Globally Minded

Our view on International Equities.

27 November 2025

This Year Has Provided a Reminder of the Attractions of Diversification

For over a decade, until this year, being concentrated in US equities within international portfolios produced better returns, as the US market outperformed the rest of the world most years.

The growth of the large US tech companies and a solidly growing economy drove performance, during a period including the pandemic and the subsequent inflation.

But this year, another one of strong returns, the US has underperformed the rest of the world, illustrating again the benefits of being more diversified.

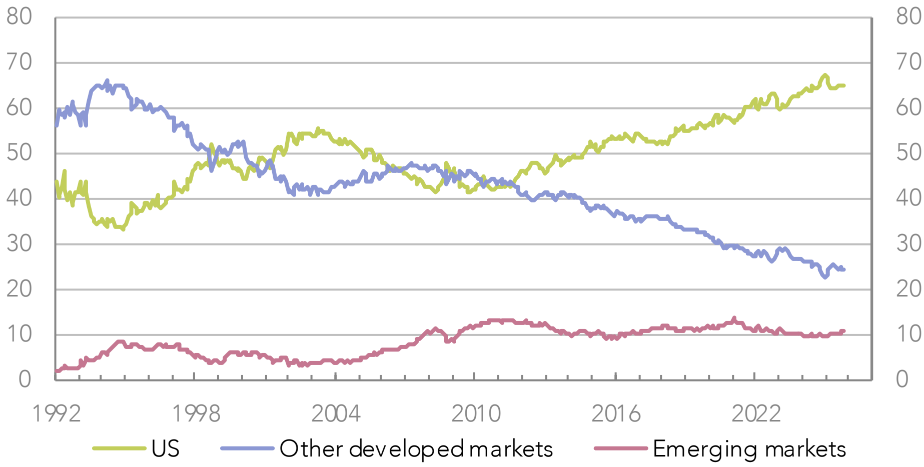
Here we take stock to consider the case for diversification going forward and further below highlight some major companies in markets other than the US.

- **Some of the most pronounced uncertainty and volatility has occurred amidst still strongly performing markets again this year.** Despite the risks associated with the tariffs and trade war brought on by the US, equity markets and economies have weathered the conditions, both in the US and the rest of the world, including Australia. The US market looks on track to produce in the order of a 20% return, for the third successive year. And the rest of the world has even exceeded that, with around a 30% return in US dollars, a pattern that is something of a rarity for the past decade.

- **Looking to next year, a key question is whether we could see an extension of this performance.** In support of continued economic resilience, there seems scope for further interest rate cuts in the US, after earlier reductions in other countries, which could put more accommodative conditions in place across markets. In this environment, the dynamism and innovation of US firms could continue to drive strong earnings growth, leaving the high US market valuation sustainable. In the rest of the world, overall growth would likely be more moderate, but lower market valuations could mean expectations are exceeded, and could see further re-rating.

- **The range of possibilities seems to argue for maintaining diversification globally.** This would still imply a focus on the US, which after its gains over the past decade makes up around two-thirds of the global equity market index's capitalisation (Figure 1). But the rest of the world makes up a not insignificant one-third, with other developed markets comprising one-quarter and emerging markets one-tenth of the global index. After their remarkable success, many of the large US companies, particularly the large US tech stocks, are quite well known and well held by investors. So, in this report we highlight some major companies in other markets that could provide desired diversification for Australian investors.

Figure 1: MSCI AC World Index composition (% of market capitalisation)*



*Market capitalisation is consensus 12 month forward estimate (generally broadly consistent with trailing values).
Source: MSCI, IBES, Refinitiv, Canaccord Genuity.

