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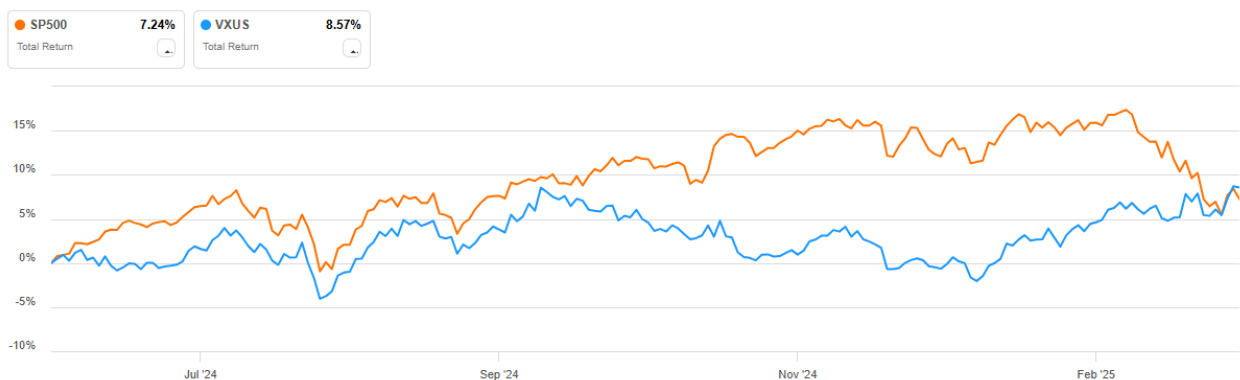
Global Diversification is Back!

By Dani Schijveschuurder

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Back in May 2024 I wrote a post about [Global Diversification](#) where I argued the case to have a Diversified portfolio at all times. I wrote that “Although clearly the US has had a massive outperformance over the last 15 years or so, that does not negate the need for global diversification. I have no doubt, that US dominance will end at some point. Will that be tomorrow? Next week? 17 years? 27th April 2057? Not a clue. But the risk of that outperformance ending at the most in-opportune time is too great to bear, and I believe rational investors will ensure they are appropriately diversified at all times. They should accept a lower, but more viable and sustainable return, than the more romantic, but higher chance of blowing up, more concentrated return”.

In the 10 months since that post, Global markets have now outperformed the US, with the VXUS (Global markets excluding US) up 8.6% and the S&P 500 up 7.2%.



The turn in markets has been startlingly sudden; and the last few weeks in particular would have felt rather brutal (from a US perspective) for someone who has not been sufficiently diversified but was concentrated in US stocks. From a valuation perspective, the US was looking increasingly expensive, both at absolute levels, as well as on a relative basis, although that has been true for a good number of years, and on valuation metrics alone a rotation away from US into the rest of the world could have been made multiple times over the years to detrimental effect, as the US outperformance continued unabated.

Rather than trying to predict which region will lead in the next 25 years, we advocate for maximum diversification across indices at all times, by investing the majority of one's Equity allocation in passive Global Equity ETF's.



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One of the key advantages of passive investing in global equity markets is the self-adjusting nature of index funds, which naturally increase exposure to winning sectors and regions while reducing exposure to laggards. You thereby capture growth wherever it happens—whether in specific regions, industries, or companies—while avoiding the risk of holding onto underperformers for too long. If a particular sector (e.g., technology, healthcare, renewable energy) is growing, companies in that sector will increase in value. Since passive funds tend to track market-weighted indices, your exposure to these growing sectors rises naturally. Conversely, if a sector (e.g., oil & gas, traditional retail) is declining, those stocks shrink in value, and your exposure to them reduces without you having to sell. The same is true from a regional perspective, as we are going through now.

The last 5 years of S&P dominance has almost entirely been eroded in the blink of an eye, with the S&P 500 up 134% and ACWI 126%.



Sticking with simple risk management by diversifying at all times, and not attempting to call the rise and fall of the different sectors/regions seems a more sensible approach.

Dani Schijveschuurder is an investment advisor that provides advice regarding the financial vehicles mentioned in the article. The views and opinions of the writer are his own and do not represent the views or opinions of the Goldrock Partners or its affiliates.