



# Schroders Equity Lens

Strategic Research Unit

May 2025

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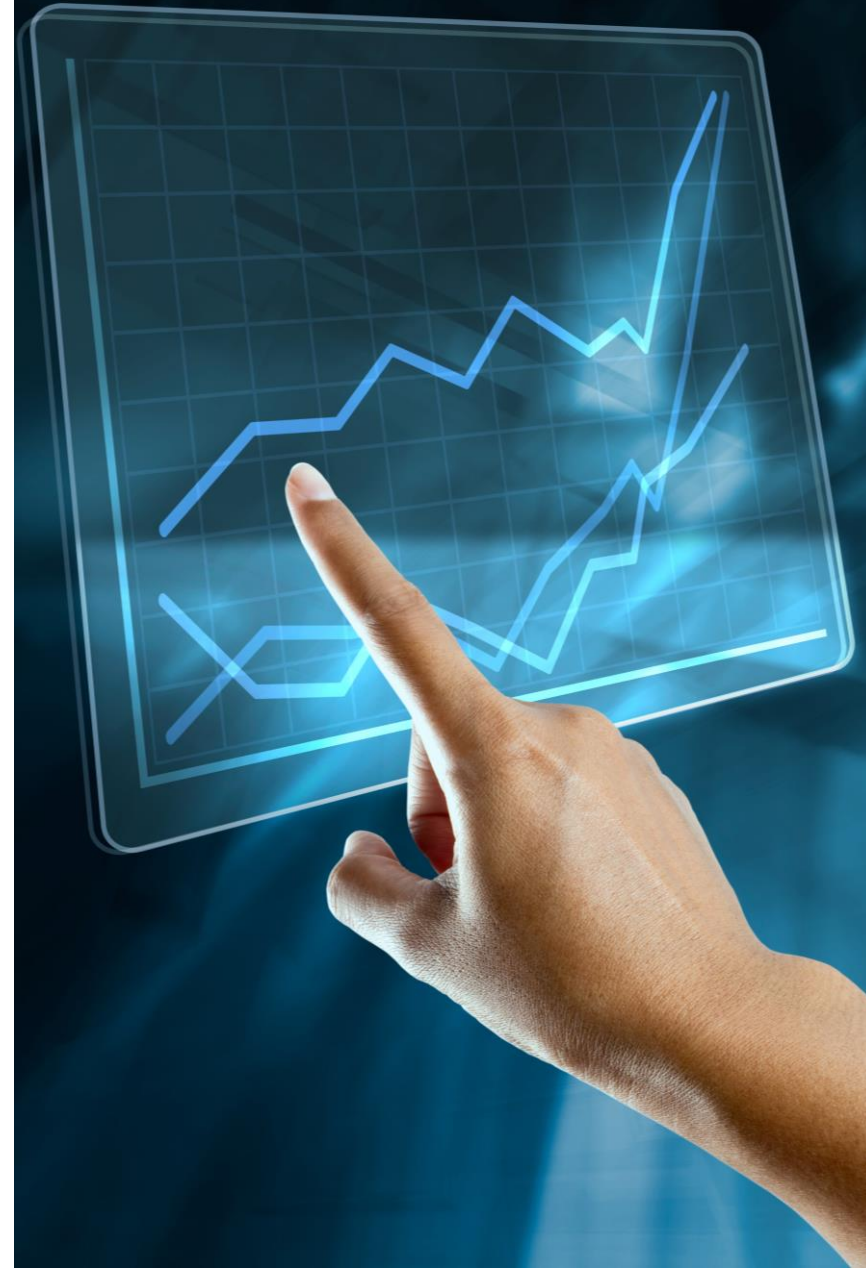
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# Summary

- If you fell asleep for April you'd think not much happened: the rebound completely erased the fall in many markets (slide 5).
- 2025 is the third best start to a year for Europe vs US in more than half a century: 22% outperformance (slides 6, 12, 15)
- 2025's sharp falls are not unusual: 10%+ falls happen in more years than not, 20% falls happen once every four years (slide 7). There is always a reason to worry but, in the long-run, stocks have beaten bonds which have beaten cash (slide 8).
- Europe's outperformance means the valuation discount vs the US has declined. Japan is outright cheap, as are smaller companies (slides 9, and 25-28).
- Consensus earnings growth expectations have fallen back slightly for 2025 but not for 2026-27. US is expected to outperform (slide 10).

**Past performance is not a guide to future performance and may not be repeated.**

Please see relevant disclaimers on page 48.





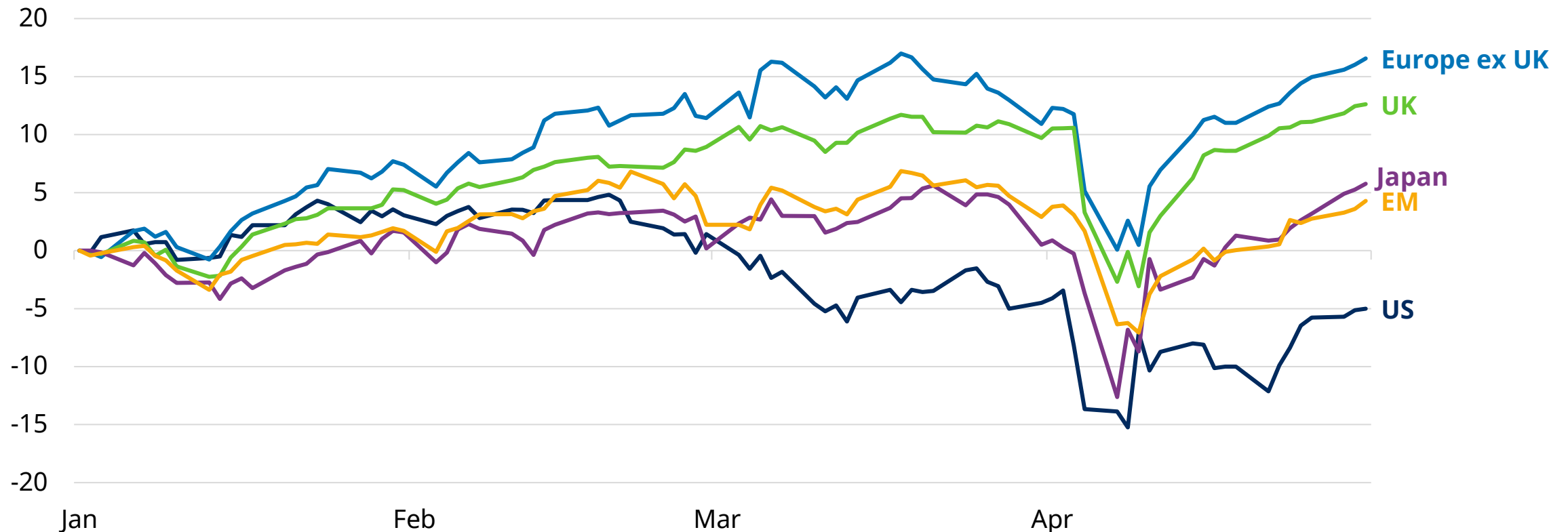


## Global equities

Charts of the month

# If you fell asleep for April you'd think not much happened: the rebound completely erased the fall in many markets

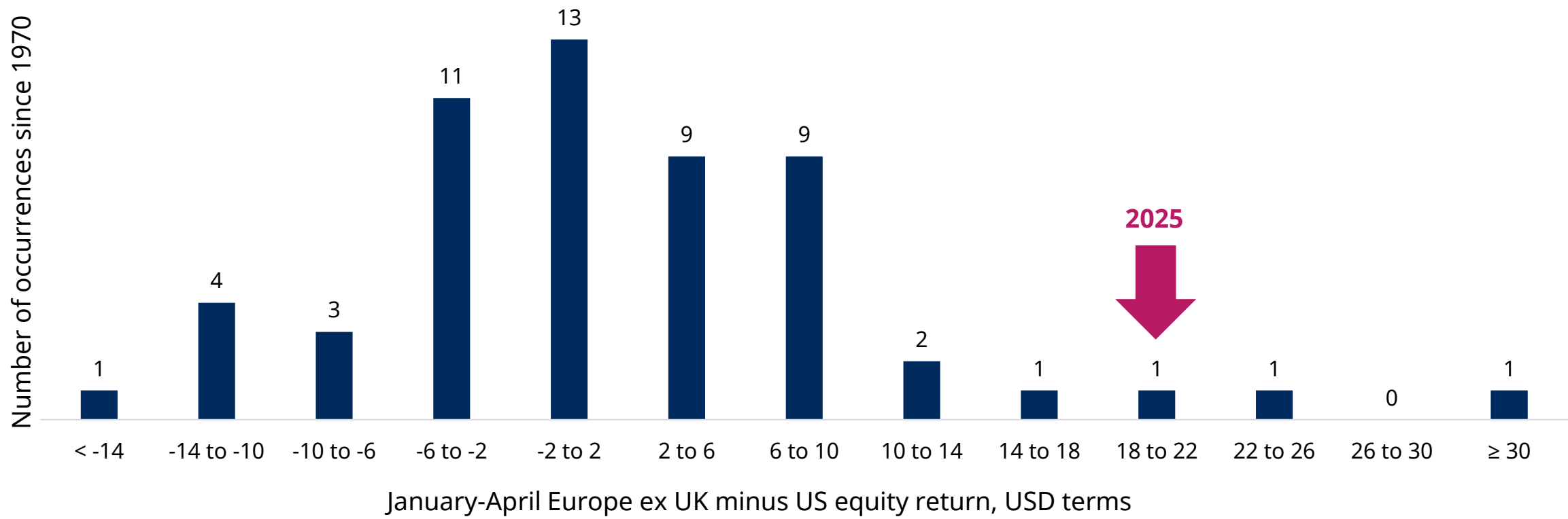
Year-to-date cumulative returns, to 30 April in USD terms



**Past performance is not a guide to future performance and may not be repeated.**

Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025 in US dollars. Please see relevant disclaimers on page 48

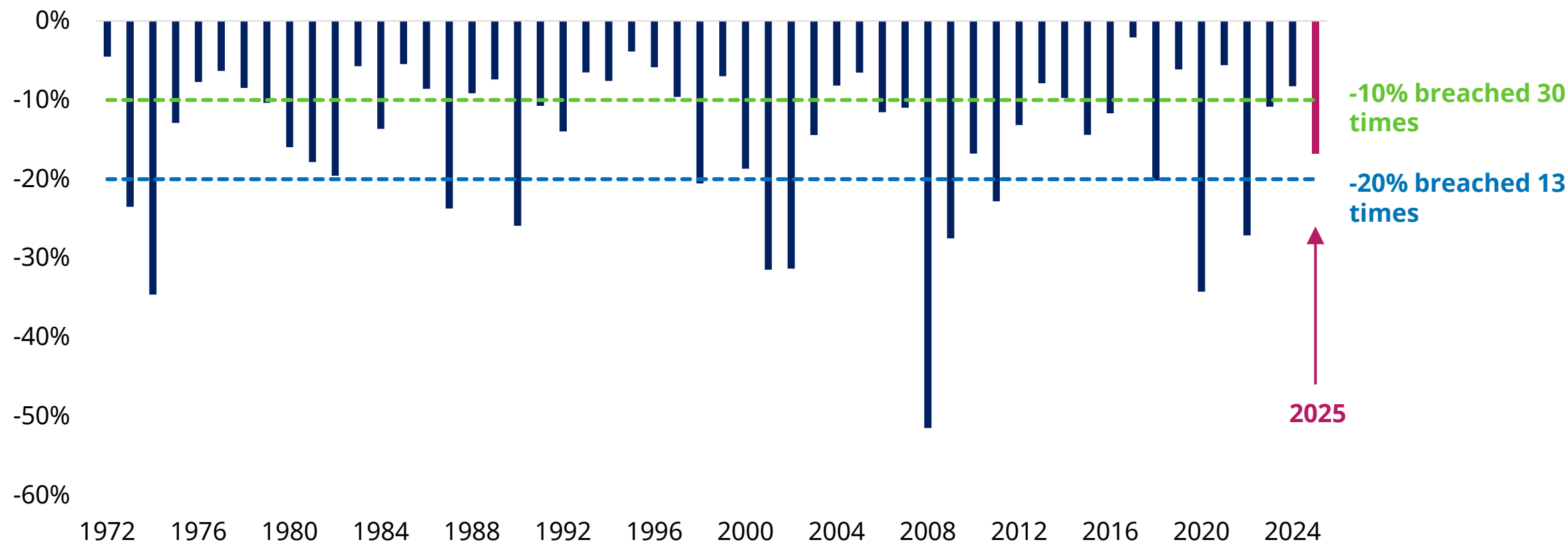
# 2025 is the third best start to a year for Europe vs US in more than half a century: 22% outperformance



Past performance is not a guide to future performance and may not be repeated.  
Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025 in US dollars. Please see relevant disclaimers on page 48

# 2025's sharp falls are not unusual: 10%+ falls happen in more years than not, 20% falls happen once every four years

Biggest stock market falls in each of the past 53 calendar years, MSCI World (USD)

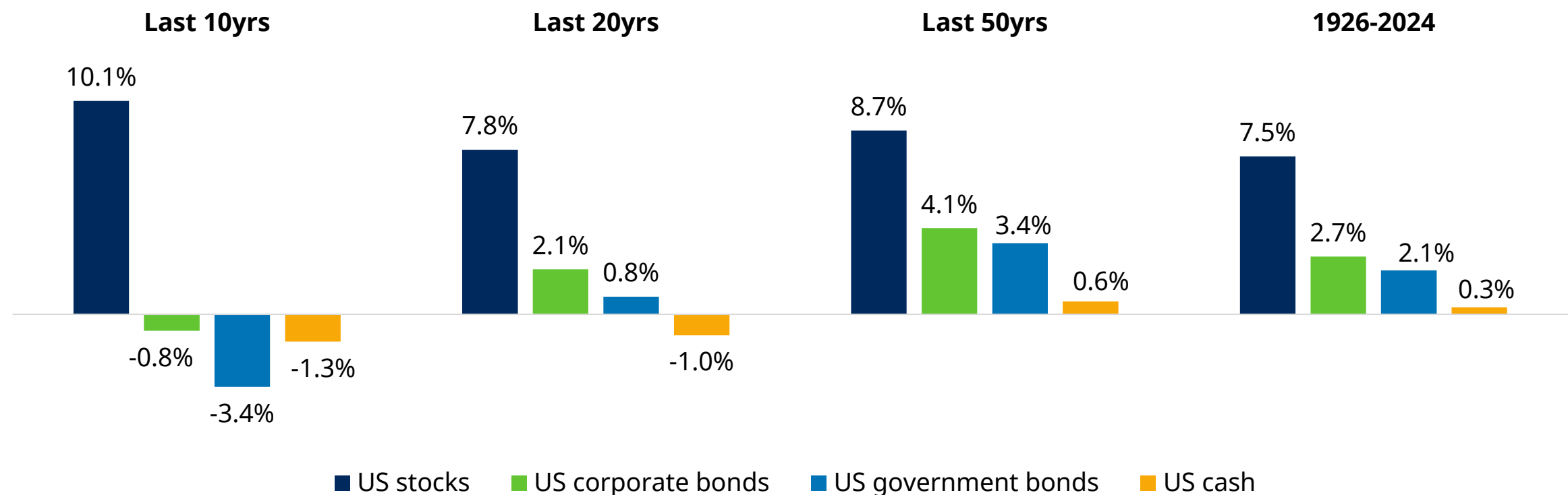


Past performance is not a guide to the future and may not be repeated

Source: LSEG Datastream, MSCI, and Schroders. Data to 30 April 2025 for MSCI World price index in USD terms. Please see relevant disclaimers on page 48