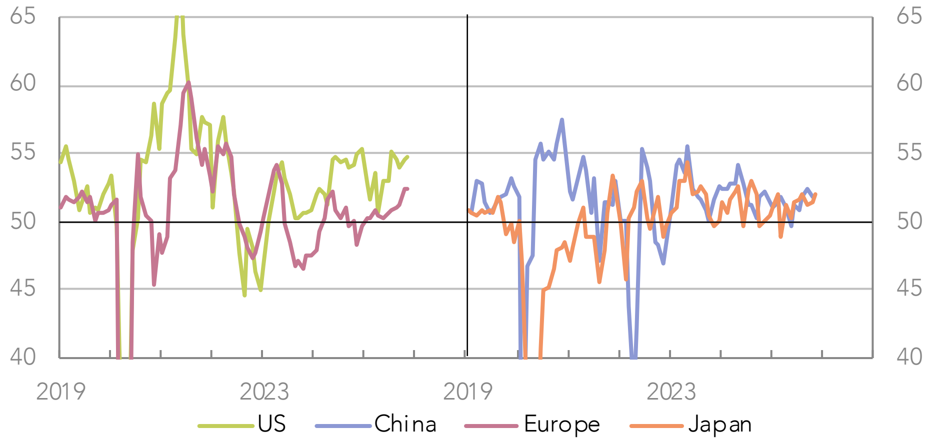
Different Environments

The past decade has been one of contrasts for the US market and the rest of the world. In the US, the growth of the large tech stocks has underpinned the rise of the market, supported by a generally solid economy, and earnings boosted by a large corporate tax cut during the first Trump Administration. In the rest of the world, Europe has had to contend with fiscal restraint after its sovereign debt crisis in 2012, the rupture of Brexit in 2016, and war in Ukraine since 2022; and China has faced a structural property sector downturn and some retreat from free market policies.

While some of these issues remain, this year the US and the rest of the world have been confronted with the same shock – the tariffs and trade war initiated by the US – though from opposite sides. While this has evolved and had different effects, after nine months it's become clear that economies have been more resilient than feared, and that growth in the US and other major economies has tended to converge somewhat, as indicated by the measures of economic conditions reported monthly, the Purchasing Managers Indices (PMIs) (Figure 2). In fact, despite the tariffs, conditions in Europe and Asia are reported to have picked up this year, moving closer to the US.

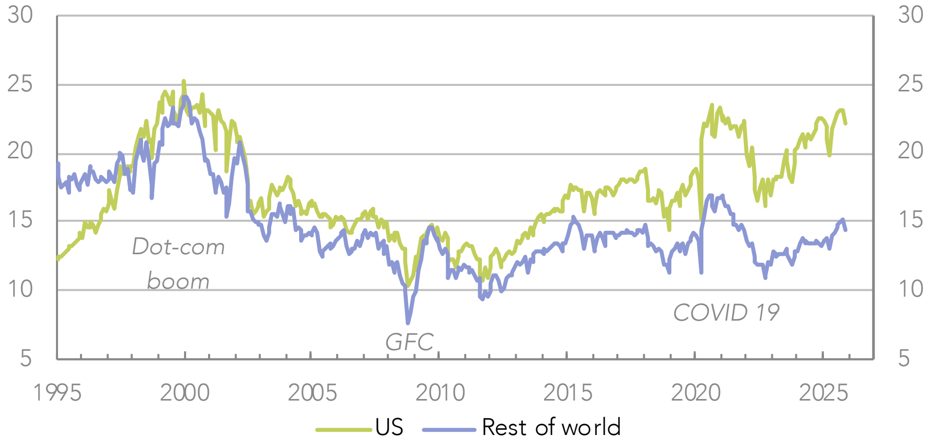
In this context, the US equity market continues to trade at a much higher valuation than the rest of the world, as reflected in respective PE ratios (Figure 3). These imply different expectations about earnings growth, and this aligns with consensus earnings growth forecasts that are much higher for the US than Europe for the next few years (Figure 4); or different estimates of risk, which are higher for emerging markets than developed markets.

