stocks in their portfolio, especially in emerging countries.

\textbf{Keywords: Portfolio, International diversification, Market correlation, Emerging market, Developed market}

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