# There is always a reason to worry but, in the long-run, stocks have beaten bonds which have beaten cash

## US asset returns in excess of inflation 1926-2024



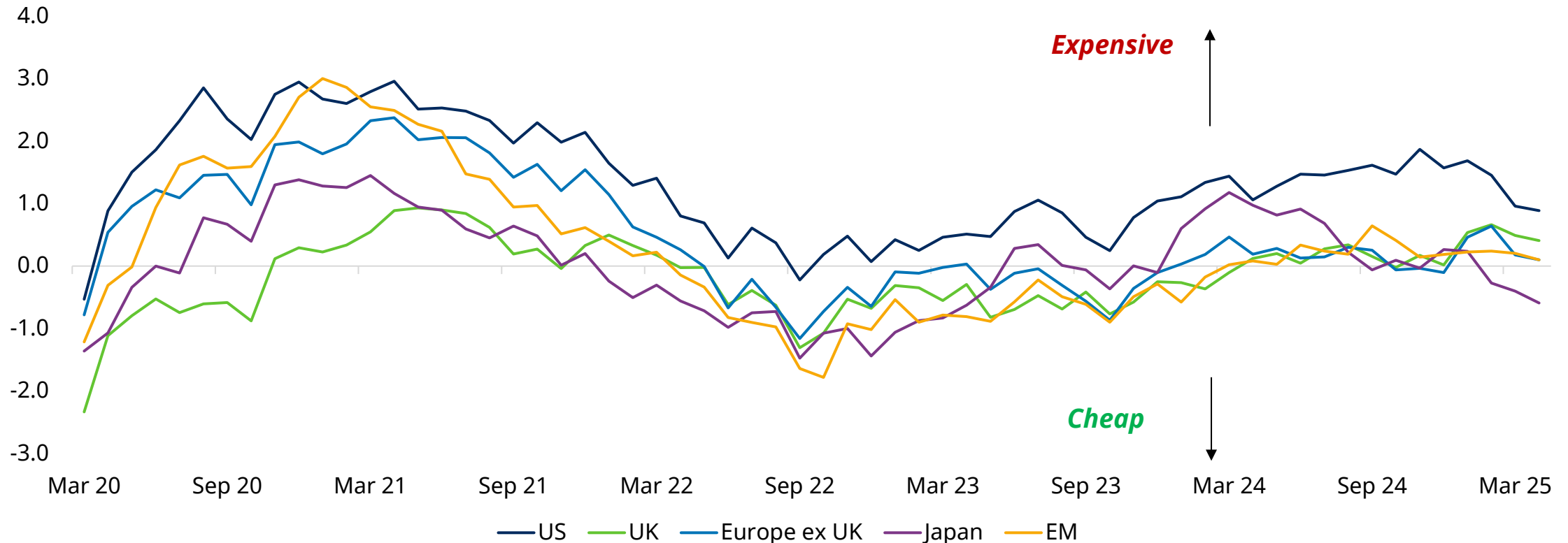
**Past performance is not a guide to the future and may not be repeated.**

Data to December 2024. 1926-2023: stocks represented by Ibbotson® SBBI® US Large-Cap Stocks, Corporate bonds by Ibbotson® SBBI® US Long-term Corporate Bonds, Government bonds by Ibbotson® SBBI® US Long-term Government Bonds, and Cash by Ibbotson® US (30-day) Treasury Bills. For 2024, an alternative index has had to be used for government bonds as Morningstar has halted data updates and production for the SBBI Indices. The ICE BofA 10+ Year US Treasury Index has been chosen for consistency. Source: Morningstar Direct, accessed via CFA institute, LSEG Datastream, ICE Data Indices, and Schroders. Please see relevant disclaimers on page 48



# Europe's outperformance means the valuation discount vs the US has declined. Japan is outright cheap

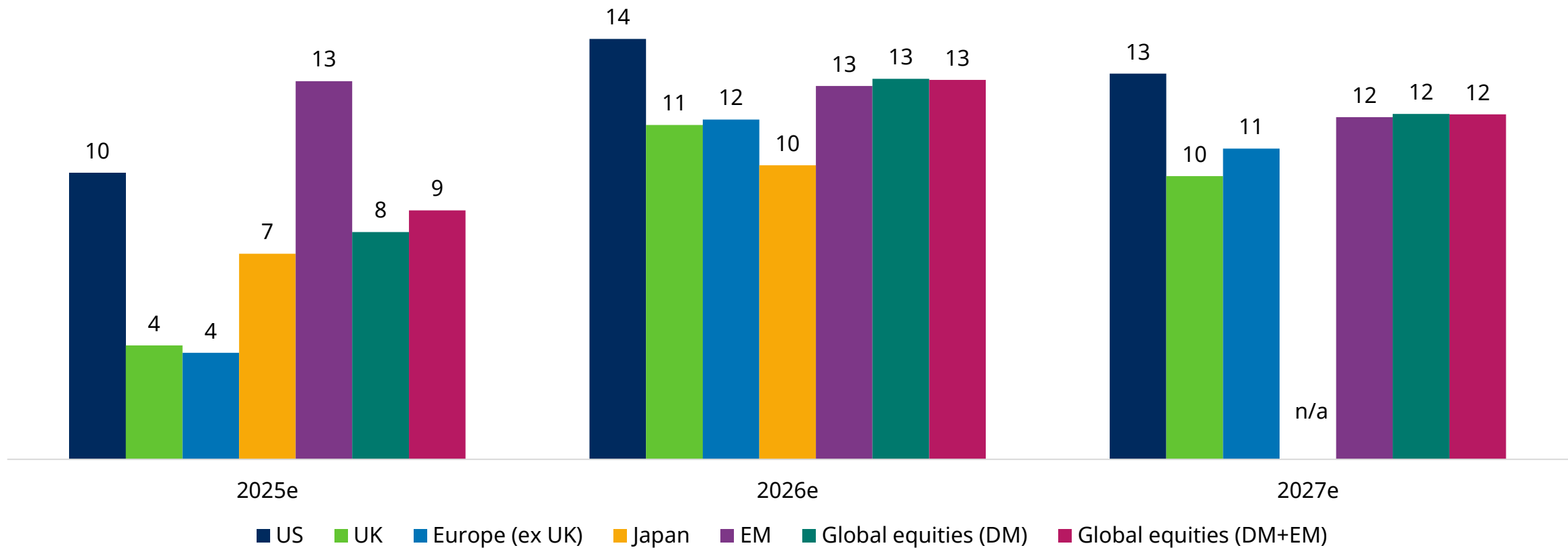
Composite valuation metric = Average Z-score\* across five valuation metrics, as at 30 April



\*Z-score measures the number of standard deviations above or below the average. Our assessment of expensive/cheap is relative to a 10-year rolling average of each market across five valuation metrics: cyclically-adjusted price-to-earnings, forward price-to-earnings, trailing price-to-earnings, price-to-book and dividend yield. Unlike slide 8 (which uses a 15-year median), this chart uses a 10-year average to increase the number of data points and give a better indication of the variability of valuations over time. US valuations appear less expensive when assessed on this basis, mainly because valuations were higher over the past 10 years than over the past 15. Source: LSEG Datastream, MSCI and Schroders. Data to 30 April 2025. Please see relevant disclaimers on page 48.

# Consensus earnings expectations have fallen back slightly for 2025 but not for 2026-27. US is expected to outperform

Corporate earnings: consensus YoY EPS growth forecasts, %



Forecasts included are not guaranteed and should not be relied upon.  
Source: LSEG Datastream and Schroders Strategic Research Unit. Data to 30 April 2025. Please see relevant disclaimers on page 48  
Notes: Japan EPS is 4 quarter sum until 30 April of next calendar year, e.g. 2025 = 31/03/2025 – 31/03/2026. Japan forecast for 2027 is not yet available.



## Global equities

Regional performance

# While US markets are down YTD, others are up strongly, especially Europe and the UK

Total \$ return, % to 30 April 2025

1991	1992	1993	1994	1995	1996	1997	1998	1999	2000	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025 YTD
EM 60	EM 11	EM 75	JAP 22	US 38	UK 27	US 34	EUR 34	EM 66	EUR -7	EM -2	EM -6	EM 56	EM 26	EM 35	EUR 36	EM 40	JAP -29	EM 79	EM 19	US 2	EUR 23	US 33	US 13	JAP 10	US 12	EM 38	US -5	US 32	US 21	US 27	UK -5	US 27	US 25	EUR 17
US 31	US 7	EUR 33	EUR 5	EUR 23	US 24	EUR 25	US 31	JAP 62	UK -12	US -12	JAP -10	EUR 44	EUR 22	JAP 26	EM 33	EUR 17	US -37	UK 43	JAP 16	UK -3	EM 19	EUR 29	EM -2	US 1	EM 12	EUR 28	JAP -13	EUR 26	EM 19	UK 19	JAP -16	EUR 23	JAP 9	UK 13
UK 16	UK -4	JAP 26	US 2	UK 21	EUR 19	UK 23	UK 18	US 22	US -13	UK -14	UK -15	JAP 36	UK 20	EUR 11	UK 31	UK 8	EUR -45	EUR 34	US 15	JAP -14	US 16	JAP 27	JAP -4	EUR 0	JAP 3	JAP 24	UK -14	UK 21	JAP 15	EUR 17	EUR -17	JAP 21	EM 8	JAP 6
EUR 12	EUR -5	UK 24	UK -2	JAP 1	EM 6	EM -12	JAP 5	EUR 18	JAP -28	EUR -22	EUR -20	UK 32	JAP 16	UK 7	US 15	US 6	UK -48	US 27	UK 9	EUR -14	UK 15	UK 21	UK -5	UK -8	EUR 0	UK 22	EM -14	JAP 20	EUR 12	JAP 2	US -19	UK 14	UK 8	EM 4
JAP 9	JAP -21	US 10	EM -7	EM -5	JAP -15	JAP -24	EM -25	UK 12	EM -31	JAP -29	US -23	US 29	US 11	US 6	JAP 6	JAP -4	EM -53	JAP 6	EUR 2	EM -18	JAP 8	EM -2	EUR -6	EM -15	UK 0	US 22	EUR -14	EM 19	UK -10	EM -2	EM -20	EM 10	EUR 1	US -5

Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025 in US dollars. Please see relevant disclaimers on page 48

Europe = Europe ex UK.

# Almost every country in MSCI ACWI outperformed the US over past three months

Proportion of countries in MSCI ACWI outperforming the US over previous three months, USD terms



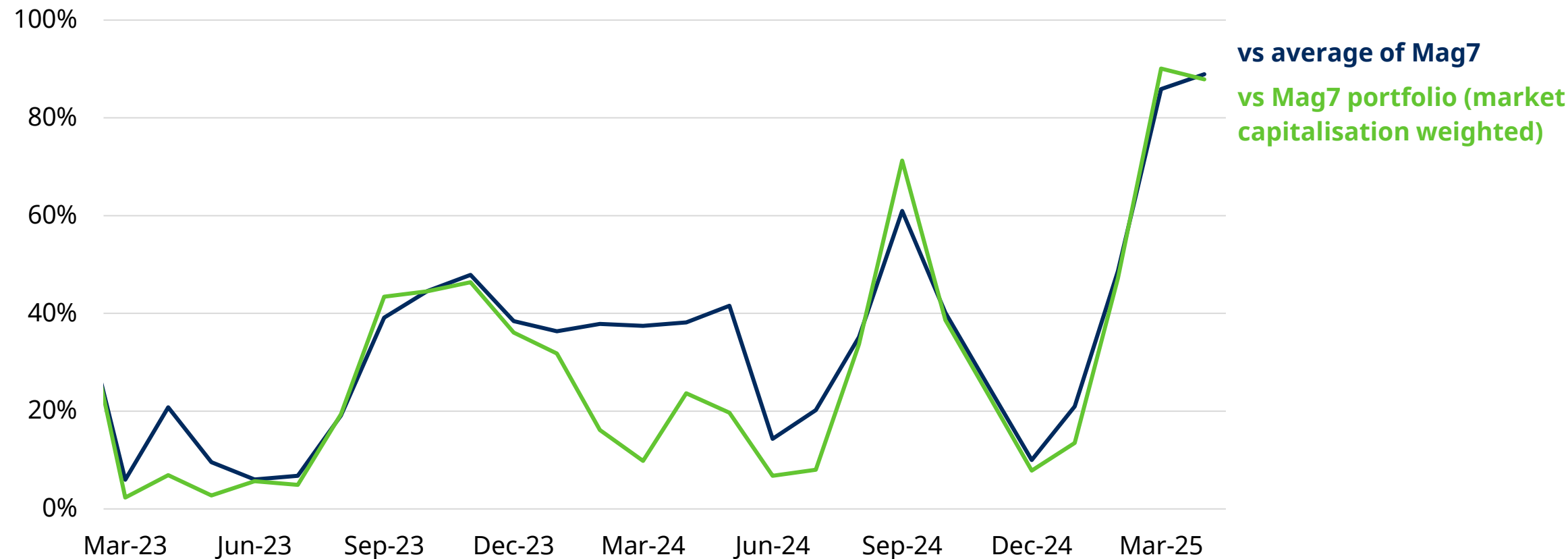
**Past performance is not a guide to future performance and may not be repeated.**

Based on total return indices in USD terms. Source: LSEG Datastream, MSCI, Schroders. Daily data to 30 April 2025. Please see relevant disclaimers on page 48.