Figure 2: Composite purchasing managers' indices (PMIs)*



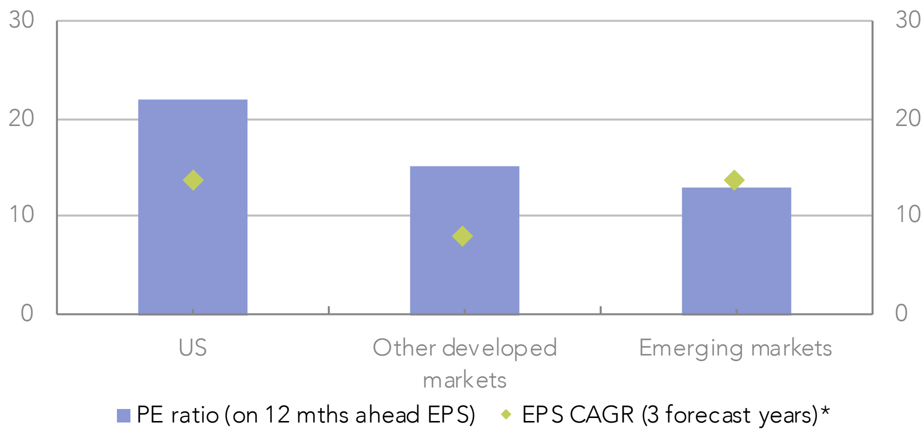
Source: Markit, Refinitiv, Canaccord Genuity.

Figure 3: International equities PE ratios*



*PE ratios are on 12 month forward consensus earnings. Include estimates for November 2025 to date.
Source: MSCI, IBES, Refinitiv, Canaccord Genuity.

Figure 4: PE ratios and consensus forecast earnings growth (%)



*Consensus earnings per share (EPS) compound average growth rate (CAGR).
Source: Factset, Canaccord Genuity.

Future Prospects

As noted above, the coming year could see accommodative monetary policies support economic growth that enables US firms to continue to drive earnings higher and leave the high market valuation sustainable. Growth in the rest of the world would likely be more moderate, but with lower valuations, it could mean expectations are favourably exceeded. And the range of possibilities would seem to argue for maintaining diversification globally.

Hence, with many of the large US companies well known and well held by investors, below we highlight some high quality companies in other markets that could provide desired diversification (Figure 5). Some if not all of these companies will also be well known as they are generally global businesses and represent a group of stocks spread across sectors and countries and regions. They have in common leading brands and products and innovation to drive growth, similar to the leading US companies.

Individually, they offer exposure to similar structural growth themes to US peers while providing valuation alternatives. Airbus, ASML, SAP, and Siemens deliver access to industrial automation, semiconductor infrastructure, and aerospace duopolies with strong pricing power.

Figure 5: Highlighted International large cap stocks

Company	Country	Sector	Market Cap (US$bn)	P/E (12M Fwd)	Dividend Yield (12M Fwd)	EPS Growth (3Y CAGR)
Airbus	France	Industrials	183	25.5x	1.6%	23%
ASML	Netherlands	IT	379	33.1x	0.9%	18%
HSBC	UK	Financials	287	9.1x	5.4%	6%
L'Oreal	France	Cons. Staples	225	27.0x	2.2%	5%
Roche	Switzerland	Healthcare	311	15.7x	3.1%	5%
SAP	Germany	IT	300	29.4x	1.3%	23%
Siemens	Germany	Industrials	205	19.9x	2.5%	12%
Sony	Japan	Cons. Disc.	177	22.4x	0.6%	7%
Tencent	Hong Kong	Comm. Serv.	740	18.4x	0.9%	14%

Source: Factset, Canaccord Genuity.

L'Oréal and Roche represent defensive quality with global market leadership in beauty and healthcare, delivering stable earnings with reduced cyclicality. Sony and Tencent provide exposure to Asian technology platforms at more attractive valuations than US counterparts. And HSBC offers global banking exposure at modest valuations relative to US and Australian banking peers.

Below we highlight the features of each in more detail (Figure 6).

