



April 2025

Observations in Global Equities

TP974

All data in this presentation is as of 30 April 2025 unless otherwise noted.



Observations in Global Equities

Global Equity
Themes

Leadership
Shifts

Recession
Risk

Valuations

Relative Value
Assessment

Global Equity Themes

April 2025

MACRO

- Markets are challenged to price in impacts of the newly-announced Trump administration tariff framework on various businesses, borrowers, and the performance of the overall economy.
- Budget deficits of the U.S. government and many other developed countries are well above average in relation to GDP, increasing the supply of new government debt issues even as most central banks have reduced holdings of government debt.
- Optimism is fading. Investors struggle to assess policy uncertainty, tariffs, wars in Ukraine and the Middle East, and the immediate and longer run impacts of all of these on various issuers of stocks and bonds.

VALUATIONS / FUNDAMENTALS

- Consensus published forecasts of equity market analysts have called for S&P 500 Index earnings to grow by at least 10% per year over 2025 and 2026. Most non-U.S. equity market portfolios also expect above average y/y earnings growth. These forecasts are being cut in many cases as tariff impacts are evaluated.
- U.S. growth stocks have come under pressure amid rich valuations. Extended multiples and weak 2025 YTD returns suggest a potential recalibration is underway.
- Expect guidance cuts from a wide spectrum of firms with Q1'25 earnings reports given the double whammy of tariff impacts on the cost of inputs, possible retaliation by affected countries, and the increasing potential for a macro slowdown ahead.

Global Equities: Leadership Shifts Abroad

U.S. equities retreat while international markets—especially Europe—have taken the lead

	2018	2019	2020	2021	2022	2023	2024	2025 YTD
USA: S&P 500	-4.38%	31.49%	18.40%	28.71%	-18.11%	26.29%	25.00%	-4.93%
USA: Russell 3000 Growth	-2.12%	35.85%	38.26%	25.85%	-28.97%	41.20%	32.45%	-8.44%
MSCI EAFE	-13.79%	22.01%	7.82%	11.26%	-14.45%	18.24%	3.82%	11.76%
MSCI AC World ex-U.S.	-13.78%	22.13%	11.13%	8.29%	-16.00%	15.62%	5.53%	9.03%
MSCI AC World	-9.42%	26.60%	16.25%	18.54%	-18.36%	22.20%	17.49%	-0.40%
MSCI Emerging Markets	-14.58%	18.42%	18.31%	-2.54%	-20.09%	9.83%	7.50%	4.28%
EURO STOXX 50	-15.61%	26.84%	6.01%	15.58%	-13.97%	27.27%	4.67%	16.90%
MSCI AC Asia Pacific (All-Cap)	-14.16%	18.70%	19.16%	5.54%	-9.89%	11.98%	10.14%	3.79%
Russell 2500 Growth Total Return	-7.47%	32.65%	40.47%	5.04%	-26.22%	18.91%	13.90%	-11.09%
Russell 2500 Total Return	-10.00%	27.77%	19.99%	18.18%	-18.37%	18.66%	12.00%	-9.41%

