

**THE FINANCIAL CRISIS AND PORTFOLIO DIVERSIFICATION TO EUROPE**

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**ABSTRACT**

This research examined the implications of international diversification during the recent worldwide financial crisis, which was a period of extreme volatility in the financial markets. We analyzed both a 100% US portfolio and a set of diversified portfolios that each had a major European component. Results of the analysis showed that on a risk-adjusted basis during this time period, the internationally diversified portfolios all underperformed the 100% US portfolio, raising the question of the value of international diversification at the very moment its risk-reduction quality is needed.

Keywords: *International, Investing, Diversification, Sharpe Ratio.*