Figure 6: Highlighted International large cap stocks in detail

Company	Ticker	Investment Summary
Airbus	AIR.PAR	Airbus is one of two global commercial aircraft manufacturers, operating a duopoly with Boeing in large passenger jets while also producing helicopters and defence systems. The company delivered 766 commercial aircraft in FY24 and maintains an 8,665-aircraft backlog worth €629 billion, providing considerable revenue visibility over the next decade. The 3Q FY25 result exceeded expectations with EBIT up 10% (normalised for prior-period charges) and management reaffirming guidance for 820 deliveries and €7 billion EBIT in FY25, supporting consensus expectations for 24% annual EPS growth through FY27. The investment case centres on the global fleet replacement cycle, with Airbus's latest-generation A320neo and A350 aircraft delivering 20-25% fuel efficiency gains versus older models, driving strong demand as airlines upgrade aging fleets. With production ramping to 75 aircraft per month by 2027 and recent order wins from traditionally Boeing-loyal carriers like Japan Airlines, the stock trades on 26x forward P/E, a premium to its 23x 5-year average reflecting the company's structural tailwinds in commercial aviation demand.
ASML	ASML.AMS	ASML is the sole supplier of extreme ultraviolet (EUV) lithography systems, the essential machinery for printing circuit patterns onto silicon wafers to manufacture advanced computer chips smaller than 7 nanometres, with dominant share of the global chip-printing equipment market. The investment thesis rests on ASML's monopoly position as AI chip expansion drives global semiconductor sales toward €1 trillion by 2030. The company targets €44-60 billion revenue (from €28 billion in 2024) with consensus forecasting 18% EPS CAGR over FY25-27, driven by next-generation High NA systems and expanding recurring service revenue, offering investors exposure to a structural, multi-year technology upgrade cycle with defensible competitive advantages supported by €4.3 billion annual R&D spending and an irreplaceable supply chain. The company delivered solid Q3 FY25 results with EPS up 4% and gross margin expanding to 51.6%, while net bookings of €5.4 billion included €3.6 billion in EUV orders, the highest level in nearly two years. Operational highlights featured the first High NA system shipment for next-generation processors.
HSBC	HSBA.LSE	HSBC operates a global banking franchise with US$3.2 trillion in assets across retail banking, wealth management, and wholesale transaction banking, serving as the world's #1 ranked trade bank covering 85% of global trade flows with dominant positions in Hong Kong, UK, and Asia growth markets. The company's 3Q FY25 results demonstrated solid execution with revenue and profit before tax both up 3%, driven by banking net interest income growth of 2% from deposit expansion and Wealth fee income surging 29% underpinned by insurance and investment distribution strength in Hong Kong, while upgrading FY25 banking net interest income guidance. Key drivers include banking revenue stability supported by a US$1.7 trillion customer deposit base, Wealth momentum delivering double-digit fee growth across Asia as Hong Kong emerges as a leading cross-border wealth hub, and operational simplification targeting US$1.5 billion in cost savings, supporting consensus 6% annual EPS Growth through FY27, with the stock trading at 9x forward P/E (8x 5-year average) despite strengthening fundamentals and upgraded guidance.
L'Oreal	OR.PAR	L'Oréal is the world's leading beauty company with 37 international brands including L'Oréal Paris, Lancôme, CeraVe, and La Roche-Posay across professional products, consumer products, luxury, and dermatological beauty. The company's appeals stems from L'Oréal's market-leading brand portfolio with scale advantages in China, the Beauty Stimulus Plan delivering market share gains through innovation launches, and margin expansion potential as new products gain traction, supported by consensus 5% annual EPS growth to FY27 and trading on 27x forward P/E, representing a discount to its historical valuation (5-year average 33x), despite sustained mid-single-digit organic growth prospects and the strategic Kering Beauté luxury partnership. The 3Q FY25 results showed accelerating momentum with revenue growth of 5%, driven by US and mainland China recovery and strong performance in professional products and dermatological beauty, with margins expected to improve in 2H.
Roche	RO.SWX	Roche is a global leader in pharmaceuticals and diagnostics, specialising in oncology, immunology, neuroscience, and personalised healthcare with dominant positions in clinical diagnostics. The 3Q FY25 result demonstrated resilient execution with group sales rising 7% (CER), driven by Pharma division growth of 9% offsetting COVID diagnostics normalisation. Key contributors included subcutaneous atezolizumab launches, Ocrevus growth of 13%, and breakthrough treatments in eye disease. Management raised FY25 guidance to mid-single digit sales growth and high-single digit core EPS growth, reflecting improved product mix and operational efficiency. The investment thesis rests on Roche's expanding late-stage pipeline with multiple near-term approvals, leadership in high-growth therapeutic areas including neuroscience and immuno-oncology, and margin expansion opportunity through product mix improvement, positioning for sustained cash flow generation. With consensus forecasting 5% annual EPS growth through FY27, the stock trades on 16x forward P/E (in line with its 5-year average), offering defensive growth and consistent dividend progression to shareholders.
SAP	SAP.ETR	SAP is the world's largest enterprise software provider, delivering integrated cloud and on-premise solutions for managing finance, HR, supply chain, procurement, and analytics across global enterprises. With consensus projecting 23% annual EPS growth through FY27, key drivers include SAP's multi-year cloud transformation driving accelerating revenue growth and margin expansion: the company's €63 billion total cloud backlog provides strong revenue visibility, management expects double-digit revenue growth through FY27, and expanding AI adoption is enhancing customer value and competitive positioning in business process automation. At 29x forward P/E (versus 26x 5-year average), the valuation reflects confidence in sustained execution. The company's Q3 FY25 results demonstrated sustained momentum, with total revenue up 7% and cloud revenue, now representing 58% of total revenue, growing 27%. Cloud ERP Suite revenue rose 31%, while current cloud backlog increased 23% to €19 billion, signalling robust demand for the company's RISE with SAP cloud migration offering and AI capabilities through its Joule copilot.