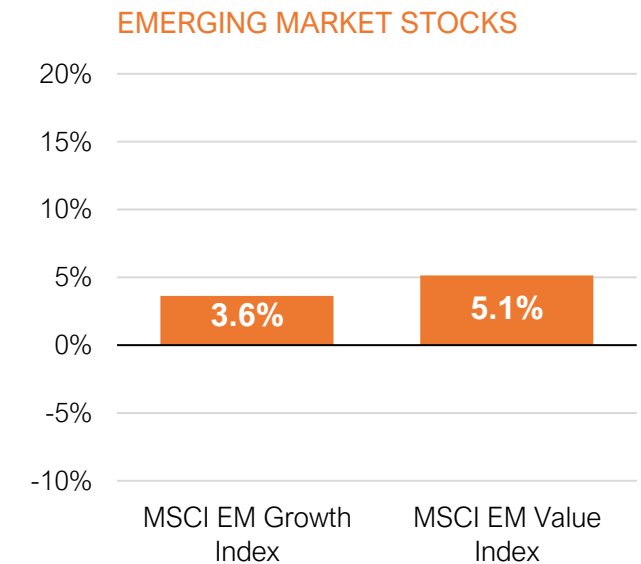
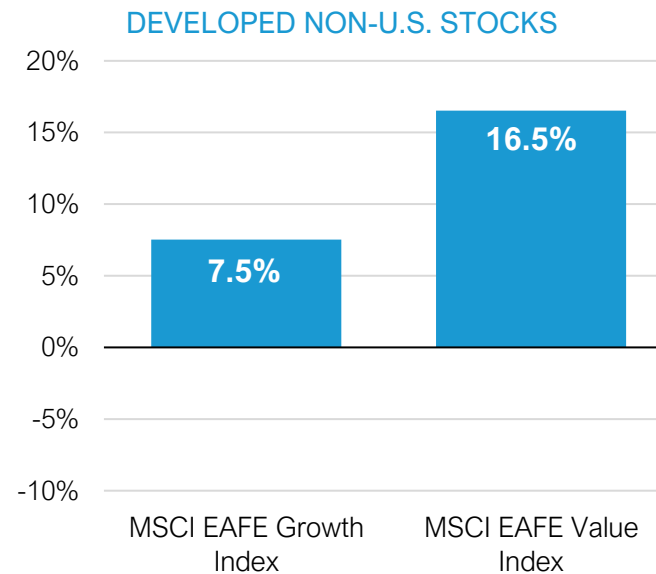
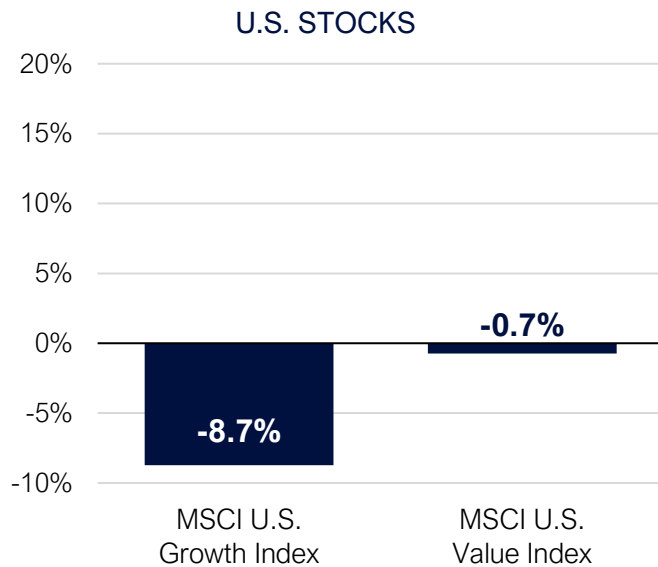
Past performance does not guarantee future results.

Source: Bloomberg

Style Leadership Broadens – outside the U.S.

International equities delivered attractive returns across styles

1H2024 TOTAL RETURNS

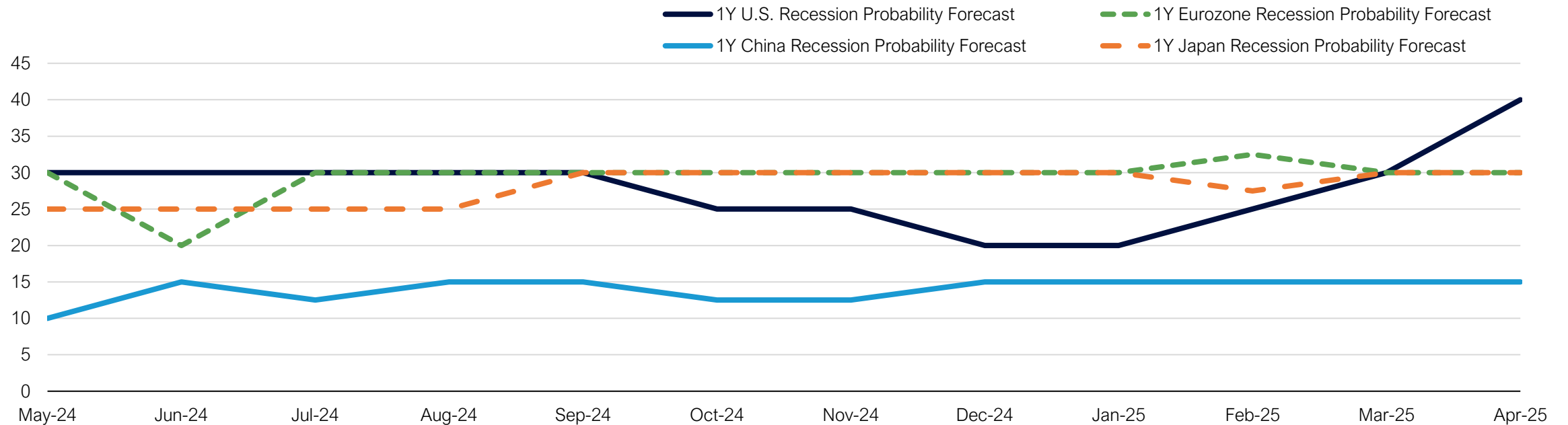


Past performance does not guarantee future results.

