

A well-traveled portfolio

Coming out of the Financial Crisis, the past 15 years have been a wonderful span for anyone invested in the US stock markets. The S&P 500, a benchmark of major US corporations, has returned 13.7% in US dollar terms annually over this stretch, well ahead of other major markets such as Japan, Germany, the UK and Canada, creating substantial wealth for investors along the way. Not only has the US performed very handsomely but it has done so with remarkable consistency, leading the way as the single best market in eight of these 15 years.

With such great returns generated with such persistence, we frequently have clients wondering if they need to bother with an allocation beyond their US equity investments.

US	Canada	France	Germany	Japan	Switzerland	UK
13.7%	6.0%	6.9%	6.4%	6.4%	8.4%	5.3%

*All returns shown in US dollar total returns from 31 December 2009 to 31 December 2024. Indices shown are S&P 500, TSX Composite, MSCI France, MSCI Switzerland, MSCI Japan, MSCI Germany and MSCI UK
 Source: FactSet

However, this recent run stands in contrast to a historical mix of alternating market leadership. Consider the preceding 15-year span, from 1994 to 2009. During that period, the US market returned a respectable 8.0% annually. However, these gains ranked US stocks in the middle of the pack, lagging better performance from some European nations like France and Switzerland. Canadian investors, in particular, benefited from staying local as the TSX Composite index posted 11.4% annual gains that surpassed all others. Furthermore, unlike recent history that has seen the US as a perennial candidate for the best annual gains, the US market ranked 1st just once over these 15 years. Although it's hard to believe now, at the time we had many clients asking why they would ever bother with an allocation beyond Canadian equity investments.

US	Canada	France	Germany	Japan	Switzerland	UK
8.0%	11.4%	8.6%	7.4%	(1.1%)	8.8%	6.8%

*All returns shown in US dollar total returns from 31 December 1994 to 31 December 2009. Indices shown are S&P 500, TSX Composite, MSCI France, MSCI Switzerland, MSCI Japan, MSCI Germany and MSCI UK
 Source: FactSet

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This variance in country returns continues as you look further back in time as well. For example, stepping back a further ten years to consider 1984 to 1994, the ranking reshuffles yet again. In this case, the US returns a commendable 12.3% annually but falls well short of markets such as France, Germany, Japan, Switzerland, and the UK, who returned between 16.9% and 21.3%. This sets the stage for 2025 as investors watch a different medley unfold: in the first seven weeks of the year, a 4.0% gain in US markets has been well eclipsed by those of France, Germany, and Switzerland, who returned between 10.9% and 13.4%. The divergence from the last 15 years may seem like an oddity in the context of recent US exceptionalism in equity markets. For those with a longer lens, however, it feels more like normal market behaviour, and a reminder of the benefits of having a portfolio that is well-traveled across the globe.

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