# ~90% of companies in MSCI ACWI outperformed Mag7 over past three months

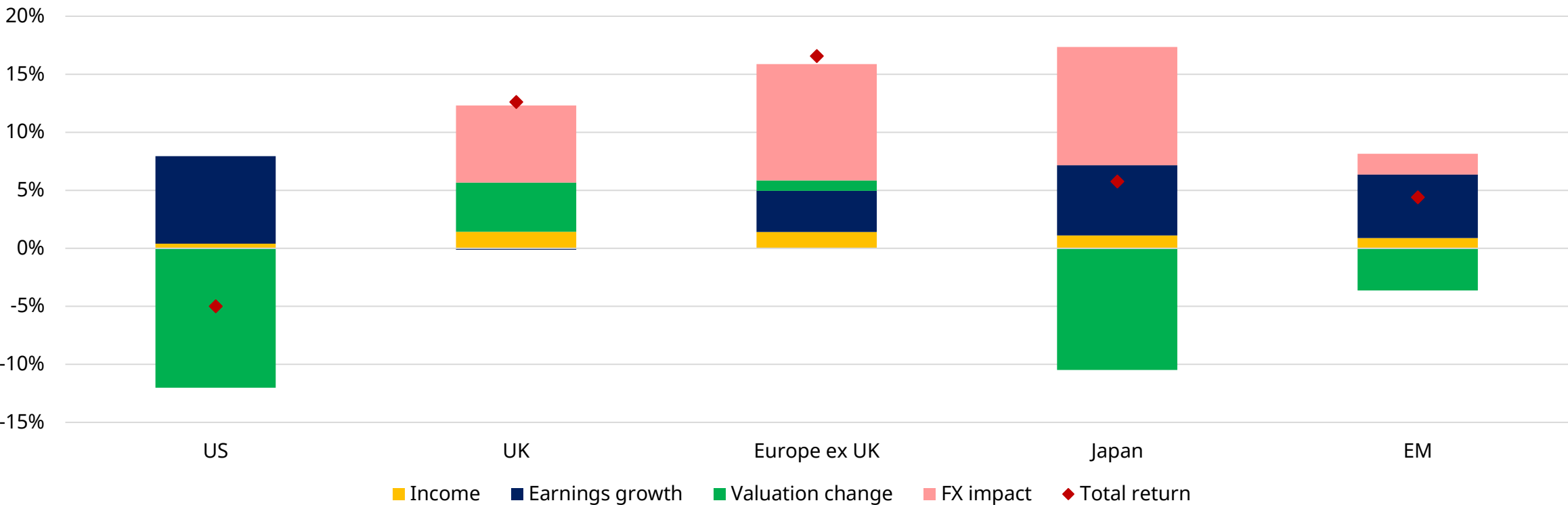
% of companies in MSCI ACWI outperforming Magnificent-7 over previous three months, USD terms



**Past performance is not a guide to future performance and may not be repeated.**  
All data is month end apart from latest which is as at 30 April 2025. Based on total return indices in USD terms. Source: LSEG Datastream, MSCI, Schroders. Data to 30 April 2025. Please see relevant disclaimers on page 48.

# European markets have outperformed in local currency terms but by even more in USD terms, thanks to USD weakness

Decomposition of drivers of YTD returns to 30 April, USD terms



**Past performance is not a guide to future performance and may not be repeated.**  
Figures do not sum exactly as the total return is the compound return of the individual components. Analysis is now based on change in 12-month forward earnings and change in 12-month forward price/earnings multiple. Previously this was shown based on trailing valuations and earnings. Markets are forward looking so earnings expectations ultimately matter more as a driver of returns than trailing earnings, which can also be prone to distortions. Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025 in US dollars. Please see relevant disclaimers on page 48

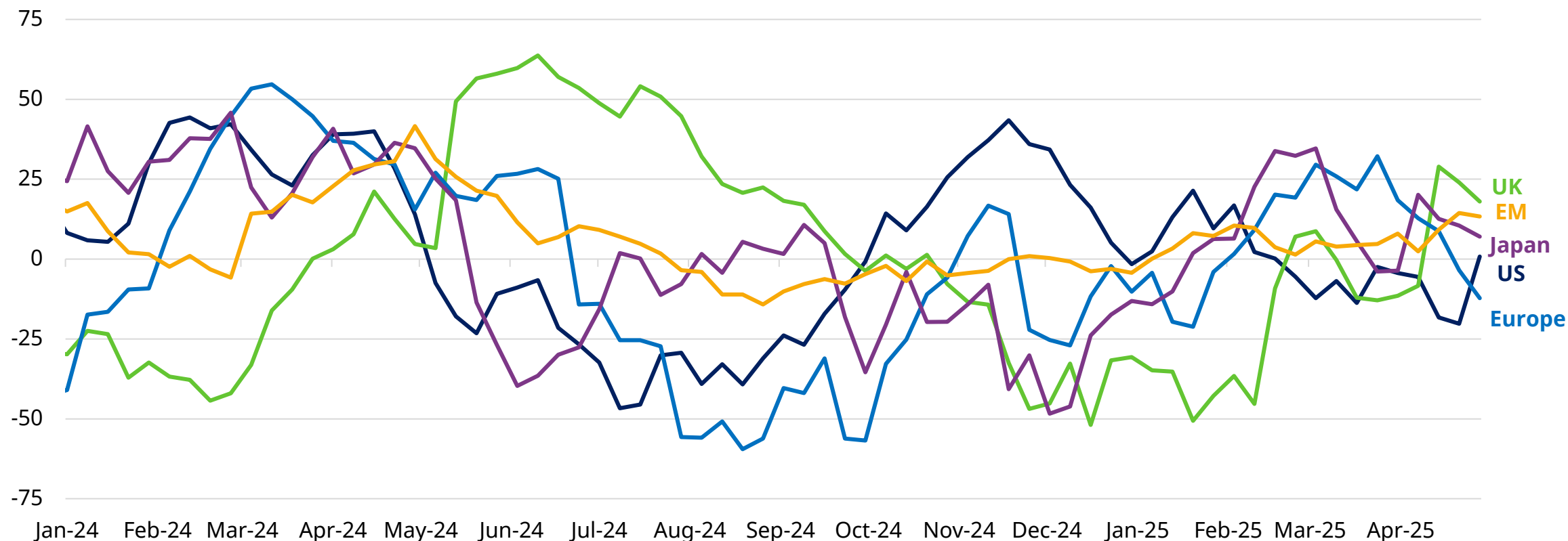


## Global equities

Fundamentals and valuations

# Economic surprises in EM have been steadily positive this year, unlike other markets which have been more volatile

Citi Economic Surprise index to 30 April

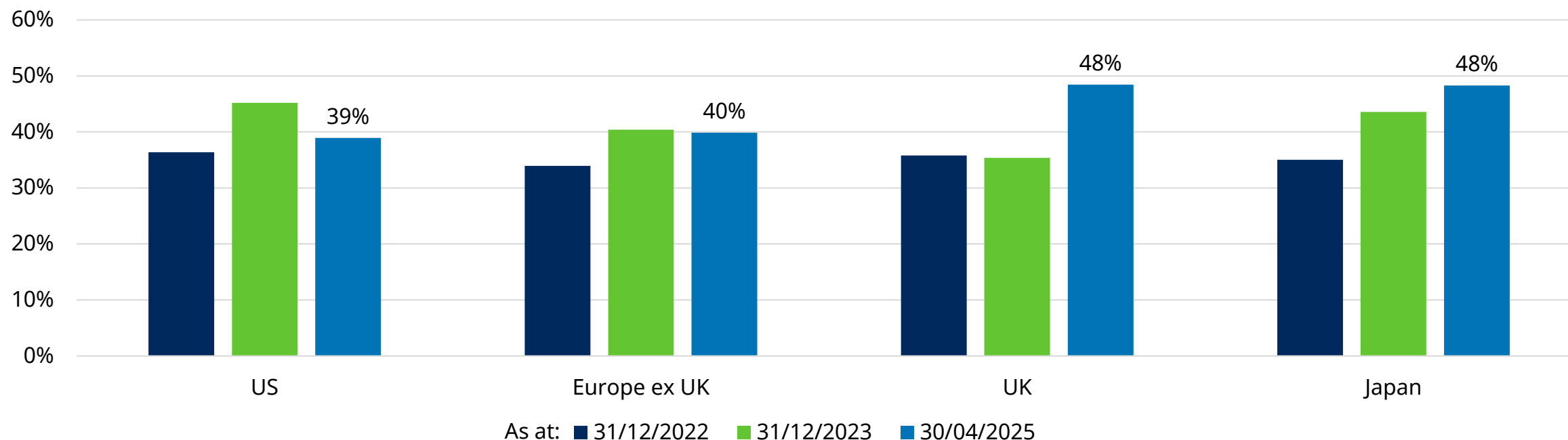


Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream and Schroders. Data to 30 April 2025. Please see relevant disclaimers on page 48

# A higher proportion of non-US companies are forecast to deliver double digit earnings growth in the next 12 months than US ones

## Proportion of companies with 12-month double-digit EPS growth forecast, local currency terms



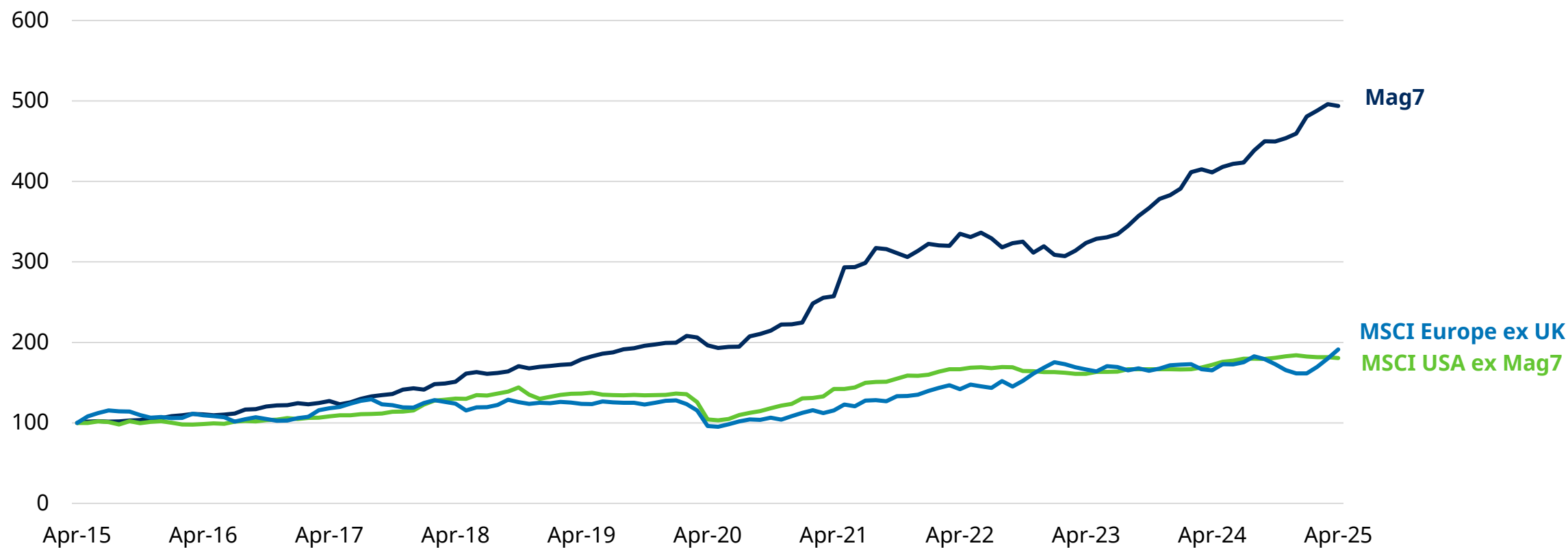
**Past performance is not a guide to future performance and may not be repeated.**

Excludes companies with missing data or negative earnings as these render growth calculations meaningless. Emerging markets have not been shown above. Over 60% of constituents of MSCI EM are forecast to deliver double-digit EPS growth over the next 12 months but this is in part because inflation in many of these countries is higher than in developed markets. Source: LSEG Datastream, MSCI and Schroders. Please see relevant disclaimers on page 48



# Ex Magnificent-7, European earnings growth has been similar to the US over the past decade

Next 12-month earnings, US in USD, Europe ex UK in EUR, indexed to 100

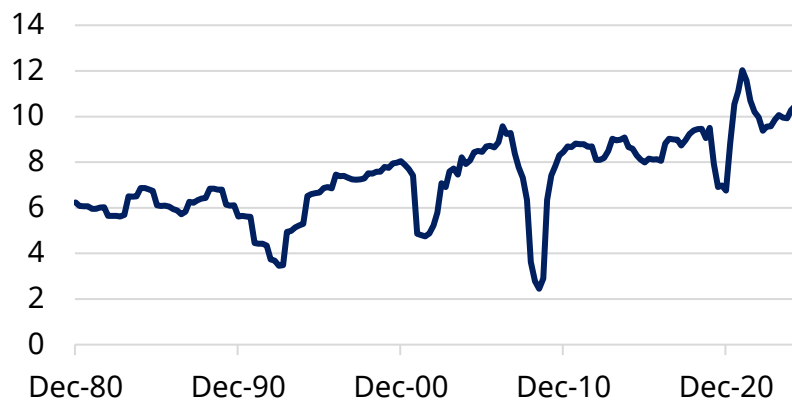


**Past performance is not a guide to future performance and may not be repeated.**

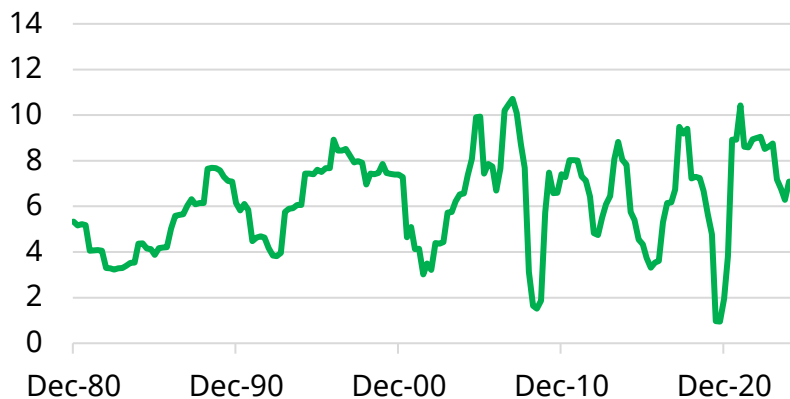
The Magnificent-7 is the name given to Nvidia, Meta Platforms, Amazon, Apple, Alphabet, Microsoft, Tesla. Source: LSEG Datastream and Schroders. Data to 30 April 2025. Please see relevant disclaimers on page 48.