Source: Bloomberg

Diverging Recession Risks across Regions

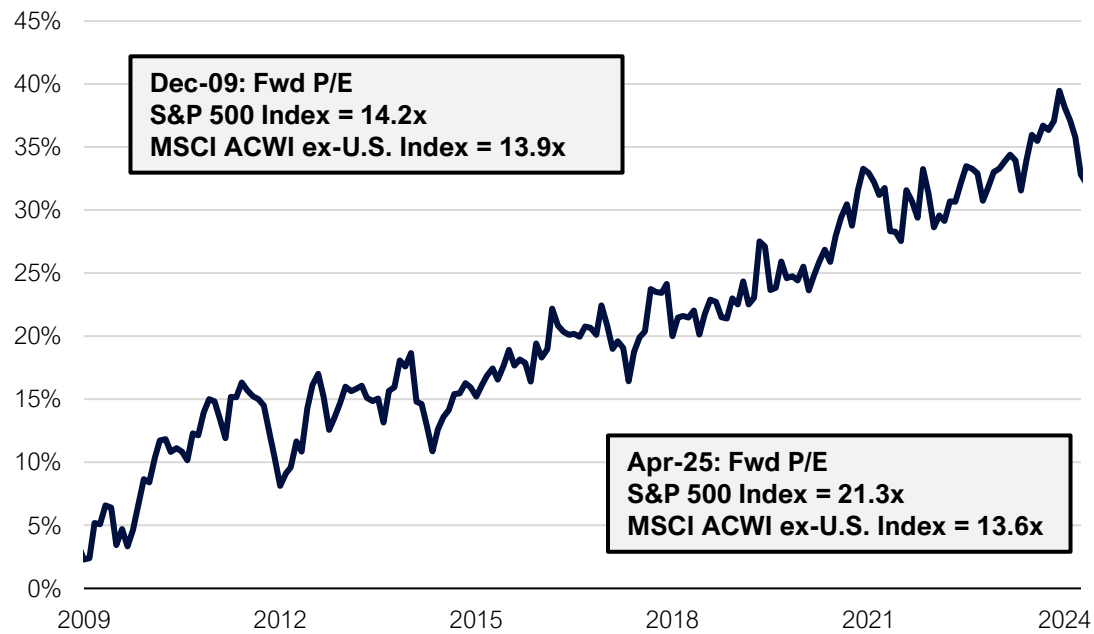
U.S. risk climbs on tariff uncertainty; global recession expectations remain steady



Source: Bloomberg, Thornburg Investment Management

Multiple Expansion and Strong Dollar Have Driven U.S. Outperformance

12-MONTH FORWARD P/E PREMIUM: S&P 500 INDEX VS. MSCI ACWI EX-U.S. INDEX



U.S. DOLLAR INDEX (DXY)

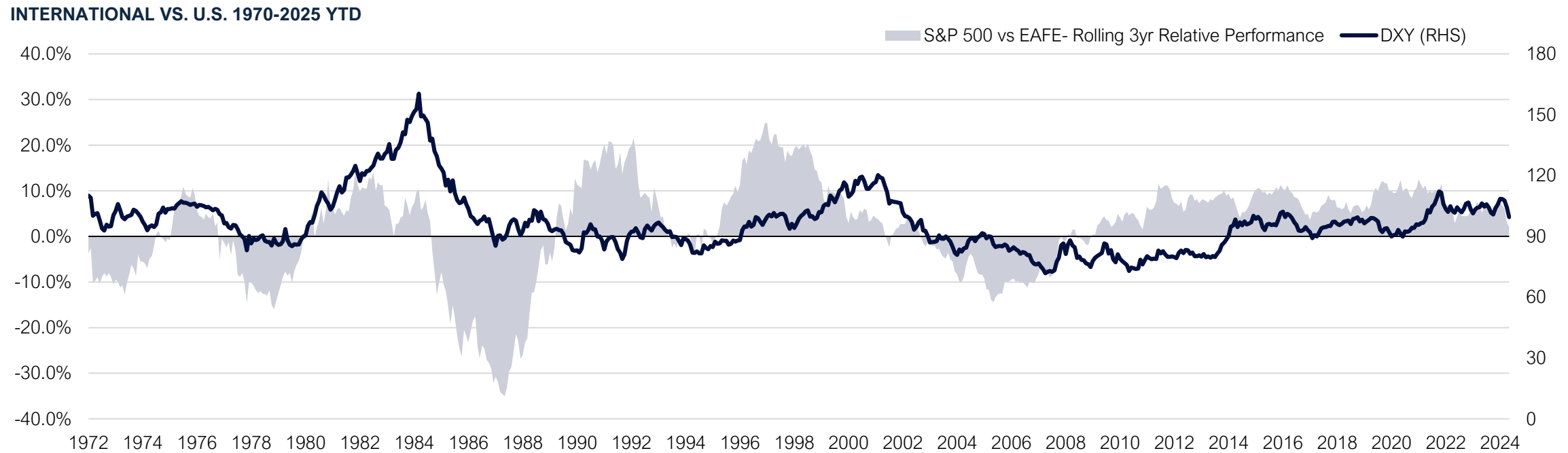


Past performance does not guarantee future results.

