Alternative Investing

Exceptional Expectations: U.S. vs. Non-U.S. Equities

Understanding Return Expectations, Part 2

May 9, 2025

In recent years allocators to global equities have faced the conundrum of how to respond to persistent US outperformance. Some serenely maintained market cap weights despite ever more extreme relative valuations, others pursued the contrarian view implied by yield-based expected returns, and yet others gave up entirely on the rest of the world, as the US seemed so strongly placed to foster technological innovation, earnings growth and investor returns.

We address this highly topical regional question by analyzing the drivers of relative performance – in particular the different roles of fundamentals and valuations – and assessing the most likely implications for future returns.

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