Company	Ticker	Investment Summary
Siemens	SIE.ETR	Siemens is a global industrial technology company offering automation and electrification solutions spanning factory software, electrical systems, smart buildings, and rail mobility systems. The 4Q FY25 results demonstrated strong execution with revenue growing 6%, EPS increasing 11%, and free cash flow reaching record levels of €10.2 billion, driven by broad-based momentum across the company. The investment case centres on structural tailwinds from AI-driven industrial automation and datacentre electrification with 20%+ datacentre revenue growth expected through FY26, €9 billion software business with 50% recurring revenue providing revenue visibility, and margin expansion, with consensus forecasting 13% annual EPS growth through FY28 as management raises mid-term revenue growth guidance to 6-9%. At 20x forward P/E (versus 16x 5-year average), the premium valuation reflects the improved growth outlook and strengthened portfolio focus following Siemens Healthineers deconsolidation plans.
Sony	6758.TKS	Sony is a diversified global conglomerate operating across gaming (PlayStation), music, pictures, imaging sensors, and consumer electronics. The company's appeal stems from PlayStation's platform monetisation with monthly active users reaching 124 million and recurring network services revenue growing steadily, Sony Music's diverse revenue streams spanning streaming, anime, and live events generating structural growth, and the imaging sensor leadership position, while the company trades at 23x forward P/E (17x 5-year average) with consensus forecasting 7% annual EPS growth through FY27, supported by management's commitment to strengthening shareholder returns via higher dividends and expanded share repurchases. Sony's 2Q FY25 results delivered solid execution with revenue up 5% and operating income up 10%, driven by gaming network services revenue growth, music segment revenue surging 21%, and imaging sensor sales increasing 15% from mobile sensor demand and larger sensor adoption.
Tencent	700.HKE	Tencent operates China's dominant messaging platform Weixin (1.4 billion monthly users), monetising through gaming, advertising, and fintech/cloud services. The company's 3Q FY25 results demonstrated strong execution with revenue up 15% and earnings per share up 19%, driven by gaming revenue growth of 16% (new launches Delta Force and VALORANT Mobile gaining traction), advertising revenue accelerating 21% powered by AI-driven targeting tools, and gross margin expanding to 56% (up 3% points year-over-year) reflecting higher-margin internally-developed games and Video Accounts advertising. The core investment rationale focuses on AI monetisation delivering tangible benefits through the AI Marketing Plus advertising platform and 40% of code now AI-generated, gaming platform durability with long-lifecycle flagship titles building recurring user bases, and margin expanding through FY27 driven by revenue mix improvement and operational efficiency. Consensus forecasts 14% EPS CAGR over FY26-28, with the stock trading at 18x forward P/E, below the 21x historical average despite improving fundamentals.

Source: Refinitiv, Wilsons Advisory / Canaccord Genuity.

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