# Profit margins have been rising in many markets

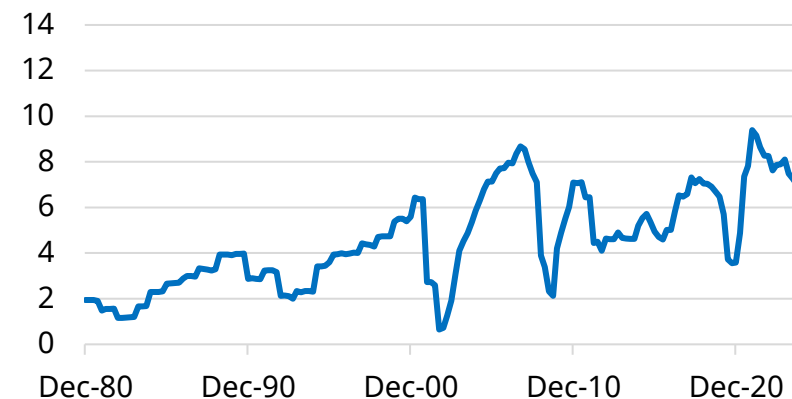
Net profit margins, %  
US



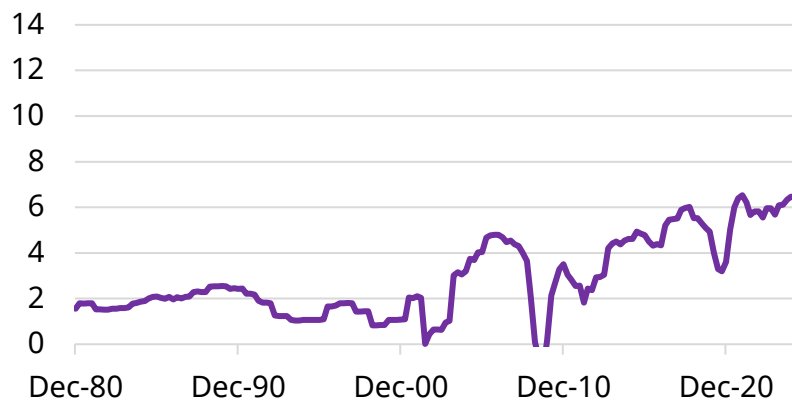
UK



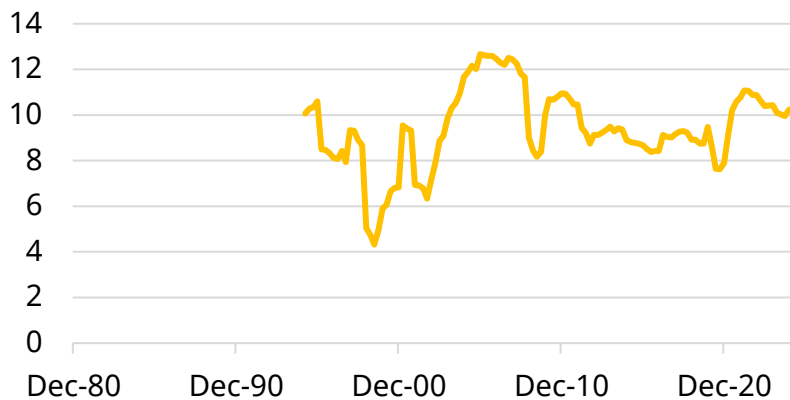
Europe ex UK



Japan



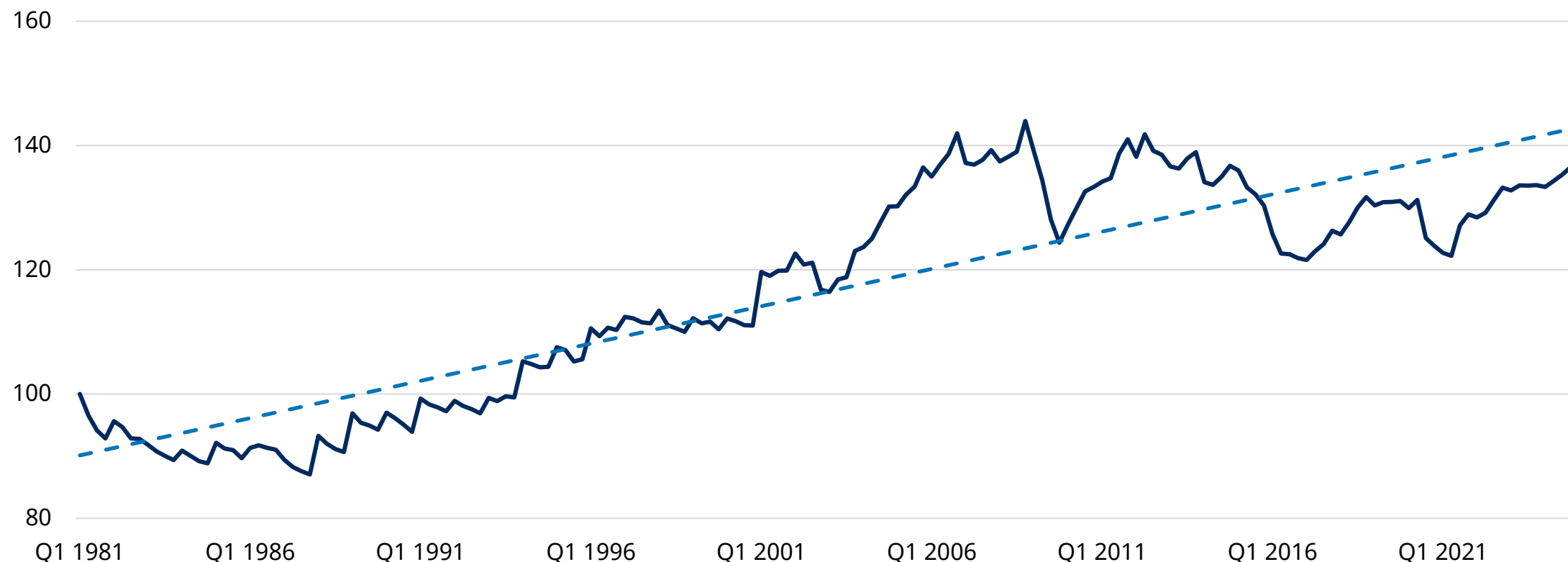
EM



Based on Datastream total market equity indices for each region. Source: LSEG Datastream and Schroders Strategic Research Unit. Quarterly data to Q1 2025. Please see relevant disclaimers on page 48

# After a post-GFC slump, US real revenues per employee have been rising back towards the longer-term trend

Real revenues/employee, indexed to 100: US public companies

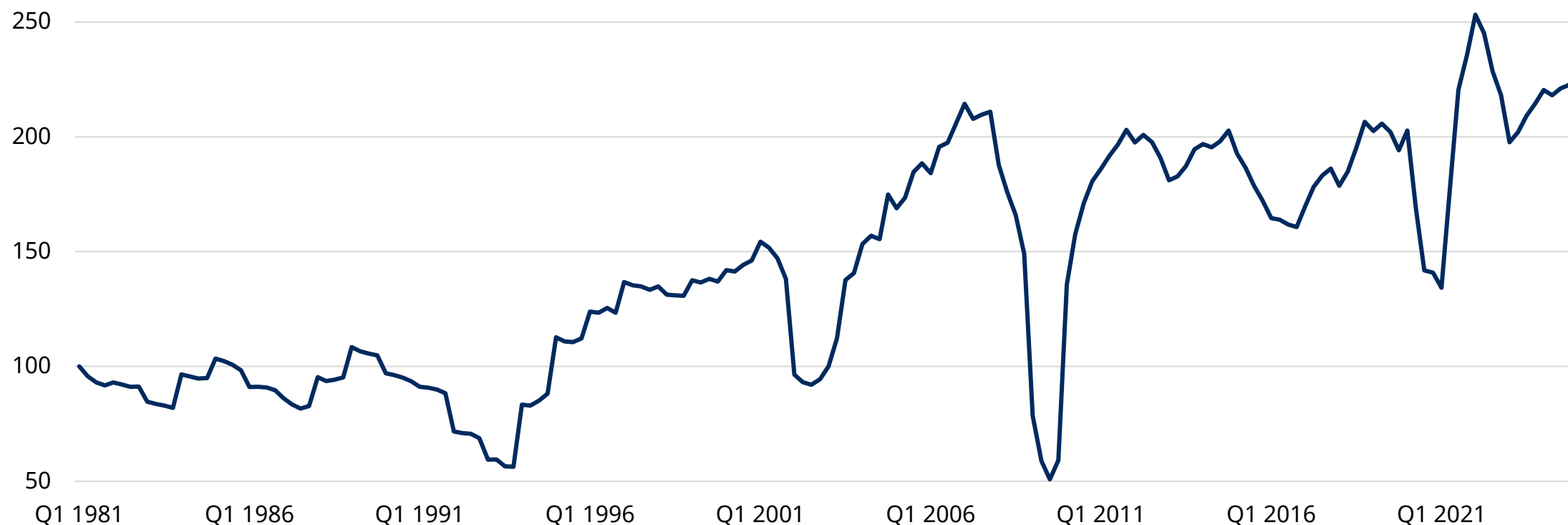


**Past performance is not a guide to future performance and may not be repeated.**

Based on Datastream Total Market index. Source: LSEG Datastream and Schroders. Data to Q1 2025. Please see relevant disclaimers on page 48

# And US companies have been generating near-record profits per employee

Real profits/employee, indexed to 100: US public companies

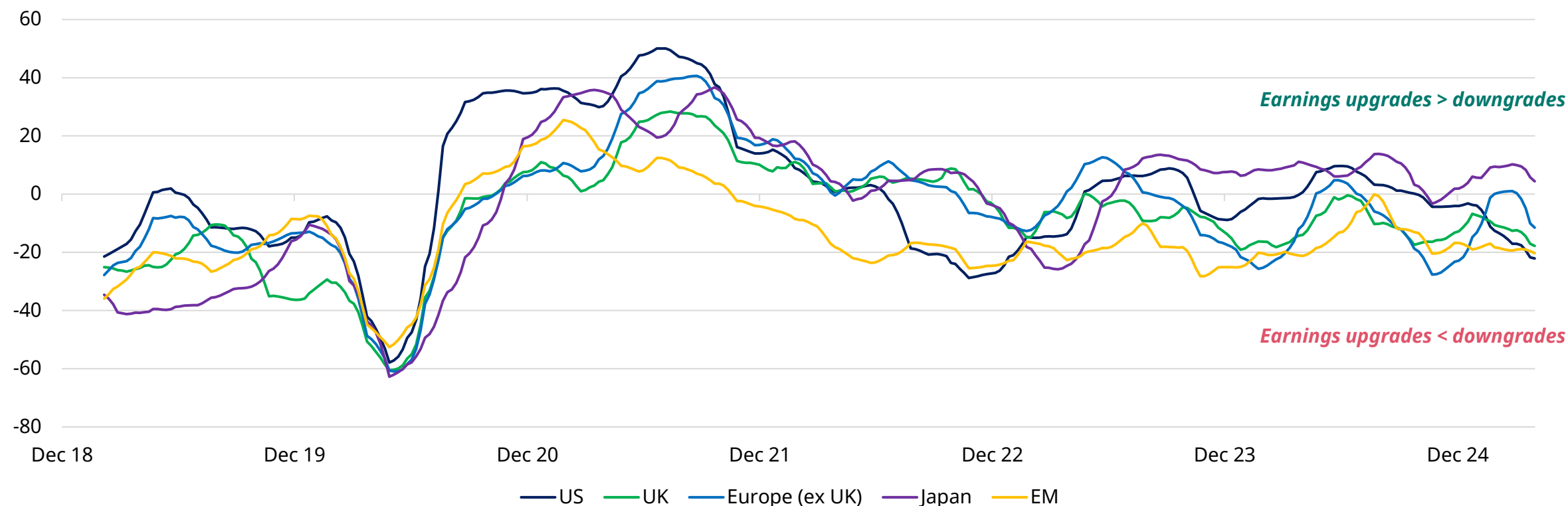


**Past performance is not a guide to future performance and may not be repeated.**

Based on Datastream Total Market index. Source: LSEG Datastream and Schroders. Data to Q1 2025. Please see relevant disclaimers on page 48

# Earnings revisions have been on a deteriorating trend, although Japanese earnings continue to be revised up

13-week earnings revisions ratio %, (upgrades – downgrades) / total revisions



Forecasts included are not guaranteed and should not be relied upon.

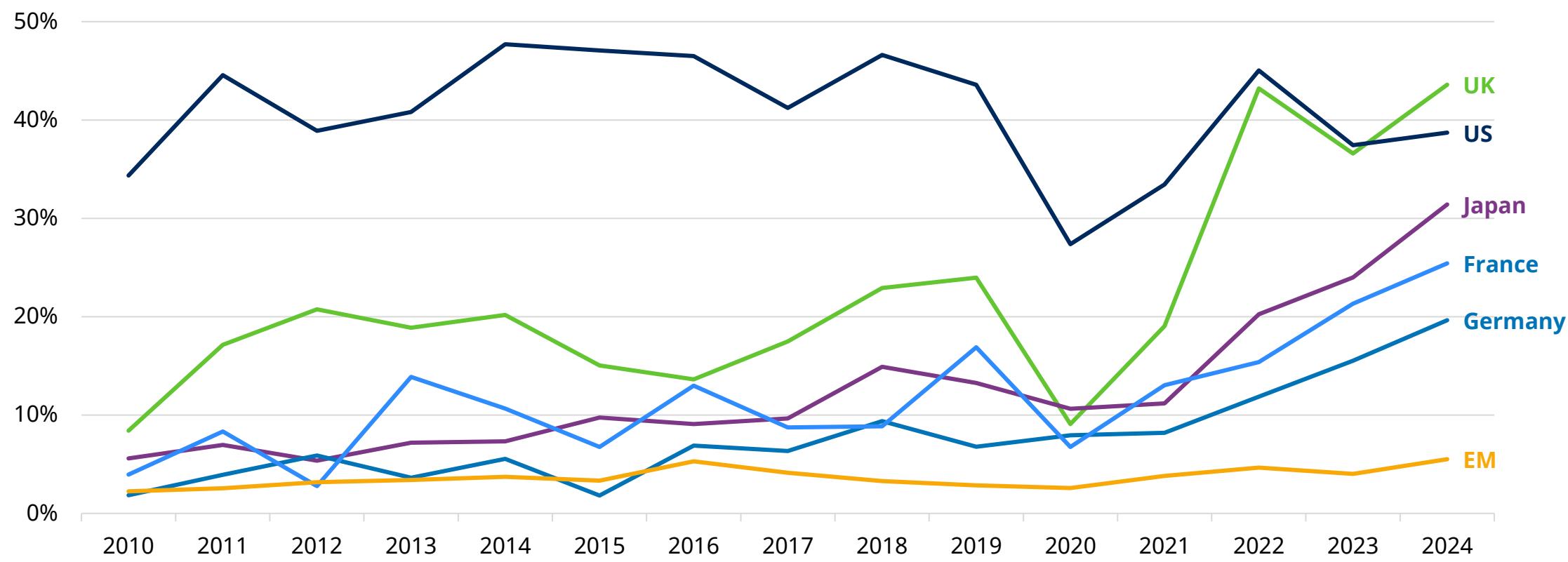
Source: LSEG Datastream and Schroders Strategic Research Unit. Data to 30 April 2025. Please see relevant disclaimers on page 48

Notes; 13w earnings revisions = sum of 13 week positive minus negative 12m forward EPS revisions / total revisions.