Source: Bloomberg

Market Leadership Can Last Many Years

ZIRP benefited the U.S. Market vs. International



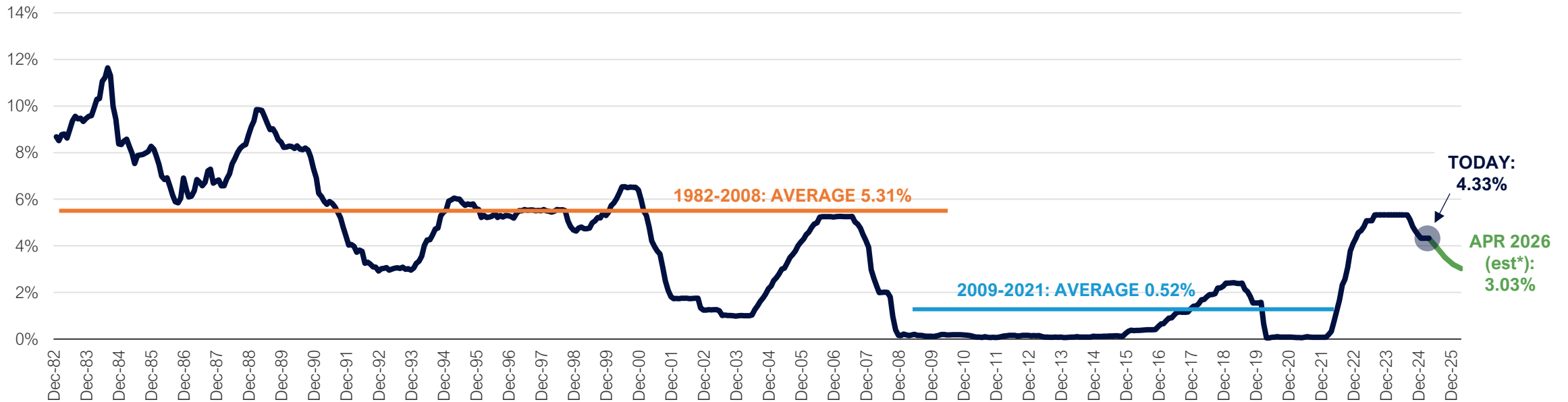
Past performance does not guarantee future results.

