(UBS)

What's the right allocation to US equities?

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After two consecutive years of outperformance for US equities, 2025 so far has marked a break in the trend, with US markets (the S&P 500) underperforming ex-US (MSCI ACWI ex-US index) by 12.4% in net total return terms. This serves as an important reminder about the value of global diversification—even the strongest markets cannot outperform indefinitely.

Nevertheless, for the remainder of 2025, we believe that US equities will outperform European equities and that the US should remain a core component of a well-diversified global equity strategy. The key question for investors, then, is what the right overall allocation to US equities should be within a global portfolio.

The US currently comprises over 64% of the MSCI All Country World index, and a simple rule of thumb is to allocate at least half of global equities to the US. Investors significantly below this level should consider building up US allocations ahead of a period of expected relative outperformance.

Meanwhile, those with US equity allocations well above this level should use near-term strength to diversify—potentially into emerging market equities, where we also expect outperformance.

For more, see the **UBS House View Quarterly - 2H outlook: Action amid uncertainty**.

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