# Buyback activity has risen outside of the US

Proportion of large companies buying back 1% or more of their shares



**Past performance is not a guide to future performance and may not be repeated.**  
Change in number of shares estimated based on change in market capitalisation/price ratio for each index constituent (based on the full market cap capitalisation of each constituent). This avoids any distortions from share splits etc. Using a larger threshold than 1%, e.g. 5%, would not have materially altered the conclusions from this work. Likewise with a smaller 0.5% threshold. Data as at 31 December 2024. Source: LSEG Datastream and Schroders calculations. Please see relevant disclaimers on page 48.

# Japanese equities are cheap. The US remains expensive, but the premium vs RoW has fallen

Valuation as at 30 April vs 15-year median (% above or below)

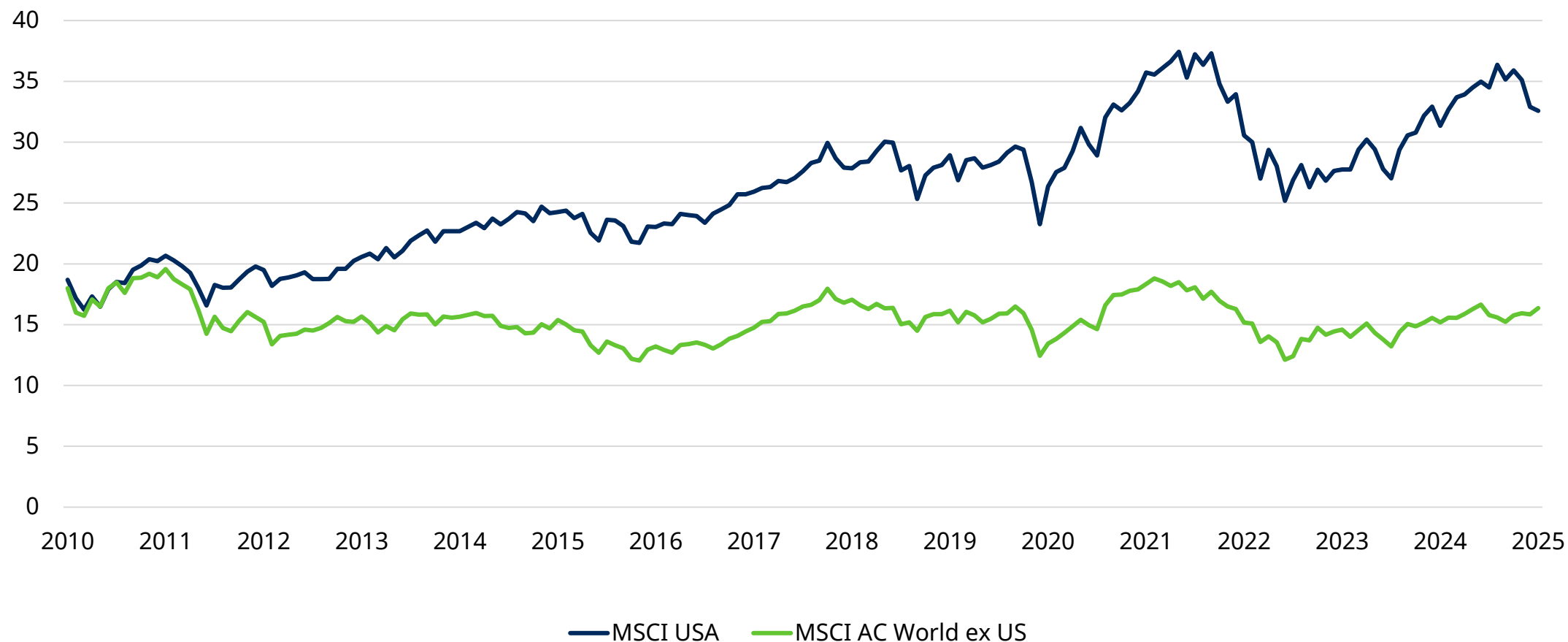
Equity market	CAPE	Forward P/E	Trailing P/E	P/B	Dividend yield
US	33 (24%)	20 (19%)	25 (19%)	4.8 (51%)	1.4 (41%)
UK	15 (10%)	12 (-1%)	13 (-8%)	2.0 (10%)	3.6 (4%)
Europe ex. UK	19 (10%)	15 (4%)	16 (-3%)	2.1 (18%)	3.1 (3%)
Japan	21 (-5%)	14 (-2%)	14 (-14%)	1.4 (8%)	2.4 (-12%)
EM	13 (-3%)	12 (3%)	14 (5%)	1.8 (10%)	2.7 (0%)

Key:	<-25%	-25% to -15%	-15% to -5%	-5% to 0%	0% to 5%	5% to 15%	15% to 25%	>25%
	Cheap			Neutral		Expensive		

Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025. Figures are shown on a rounded basis. Assessment of cheap/expensive is relative to 15-year median. Please see relevant disclaimers on page 48

# The gap between US and non-US CAPE has narrowed but remains wide

Cyclically adjusted price-to-earnings ratio to 30 April 2025



Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025. Please see relevant disclaimers on page 48

# Smaller companies are cheap vs. history, especially non-US ones

30 April 2025 valuation vs median since 2012 (when valuation data is available for all six indices)

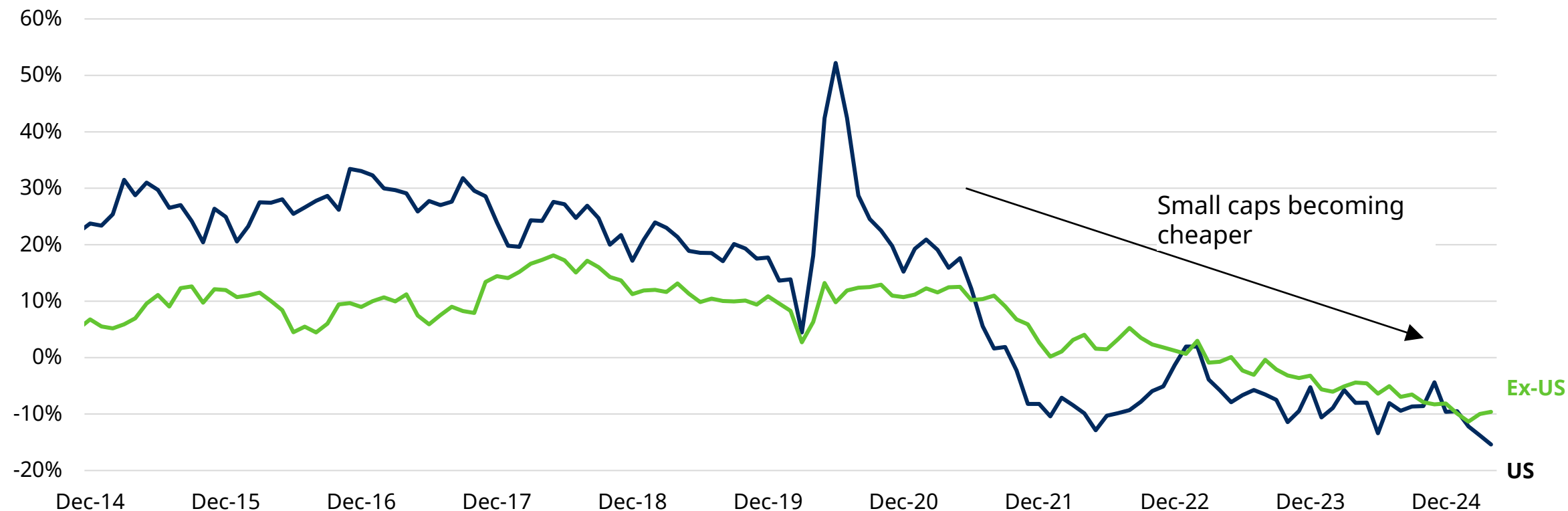
Equity market	Forward P/E	Trailing P/E	P/B	Dividend yield
US large caps	20 (18%)	25 (13%)	4.8 (46%)	1.4 (39%)
US equal weighted	17 (0%)	22 (1%)	3.1 (12%)	1.9 (-6%)
US small caps	17 (-14%)	26 (-12%)	2.0 (-11%)	1.7 (-11%)
World ex-US	14 (1%)	16 (-4%)	1.9 (13%)	3.0 (2%)
World ex-US equal weighted	14 (-6%)	16 (-11%)	1.6 (4%)	3.1 (-10%)
World ex-US small caps	13 (-16%)	16 (-19%)	1.3 (-10%)	3.1 (-19%)

Key:	<-25%	-25% to -15%	-15% to -5%	-5% to 0%	0% to 5%	5% to 15%	15% to 25%	>25%
	Cheap			Neutral		Expensive		

Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025. Please see relevant disclaimers on page 48  
 Figures are shown on a rounded basis. Assessment of cheap/expensive is relative to median since April 2012. This is the longest time period for which data is available on all six markets

# Small caps are cheap vs large. US small caps continue to get cheaper

Forward price/earnings multiple: small caps divided by large caps, to 30 April 2025



Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream, MSCI and Schroders. Data to 30 April 2025. Please see relevant disclaimers on page 48



# Global sector valuations are driven by the global market being dominated by the US, and the US being expensive

MSCI ACWI: 30 April 2025 valuation vs 15-year median (% above or below)

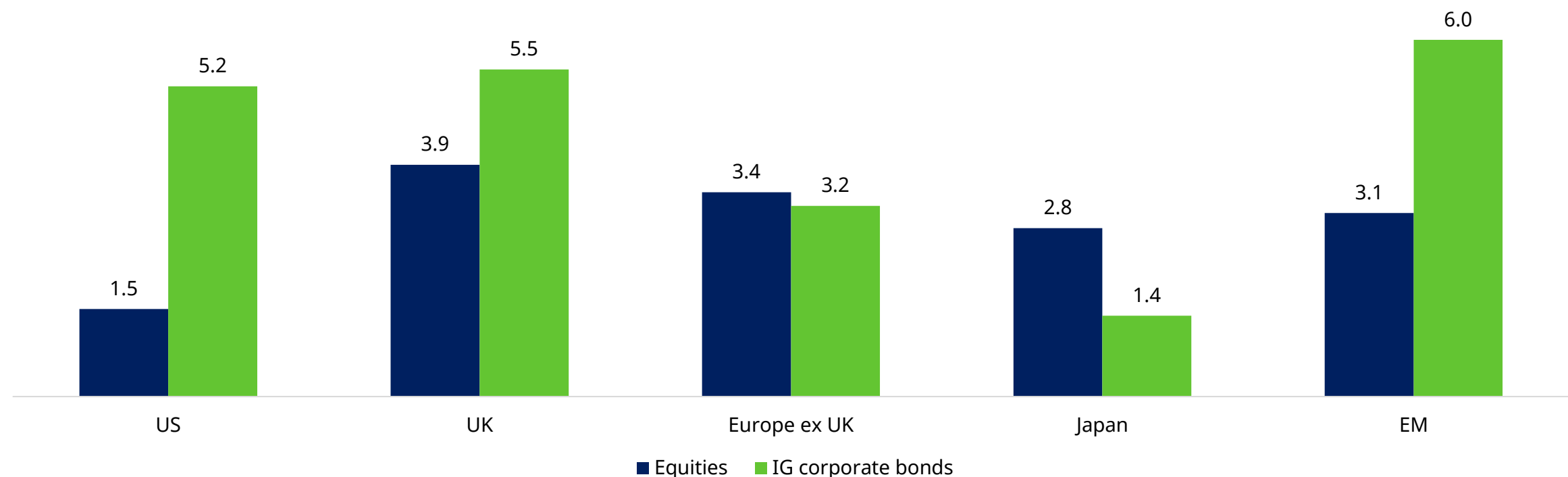
Sector	CAPE	Forward P/E	Trailing P/E	P/B	Dividend yield
Health care	-5%	-1%	-6%	8%	1%
Energy	28%	1%	-6%	1%	-18%
Cons stap	-6%	5%	4%	14%	0%
Materials	-4%	13%	15%	3%	3%
Utilities	19%	4%	-8%	21%	8%
Financials	21%	9%	3%	39%	7%
Cons disc	3%	15%	9%	24%	39%
Industrials	23%	21%	18%	31%	17%
IT	42%	32%	45%	75%	58%
Comm Svcs	60%	20%	7%	64%	216%

Key:	<-25%	-25% to -15%	-15% to -5%	-5% to 0%	0% to 5%	5% to 15%	15% to 25%	>25%
	Cheap			Neutral		Expensive		

Real estate has been excluded due to data only being available since 2016. Note that the dividend yield on the communication services sector is very low vs history. This is down to compositional changes over time e.g. Alphabet is now the biggest constituent by a long way, with Meta the next biggest. These are very different to the higher yielding companies in the sector in the past. Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025. Please see relevant disclaimers on page 48