Source: Morningstar and Bloomberg

Cost of Capital Normalization: Higher for Longer Rate Environment

Even as rate cuts resume, the era of rates at near-zero level is likely over

EFFECTIVE FED FUNDS RATE



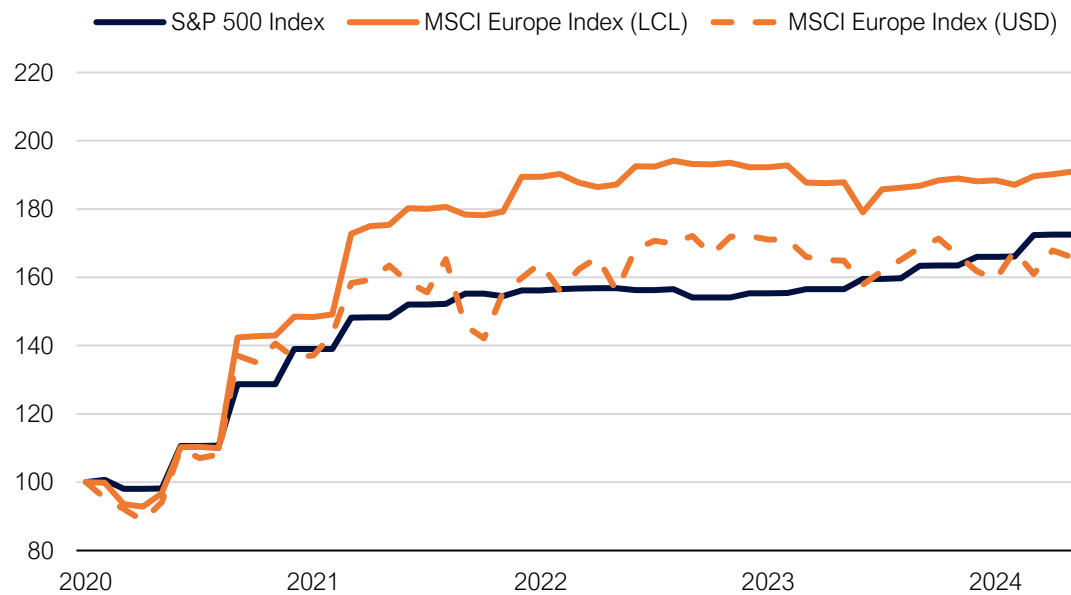
Source: Bloomberg

*Implied Market Forecast

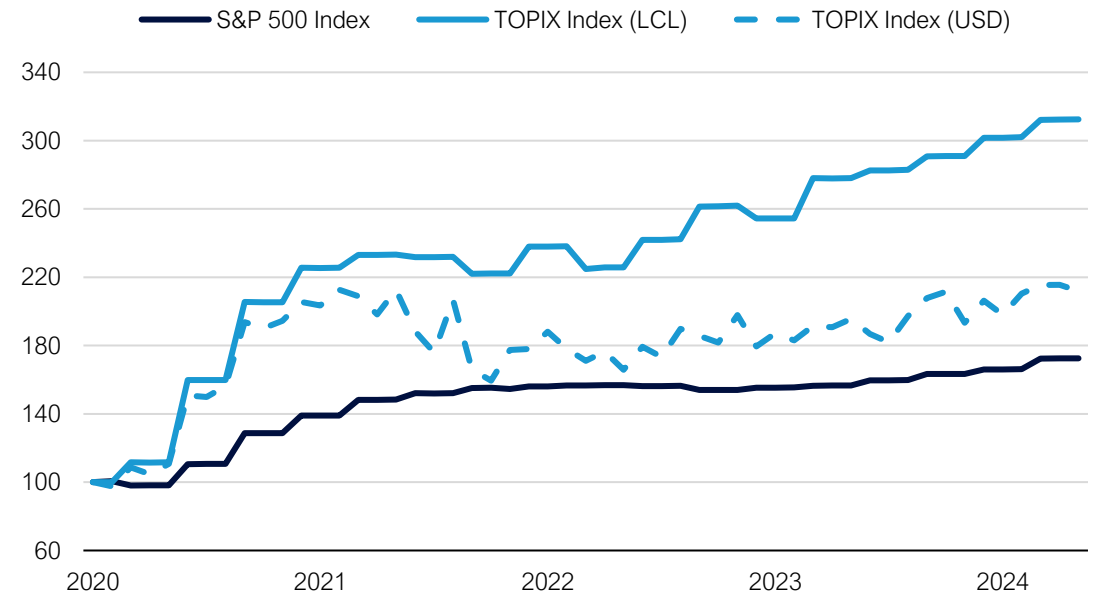
Have U.S. Returns Outpaced Fundamentals?

U.S. stocks have soared despite better earnings growth in Europe and Japan.

TRAILING 12-MONTH EARNINGS PER SHARE (INDEXED TO 100)



TRAILING 12-MONTH EARNINGS PER SHARE (INDEXED TO 100)



Past performance does not guarantee future results.

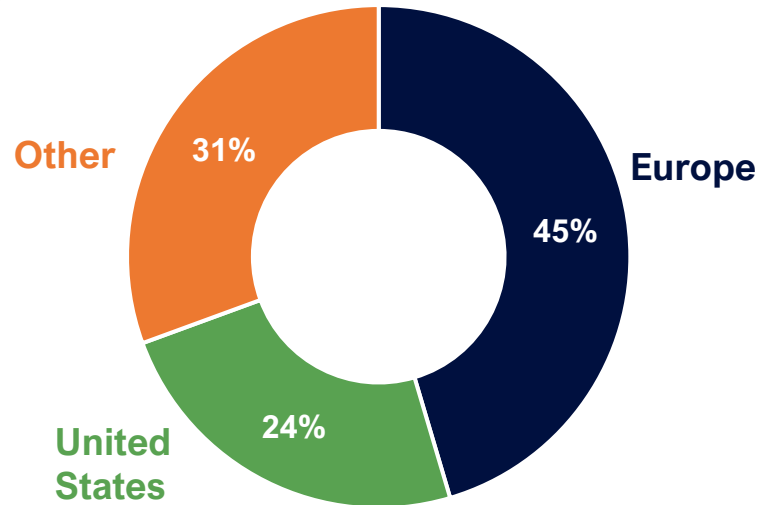
Source: Bloomberg

International Equities Are Not the European Economy

Companies domiciled in Europe provide global revenue exposure at a lower valuation than their U.S. counterparts

