

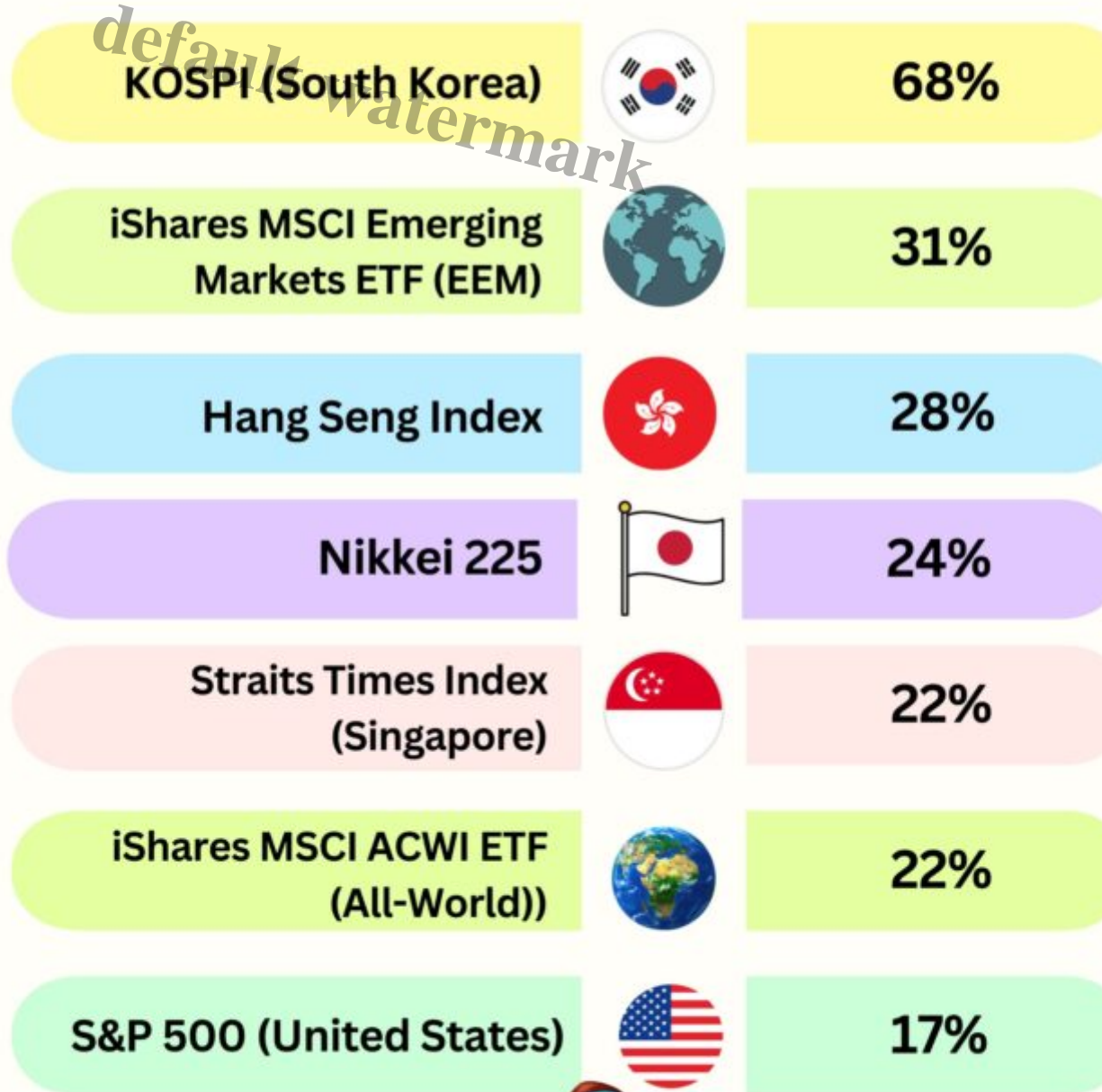
Could the tides be changing?

## Description

Last year was the first time since 2017 that international stocks outpaced the US.

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# HOW MUCH DID THE S&P 500 GAIN IN 2025 VS. THE REST OF THE WORLD?



Which surprised you?



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For the last 5 years, the predominant narrative on social media was to *“just dollar-cost average and buy the S&P 500 every month”*.

**Year S&P 500 returns**

2017 21.8%  
2018 31.5%  
2019 18.4%  
2020 28.7%  
2022 18.1%  
2023 26.3%  
2024 25.0%

*Prior to this, the S&P 500 only returned less than 2% in 2014 and 2015.*

From a glance, the justification seemed logical enough. Over the last 4 decades, the S&P 500 has returned an average of 11% per annum to its investors. Sure enough, there will be some bad years, but the markets would always recover as long as you stuck through it.

But just as this narrative gained momentum and mainstream popularity, there was a growing sense of discomfort among experienced investors.