# Corporate bond yields are below dividend yields in Japan but a long way above them in most other markets

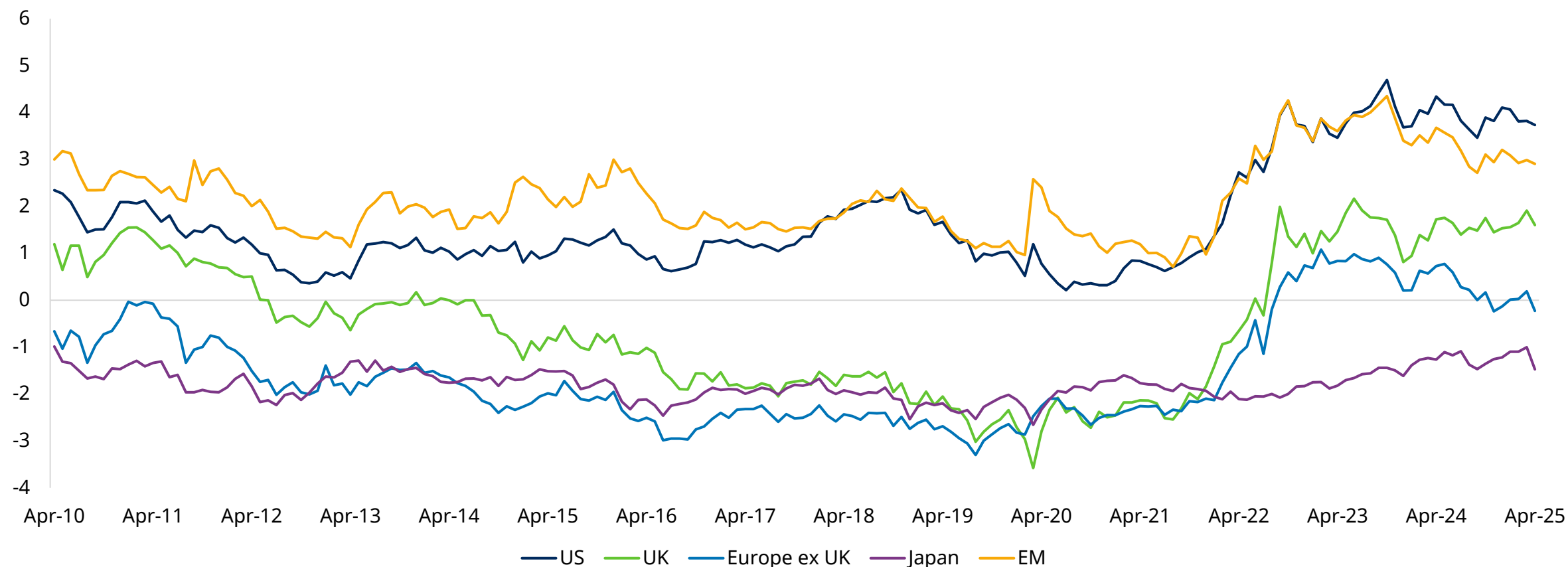
Forward 12-month equity dividend vs corporate bond yield, %, as at 30 April 2025



Forecasts included are not guaranteed and should not be relied upon.  
Source: IBES, LSEG Datastream, MSCI, ICE and Schroders Strategic Research Unit. Data to 30 April 2025. Please see relevant disclaimers on page 48. Corporate bond yield = unhedged local currency yield e.g. US = USD corporate bond yield, except for EM which is in USD.

# Corporate bond yields are below dividend yields in Japan but a long way above them in US, UK and EM

IG corporate bond yield – forward dividend yield, %, as at 30 April 2025



Forecasts included are not guaranteed and should not be relied upon.

Source: IBES, LSEG Datastream, MSCI, ICE and Schroders Strategic Research Unit. Data to 30 April 2025. Please see relevant disclaimers on page 48. Corporate bond yield = unhedged local currency yield, except for EM which is in USD.

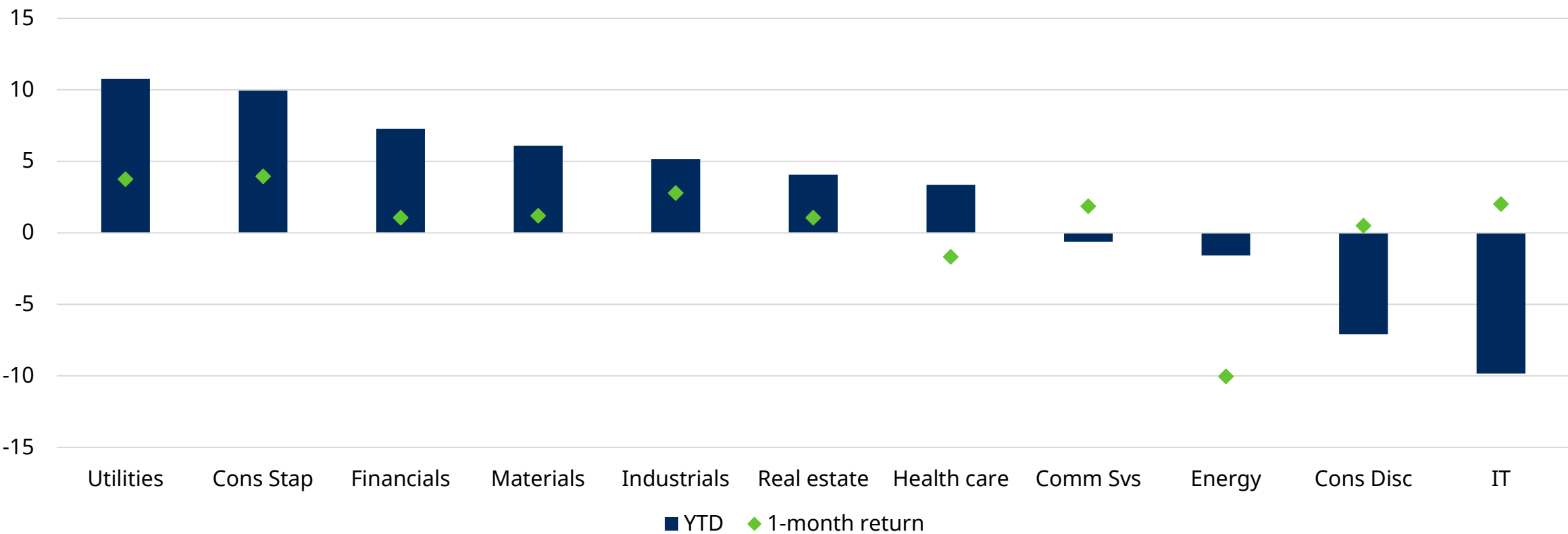


# Global equities

Sectors & Styles

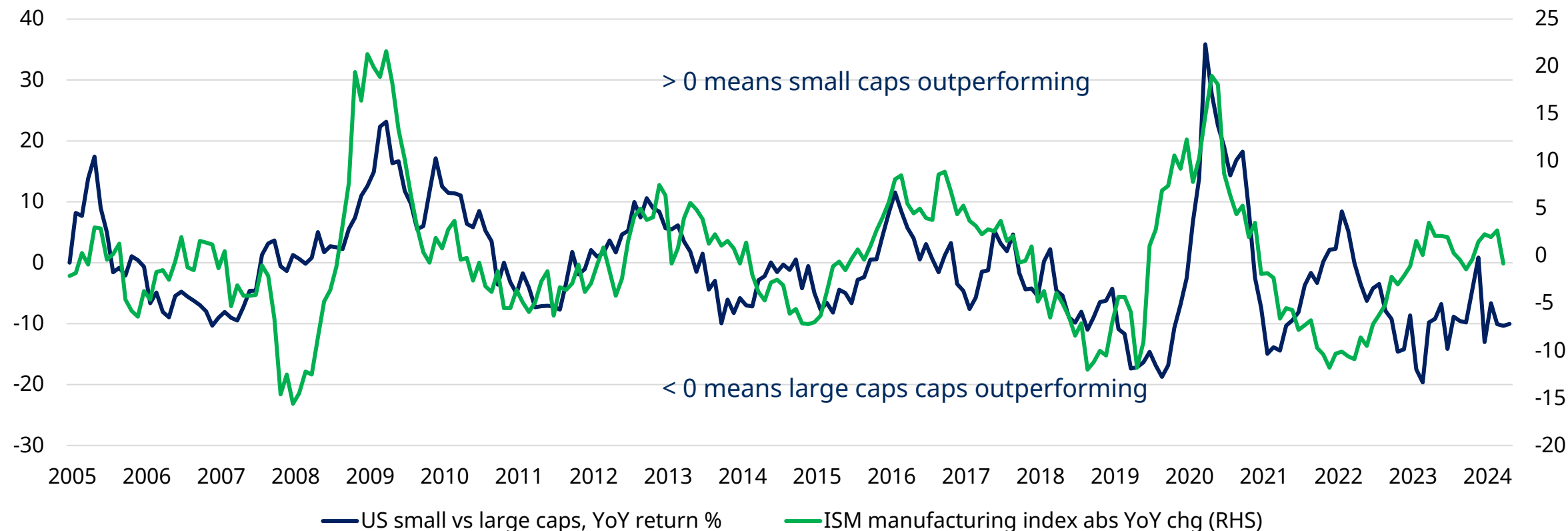
# Defensive utilities and consumer staples have performed strongly in 2025, but so have cyclical materials and industrials

MSCI ACWI \$ sector return, YTD total return to 30 April 2025, %



Past performance is not a guide to future performance and may not be repeated.  
Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025 in US dollars. Please see relevant disclaimers on page 48

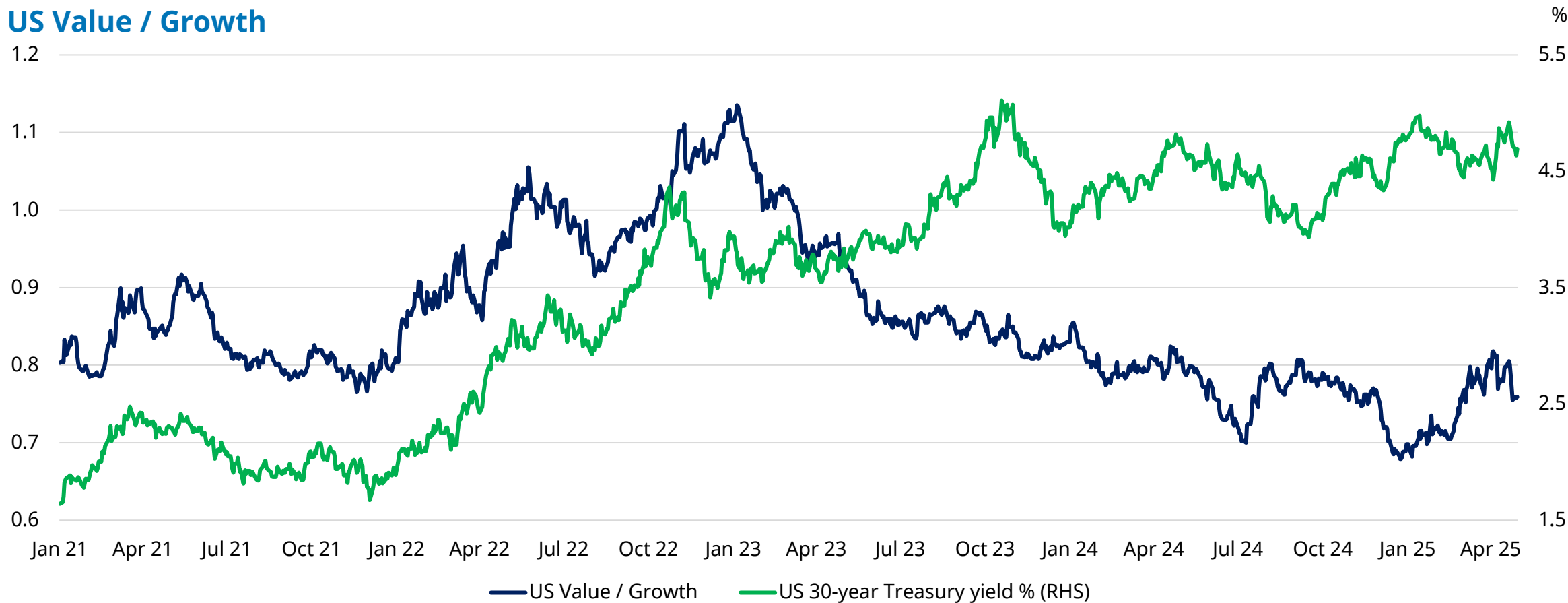
# With only brief exceptions, large caps have dominated small caps in the post-covid era



Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data to 30 April 2025. Please see relevant disclaimers on page 48

# Value has rebounded strongly vs growth this year, but has been under pressure more recently

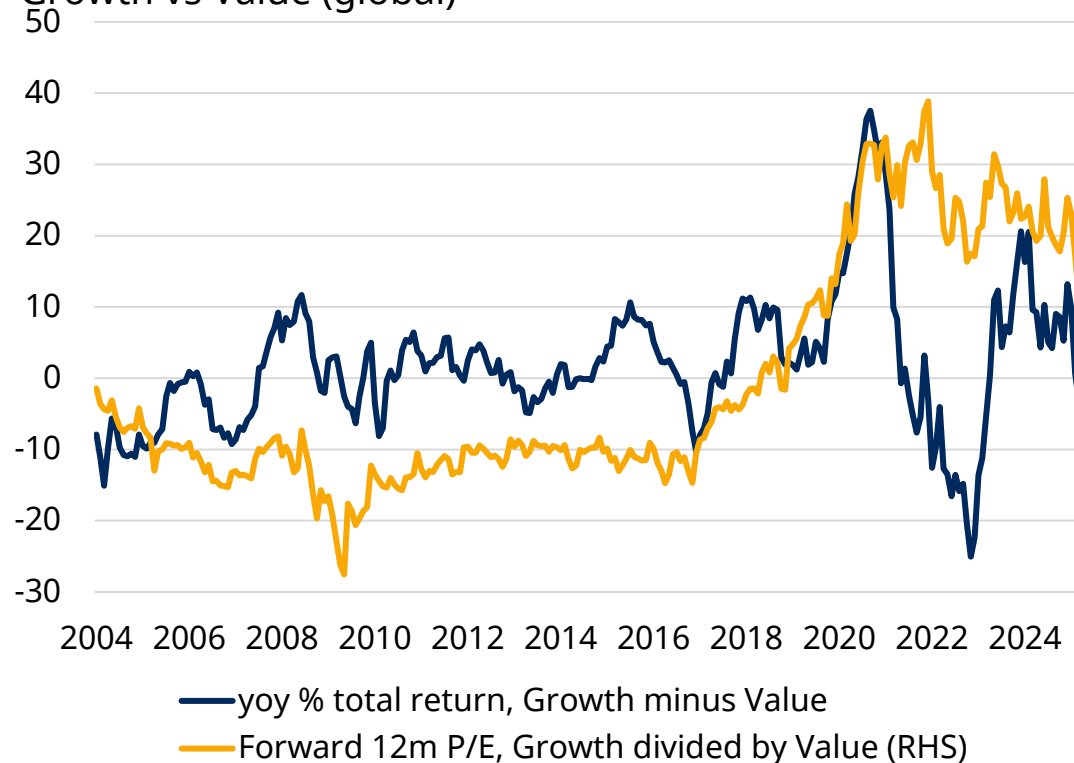


**Past performance is not a guide to future performance and may not be repeated.**  
Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data as at 30 April 2025. Please see relevant disclaimers on page 48