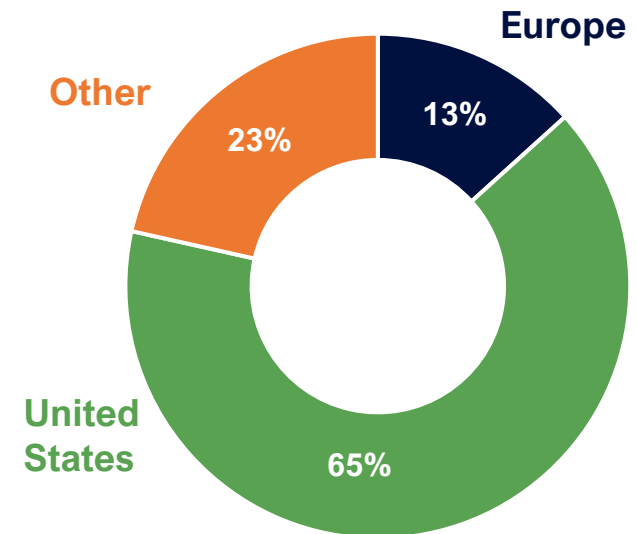
MSCI EUROPE

14.3x P/E
(12 mo. fwd)



MSCI USA

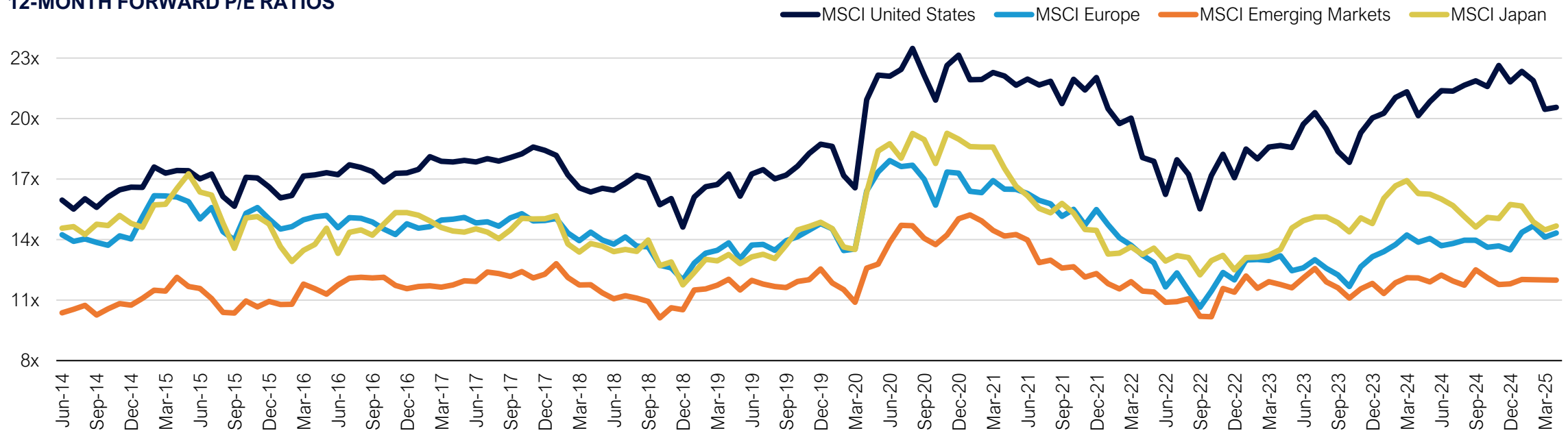
20.6x P/E
(12 mo. fwd)