# Growth companies are the cheapest vs value since 2019 – but still expensive vs longer term norms

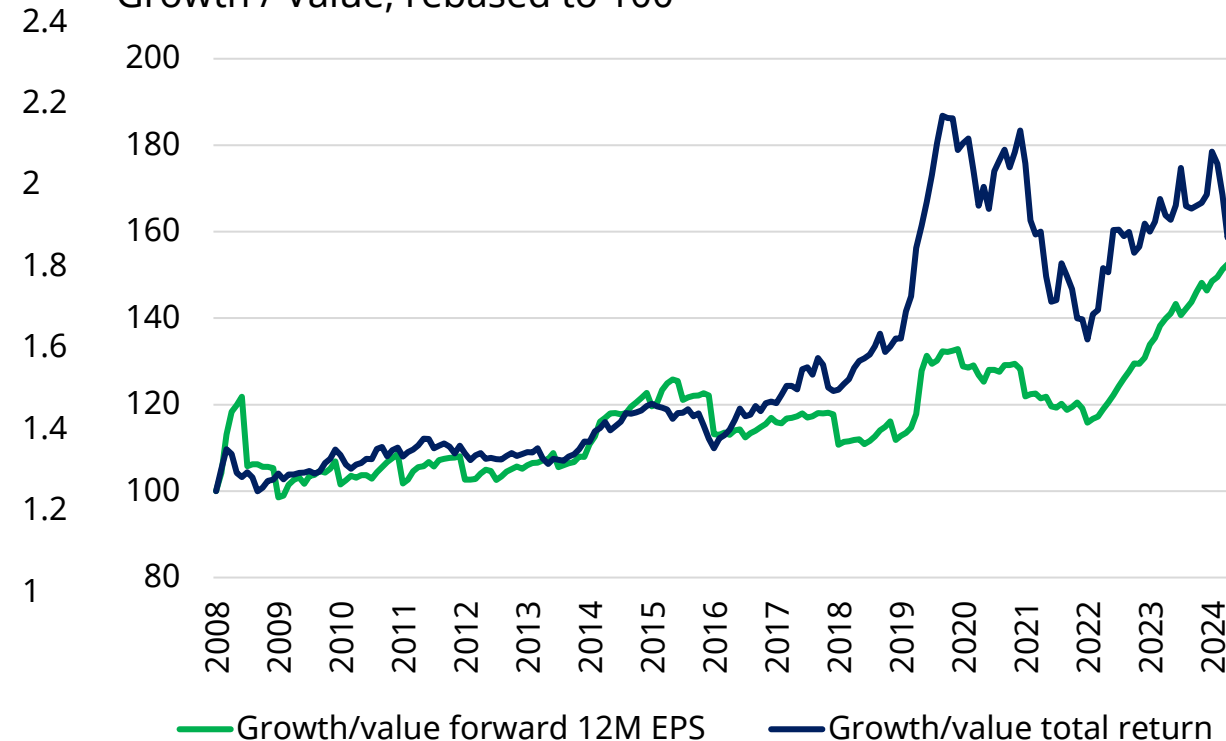
## Relative valuations remain high by historical standards

Growth vs Value (global)



## Earnings expectations for growth companies have risen strongly

Growth / Value, rebased to 100



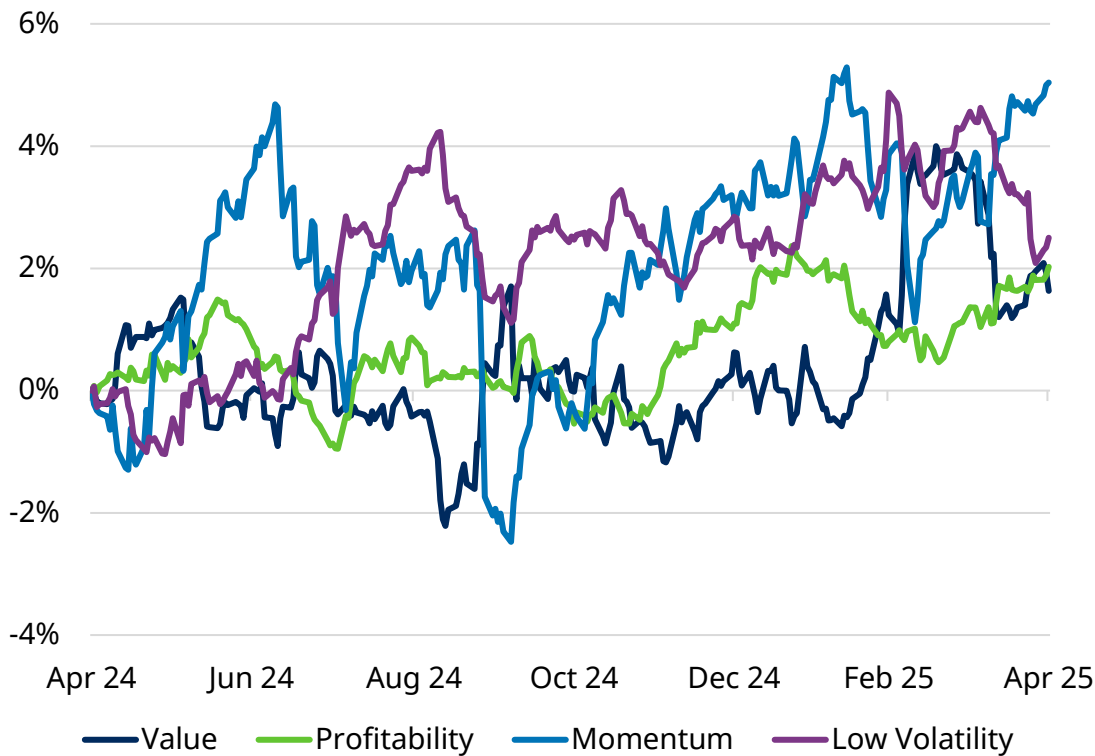
Forecasts included are not guaranteed and should not be relied upon. Past performance is not a guide to future performance and may not be repeated.

Source: LSEG Datastream and Schroders Strategic Research Unit. Data to 30 April 2025 in US dollars. Based on MSCI ACWI World. Please see relevant disclaimers on page 48



# The momentum style has rebounded strongly while value and low volatility have fallen back

## 1-year cumulative long short return



	Value	Profitability	Momentum	Low Volatility
YTD	1.0%	0.9%	2.1%	-0.3%
1 year	1.6%	2.0%	5.0%	2.5%
5 yr pa	5.2%	0.5%	1.5%	1.2%
10 yr pa	1.5%	2.4%	2.3%	2.3%

*Returns are based on factor-mimicking, long-short, global equity portfolios that are scaled to target a volatility of 2.2% per year. The factor mimicking portfolios calculate the factor score on an industry basis. These portfolios aim to capture the returns attributable to specific fundamental characteristics within each industry.*

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Source: Schroders Systematic Investments. Data as at 30 April 2025. Notes: based on portfolios formed using the MSCI ACWI Universe. Please see relevant disclaimers on page 48



# Global equities

Index composition

# The stock market is not the economy

## Geographic revenue exposure of major stock markets:

		MSCI equity index:				
		US	Europe ex UK	UK	Japan	EM
Geographic source of revenues	US	59	23	27	17	13
	Europe ex UK	9	35	14	7	4
	UK	2	4	22	2	1
	Japan	2	2	3	46	2
	EM and frontier	24	31	29	24	78
	Other/unallocated	4	4	5	4	3

**Past performance is not a guide to future performance and may not be repeated.**

Other/unallocated includes Canada, Australia, New Zealand, Singapore. Analysis based on the most recently available data as at 19 November 2024. Source: Factset, Schroders. Please see relevant disclaimers on page 52

# US small caps and value stocks are more domestically-oriented than large caps

Geographic revenue exposure of major stock markets:

		MSCI equity index:			
		US Large Caps	US Small Caps	US Value	US Growth
Geographic source of revenues	US	59	77	69	50
	Europe ex UK	9	4	7	10
	UK	2	1	2	2
	Japan	2	1	2	3
	EM and frontier	24	10	16	31
	Other/unallocated	4	6	3	4

**Past performance is not a guide to future performance and may not be repeated.**  
 Note: the Russell 2500 index of US small and mid cap stocks has 76% revenue exposure to the US economy, a similar percentage as US small caps. Other/unallocated includes Canada, Australia, New Zealand, Singapore. Analysis based on the most recently available data as at 19 November 2024. Source: Factset, Schroders. Please see relevant disclaimers on page 48

# Global portfolios are not well diversified: near-record amount in the US

## MSCI USA weight in major global benchmarks

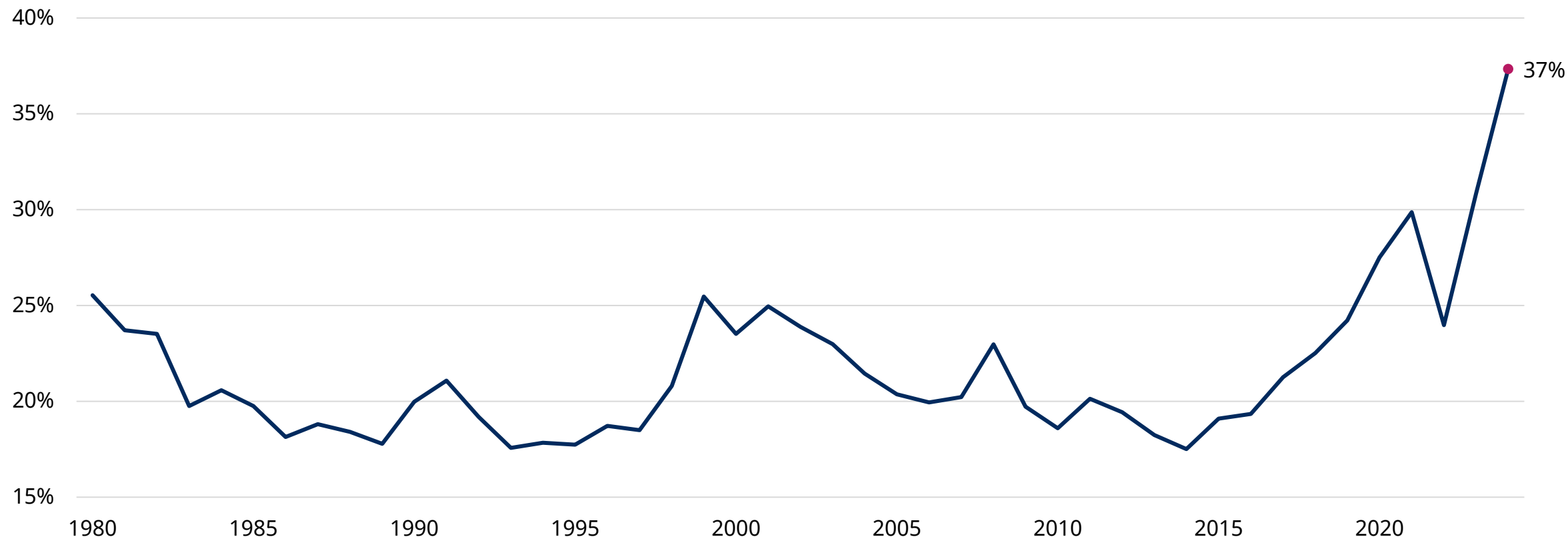


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Source: LSEG Datastream, MSCI and Schroders. Data to 30 April 2025. Please see relevant disclaimers on page 48.

# And the US itself is heavily concentrated in just a few stocks

## Weight of 10 largest stocks in S&P 500

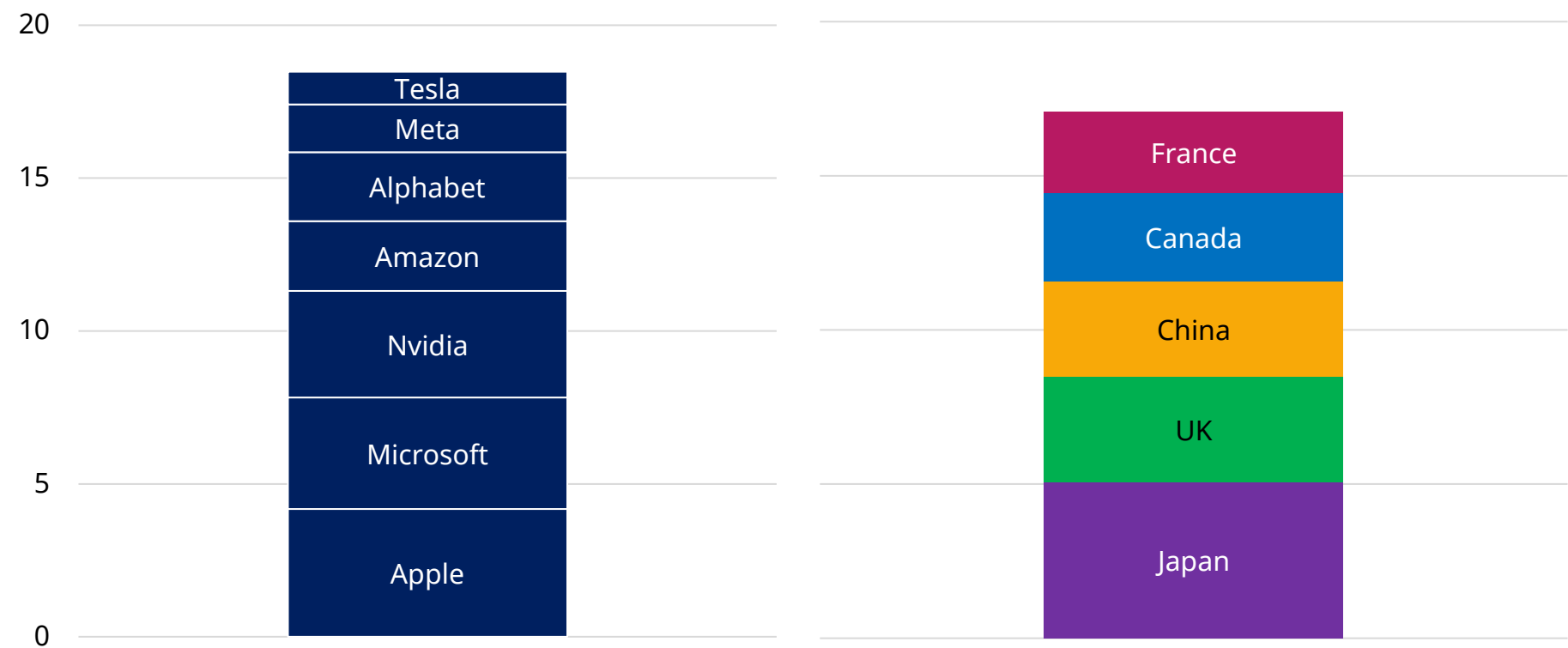


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As at 31 December 2024. S&P 500 top 10 issues annually by % of index market value from 1980 – 2024. S&P 500 used rather than MSCI USA for reasons of data availability. Full market values (not adjusted for float) is used for historical comparison. Source: S&P. Please see relevant disclaimers on page 48.

# Seven US companies make up more than the next five biggest countries in MSCI ACWI combined\*

Weight in MSCI ACWI, %



*And the same as the 2,055 smallest companies in the index combined*

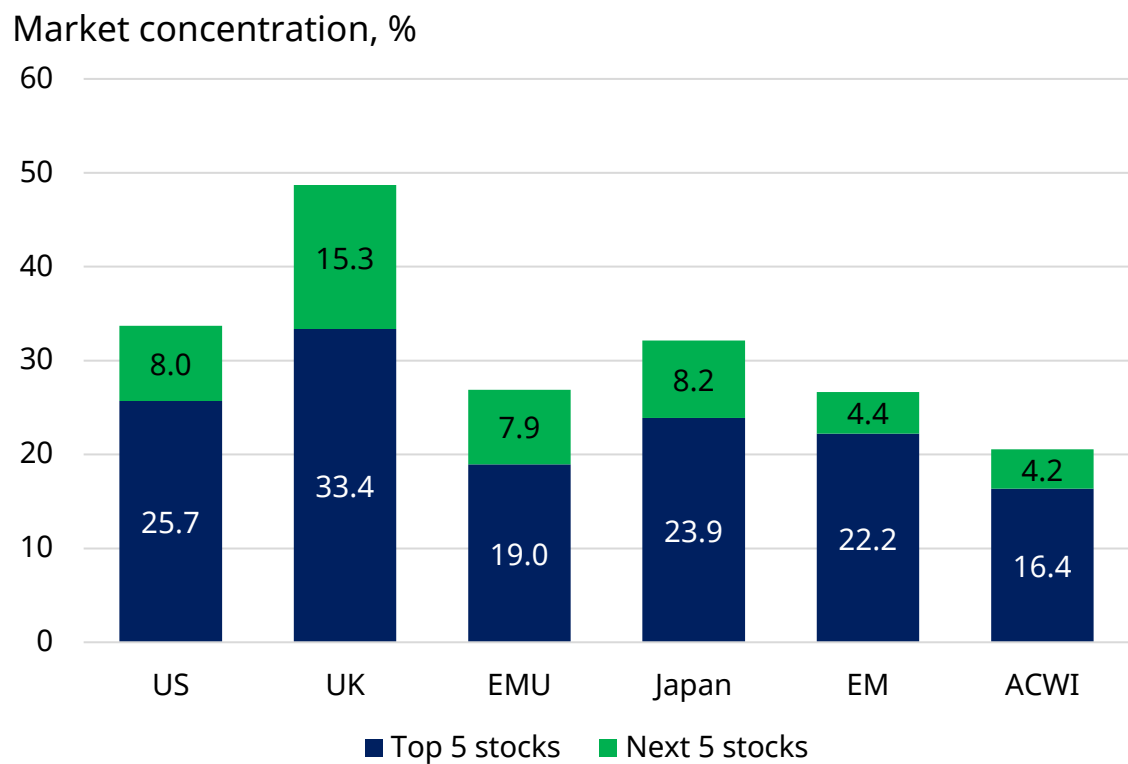
*\* This has fallen in recent months. At the end of December, they had the same weight as the next eight biggest countries.*

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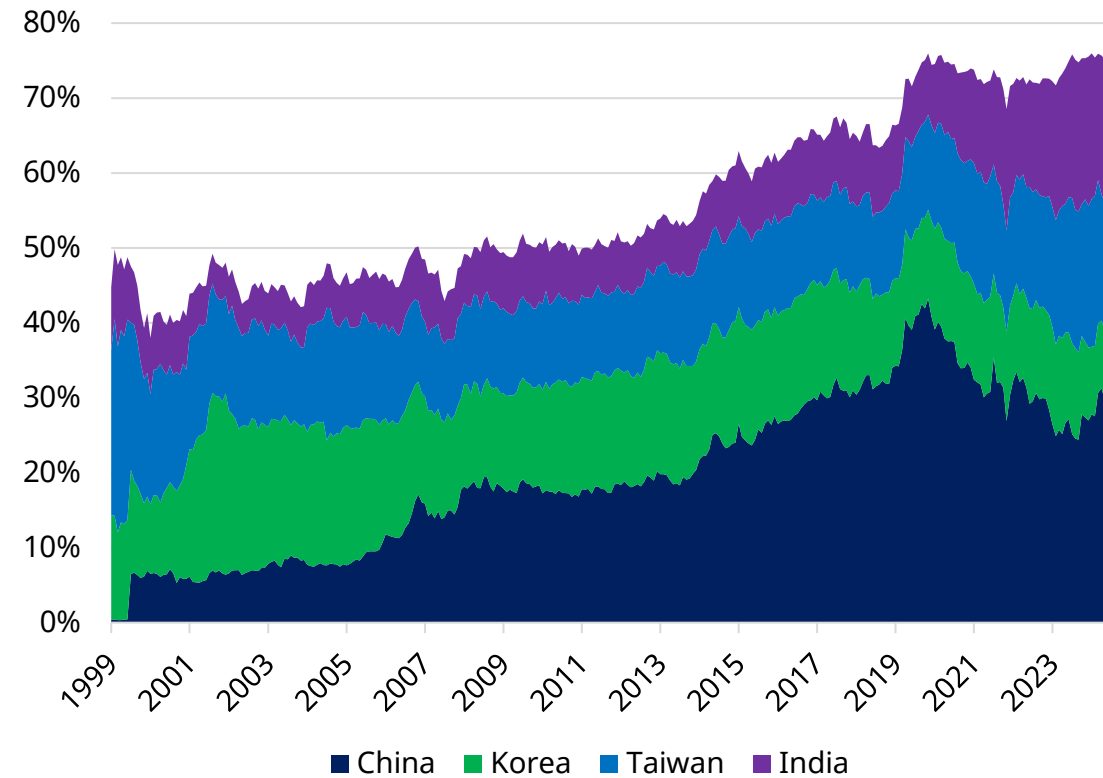
# Market concentration is global phenomenon

## Top constituents by market share

### UK equities heavily weighted towards top 10 stocks



### China's weight has fallen but India and Taiwan have risen, keeping overall EM exposure to Asia very high



Source: LSEG Datastream, MSCI and Schroders Strategic Research Unit. Data as at 30 April 2025. Please see relevant disclaimers on page 48



# Japan, EM, and Europe are more cyclical than ACWI. The more defensive UK market has little IT exposure.

## Regional market composition

Sector	Beta*	Cyclical/ defensive	Sector Group Index Weight						Sector Group Index Weight vs ACWI				
			US	UK	EMU	Japan	EM	ACWI	US	UK	EMU	Japan	EM
IT	1.3	Cyclical	30%	1%	12%	13%	22%	24%	6%	-23%	-12%	-10%	-2%
Cons disc	1.2	Cyclical	11%	5%	12%	19%	14%	11%	0%	-6%	1%	8%	3%
Financials	1.0	Cyclical	14%	24%	24%	16%	25%	18%	-4%	6%	6%	-2%	7%
Industrials	1.1	Cyclical	9%	15%	19%	24%	7%	11%	-2%	4%	8%	13%	-4%
Energy	0.8	Cyclical	3%	10%	3%	1%	4%	4%	-1%	7%	-1%	-3%	1%
Materials	1.1	Cyclical	2%	6%	5%	4%	6%	4%	-2%	2%	1%	0%	2%
Real estate	1.1	Cyclical	2%	1%	0%	0%	0%	2%	1%	-1%	-1%	-1%	-2%
Comm Servs	1.0	Defensive	9%	3%	5%	8%	10%	8%	1%	-6%	-3%	0%	2%
Cons stap	0.6	Defensive	6%	17%	7%	6%	5%	7%	0%	11%	0%	-1%	-1%
Utilities	0.7	Defensive	2%	5%	6%	1%	3%	3%	0%	2%	3%	-2%	0%
Health care	0.7	Defensive	11%	14%	7%	8%	3%	10%	1%	4%	-3%	-2%	-7%
<b>% cyclical</b>			<b>69%</b>	<b>61%</b>	<b>75%</b>	<b>77%</b>	<b>78%</b>	<b>71%</b>	<b>-1%</b>	<b>-11%</b>	<b>3%</b>	<b>5%</b>	<b>6%</b>

Source: LSEG Datastream and Schroders Strategic Research Unit. Data as at 30 April 2025. Please see relevant disclaimers on page 48. Notes: market beta is a measure of how sensitive sector returns are to changes in the overall market index. Cyclical sectors are defined as having a market beta greater than 1, (i.e. they outperform when the index rises), whereas defensive sectors have a beta less than 1 (i.e. they underperform when the index rises). Our calculation is based on the last five years of monthly returns vs the MSCI ACWI Index.

# Quality and min vol styles are more defensively positioned

## Style market composition

Sector	Beta vs ACWI	Cyclical/ defensive	Sector Group Index Weight						Sector Group Index Weight vs Benchmark*					
			Value	Growth	Quality	Momentum	Min Vol*	US small caps*	Value	Growth	Quality	Momentum	Min Vol*	US small caps*
IT	1.3	Cyclical	8%	38%	31%	28%	19%	14%	-15%	14%	7%	4%	-5%	-16%
Cons disc	1.2	Cyclical	7%	14%	6%	4%	7%	10%	-3%	3%	-5%	-7%	-4%	0%
Financials	1.0	Cyclical	28%	8%	10%	21%	17%	16%	10%	-10%	-8%	3%	0%	2%
Industrials	1.1	Cyclical	12%	11%	11%	12%	8%	17%	1%	0%	0%	1%	-4%	9%
Energy	0.8	Cyclical	7%	1%	1%	2%	2%	4%	3%	-3%	-3%	-2%	-1%	0%
Materials	1.1	Cyclical	5%	3%	1%	2%	2%	6%	1%	-1%	-2%	-2%	-2%	4%
Real estate	1.1	Cyclical	4%	1%	0%	2%	0%	7%	2%	-1%	-1%	0%	-2%	5%
Comm Servs	1.0	Defensive	4%	11%	13%	10%	14%	4%	-4%	3%	5%	2%	6%	-6%
Cons stap	0.6	Defensive	8%	4%	11%	8%	11%	5%	2%	-2%	4%	1%	4%	-1%
Utilities	0.7	Defensive	5%	1%	0%	4%	6%	6%	2%	-2%	-3%	1%	3%	4%
Health care	0.7	Defensive	12%	9%	16%	7%	14%	11%	1%	-1%	6%	-3%	4%	0%
<b>% cyclical</b>			<b>71%</b>	<b>75%</b>	<b>60%</b>	<b>71%</b>	<b>55%</b>	<b>74%</b>	<b>-2%</b>	<b>2%</b>	<b>-13%</b>	<b>-1%</b>	<b>-17%</b>	<b>3%</b>

Source: LSEG Datastream and Schroders Strategic Research Unit. Data as at 30 April 2025. Please see relevant disclaimers on page 48. Notes: market beta is a measure of how sensitive sector returns are to changes in the overall market index. Cyclical sectors are defined as having a market beta greater than 1, (i.e. they outperform when the index rises), whereas defensive sectors have a beta less than 1 (i.e. they underperform when the index rises). Our calculation is based on the last five years of monthly returns vs the MSCI ACWI Index. Min Vol index is based on and relative to MSCI World, US small caps are relative to MSCI USA. All other indices are based on MSCI ACWI universe.



## Appendix

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# List of indices (1 of 2)

## **Large cap equities**

US – MSCI USA Index, or S&P 500 Index where specified

UK – MSCI UK Index

Europe ex UK – MSCI Europe ex UK Index

Japan – MSCI Japan Index

Developed markets – MSCI World Index

Emerging markets – MSCI EM Index

Global – MSCI All Country World Index

Rest of world – MSCI All Country World ex US Index

Slide 7 shows profit margins for Datastream total market equity indices, due to longer data history

## **Small cap equities**

US – MSCI USA Small Cap Index

UK – MSCI UK Small Cap Index

Europe ex UK – MSCI Europe ex UK Small Cap Index

Japan – MSCI Japan Small Cap Index

Emerging Markets – MSCI EM Small Cap Index

World ex-US – MSCI World ex-US Small Cap Index

## **Factor and sector indices**

US Value – MSCI USA Value Index

US Growth – MSCI USA Growth Index

US Cyclical – MSCI USA materials, industrials, consumer discretionary, energy, financials, IT

US Defensive – MSCI USA utilities, consumer staples, health care, communication services

Global Value – MSCI All Country World Value Index

Global Growth – MSCI All Country World Growth Index

# List of indices (2 of 2)

## **Bond indices**

US Treasuries – ICE BofA US Treasury Index

Euro government bonds – ICE BofA Euro Government Index

US IG Corps – ICE BofA US Corporate Index

UK IG Corps – ICE BofA Sterling Corporate Index

Europe IG Corps - ICE BofA Euro Corporate Index

Japan IG Corps - ICE BofA Japan Corporate Index

EM IG Corps - ICE BofA Emerging Markets Corporate Plus Index

## **Other**

Economic surprises – Citigroup Economic Surprise Index, USA, UK, Eurozone, Japan, Emerging Markets

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