Source: FactSet

Relative Valuations Support Non-U.S. Assets

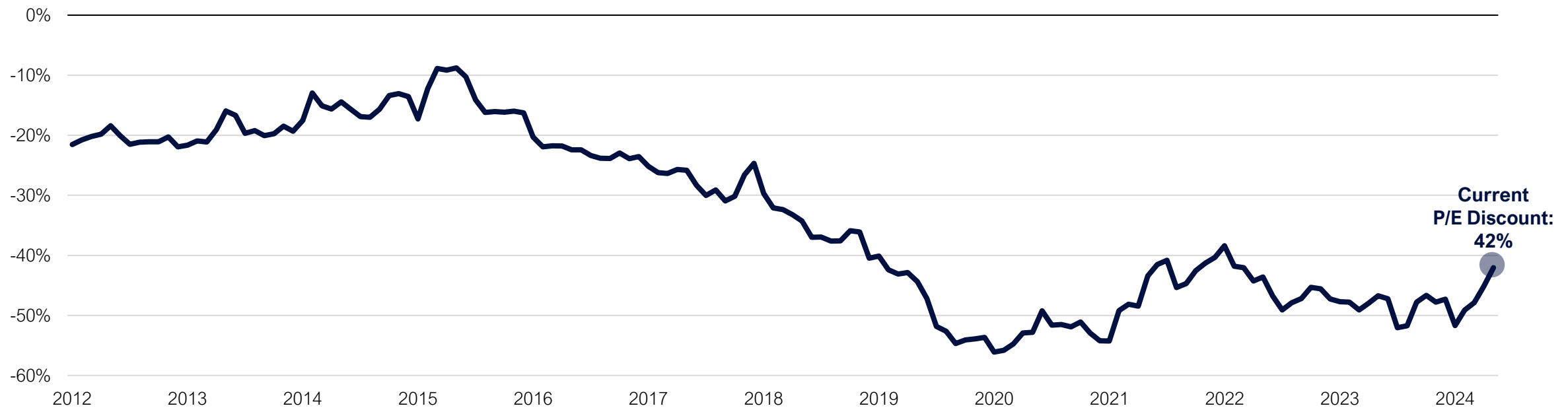
12-MONTH FORWARD P/E RATIOS



Source: Bloomberg

High Dividend Equities Remain Deeply Discounted vs. Growth

P/E DISCOUNT (12 MO. FWD.): MSCI WORLD HIGH DIVIDEND INDEX VS. MSCI WORLD GROWTH INDEX



Past performance does not guarantee future results.

Source: Bloomberg

Relative Value Assessment

Global Equity Markets

MARKET	OUTLOOK	POSITIONING
Macro	Midway through the year, tariff uncertainties remain, and focus turns to the sustainability of U.S. deficits as Trump's tax bill progresses. The latter will have meaningful impacts on the value of the dollar, economic activity and financial asset flows. Ex-U.S. leaders continue to make fiscal and policy adjustments to reflect changes in the new U.S. administration's stance.	We remain underweight to U.S. equities on valuation grounds relative to international markets. Given outcomes vary wildly, we continue to maintain idiosyncratic where bottom-up stock selection can drive performance. We expect volatility to create opportunities around various geopolitical events and news flow.
U.S. Equities	U.S. equities recovered much of their "Liberation Day" sell off. However, heightened macroeconomic and policy uncertainty increase risk to earnings and inflation while multiples remain well-above historic averages.	U.S. multiples are historically elevated relative to international markets. We continue to be selective and favor firms we believe can effectively navigate an environment of lower growth and more normalized interest rates.
International Equities	For the past decade and a half, U.S. equities have taken center stage; but now international markets, often underappreciated, are revealing compelling potential. As the U.S. contends with persistent inflation, we believe international markets offer a diverse set of investment conditions worth further exploration.	Relative valuations, especially in Europe, remain attractive for bottom-up stock picking despite concerns over tariffs and geopolitical uncertainty. Europe begins to assert greater economic independence, and a Ukraine resolution could spur a cyclical growth recovery.
Emerging Market Equities	Emerging market equities enter the year with cautious optimism as central banks in key economies shift toward easing, potentially boosting growth. However, geopolitical tensions, currency volatility, and uneven economic recoveries could keep challenging market conditions.	Economic growth potential appears more robust than in many developed markets and earnings growth is improving across many regions. Select emerging market countries provide pockets of opportunity not currently reflected in valuations.

The views expressed are subject to change and do not necessarily reflect the views of Thornburg Investment Management, Inc.
This information should not be relied upon as a recommendation or investment advice and is not intended to predict the performance of any investment or market.

Appendix

Important Information



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Investments carry risks, including possible loss of principal.

The performance data quoted represents past performance; it does not guarantee future results.

P/E - Price/Earnings ratio (P/E ratio) is a valuation ratio of a company's current share price compared to its per-share earnings. P/E equals a company's market value per share divided by earnings per share. Forecasted P/E is not intended to be a forecast of the fund's future performance.

Dividend Yield - A ratio that shows how much a company pays out in dividends each year relative to its share price.

Gross Domestic Product (GDP) - A country's income minus foreign investments: the total value of all goods and services produced within a country in a year, minus net income from investments in other countries.

Fed Funds Rate - The interest rate at which a depository institution lends immediately available funds (balances at the Federal Reserve) to another depository institution overnight.

Tokyo Stock Price Index (TOPIX) - A capitalization-weighted index that measures stock prices on the Tokyo Stock Exchange (TSE). TOPIX is a measure of the performance of the largest companies (those in the First Section) of the TSE.

The S&P 500 Index (S&P 500 TR) is an unmanaged broad measure of the U.S. stock market.

The EURO STOXX 50 Index provides a Blue-chip representation of supersector leaders in the Eurozone. The index covers 50 stocks from 11 countries: Austria, Belgium, Finland, France, Germany, Ireland, Italy, Luxembourg, the Netherlands, Portugal and Spain.

The Russell 2500 Growth Index (Russell 2500 Growth TR) is designed to measure the performance of those Russell 2500 companies with higher price-to-book ratios and higher forecasted growth values.

The Russell 2500 Index (Russell 2500 TR) measures the performance of the 2,500 smallest companies in the Russell 3000 Index, with a weighted average market capitalization of approximately \$4.3 billion, median capitalization of \$1.2 billion and market capitalization of the largest company of \$18.7 billion.

The Russell 3000 Growth Index is an unmanaged index comprised of those Russell 3000 companies with higher price-to-book ratios and higher forecasted growth values. The stocks in this index are also members of either the Russell 1000 Growth or the Russell 2000 Growth indices. Source: Frank Russell Company.

The U.S. Dollar Index (USD, DXY, DX) is an index (or measure) of the value of the United States dollar relative to a basket of foreign currencies, often referred to as a basket of U.S. trade partners' currencies.

Source: Bloomberg Index Services Limited. "Bloomberg®" and the Bloomberg index(es) mentioned in this piece are service marks of Bloomberg Finance L.P. and its affiliates, including Bloomberg Index Services Limited ("BISL"), the administrator of the index (collectively, "Bloomberg") and have been licensed for use for certain purposes by Thornburg Investment Management. Bloomberg is not affiliated with Thornburg, and Bloomberg does not approve, endorse, review, or recommend Thornburg. Bloomberg does not guarantee the timeliness, accurateness, or completeness of any data or information relating to Thornburg.

Important Information



The MSCI USA Value Index captures large and mid cap US securities exhibiting overall value style characteristics. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. The MSCI Emerging Markets Net Total Return USD Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

The MSCI USA Growth Index captures large and mid cap securities exhibiting overall growth style characteristics in the US. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI World High Dividend Yield Index is based on the MSCI World Index, its parent index, and includes large- and mid-cap stocks across 23 Developed Markets (DM) countries. The index is designed to reflect the performance of equities with higher dividend income and quality characteristics than average dividend yields that are both sustainable and persistent.

The MSCI EAFE Index (MSCI EAFE NTR) is an unmanaged index. It is a generally accepted benchmark for major overseas markets. Index weightings represent the relative capitalizations of the major overseas developed markets on a U.S. dollar adjusted basis. The index is calculated with net dividends reinvested in U.S. dollars.

The MSCI EAFE Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across Developed Markets countries around the world, excluding the U.S. and Canada. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI EAFE Value Index (MSCI EAFE Value NTR) captures large- and mid-cap securities exhibiting overall value style characteristics across Developed Markets countries around the world, excluding the US and Canada. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield. With 494 constituents, the index targets 50% coverage of the free float-adjusted market capitalization of the MSCI EAFE Index.

The MSCI AC World ex USA (Gross/Net) Index is a market capitalization weighted index representative of the market structure of 46 developed and emerging market countries in North and South America, Europe, Africa, the Middle East, and the Pacific Rim, excluding securities of United States issuers. Beginning in January 2001, the index is calculated with net dividends reinvested in U.S. dollars. Prior data is calculated with gross dividends.

The MSCI World Index is a broad global equity index that represents large and mid-cap equity performance across all 23 developed markets countries. It covers approximately 85% of the free float-adjusted market capitalization in each country.

The MSCI World Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across 23 developed markets countries.

The MSCI Japan Index is designed to measure the performance of the large- and mid-cap segments of the Japanese market. With 314 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.

The MSCI Emerging Markets Index (MSCI Emerging Markets NTR) is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets.

The MSCI Emerging Markets Growth Index captures large- and mid-cap securities exhibiting overall growth style characteristics across 26 Emerging Markets (EM) countries. The growth investment style characteristics for index construction are defined using five variables: long-term forward EPS growth rate, short-term forward EPS growth rate, current internal growth rate and long-term historical EPS growth trend and long-term historical sales per share growth trend.

The MSCI Emerging Markets Value Index captures large- and mid-cap securities exhibiting overall value style characteristics across 26 Emerging Markets (EM) countries. The value investment style characteristics for index construction are defined using three variables: book value to price, 12-month forward earnings to price and dividend yield.

The MSCI Europe Index is a free float-adjusted market capitalization-weighted index that is designed to measure the equity market performance of the developed markets in Europe. The MSCI Europe Index consists of the following 15 developed market country indices: Austria, Belgium, Denmark, Finland, France, Germany, Ireland, Italy, the Netherlands, Norway, Portugal, Spain, Sweden, Switzerland, and the United Kingdom.

The MSCI AC (All Country) Asia Pacific Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of the developed and emerging markets in the Asia Pacific region. The index consists of the following 14 developed and emerging market countries: Australia, China, Hong Kong, India, Indonesia, Japan, Korea, Malaysia, New Zealand, Pakistan, Philippines, Singapore, Taiwan and Thailand.

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