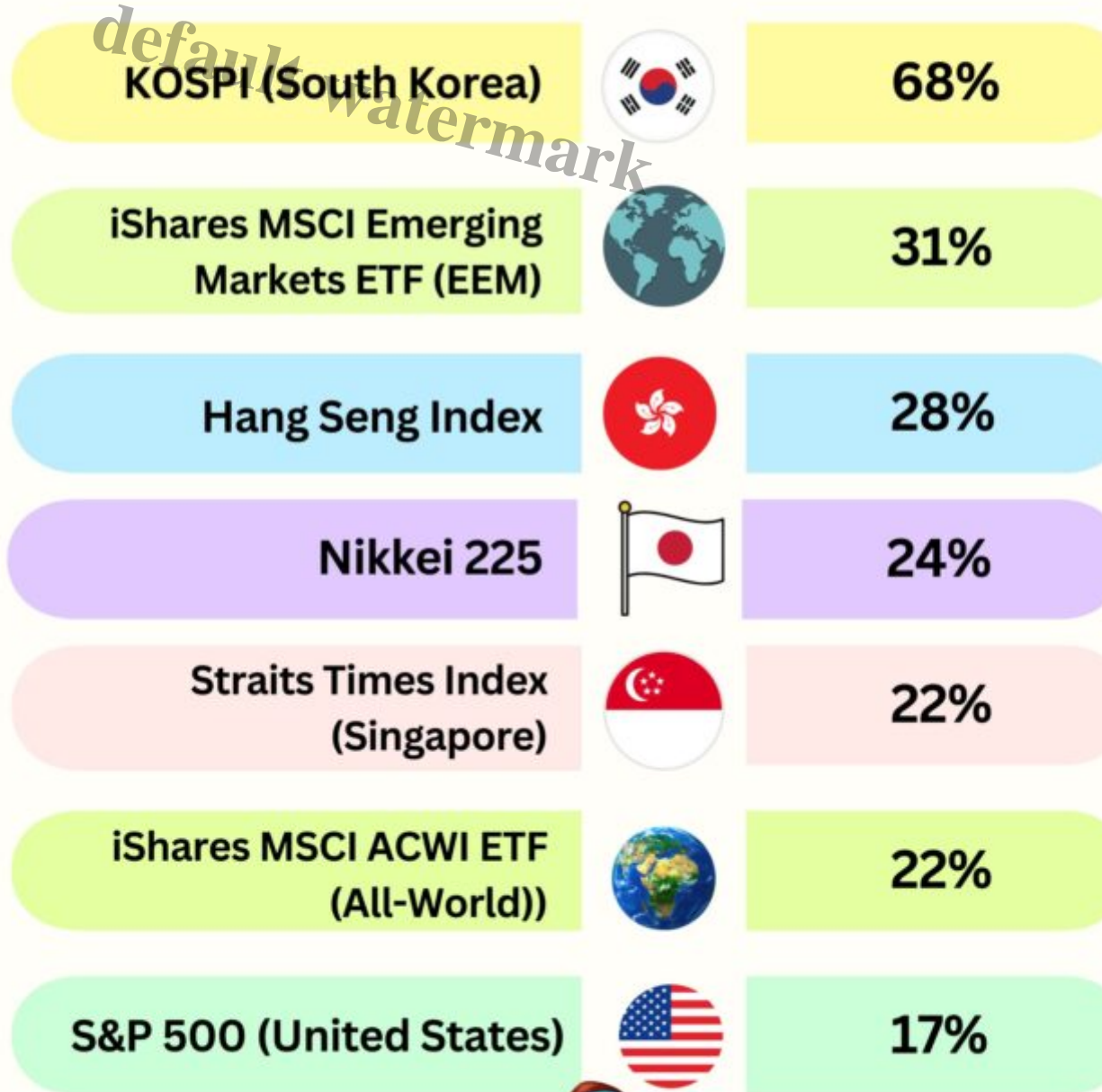
When I attended the Berkshire Hathaway AGM in 2024, [many of us were discussing whether active stock picking still made sense in this age](#). The conversation arose especially because passive index investors had achieved consecutive years of double-digit returns by simply buying the S&P 500 (with the exception of 2022’s “tech winter”).

In that case, did it still make sense to spend the time and effort picking stocks?

But then 2025 arrived, and turned everyone’s beliefs on its head.

For the first time since 2017, the MSCI World index outperformed the S&P 500, coming in at 22.4% vs. 17%. The MSCI Emerging Markets Index outperformed by nearly double of the S&P 500. And international markets performed even better, with our homegrown Straits Times Index (STI) returning 26% while Korea’s Kospi ran ahead at 76% to close off the year.

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And for Singapore investors, the decline of the US dollar suddenly meant that the ones who had chosen to forsake the STI for the S&P 500 for the last 5 years were now worse off than if they had simply invested closer to home.

## What's next for investors?

As we move into 2026 and beyond, what does this mean for passive investors, beginner investors, or even investors based outside of the US?

First of all, **we need to rethink our assumptions that the S&P 500 will always continue to outperform.** Just because an idea has worked for the last few decades is no guarantee that it always will.

As Howard Mark points out, sometimes bubbles can extend to whole markets.

*“In a similar vein, heated buying spurred by the observation that stocks had never performed poorly for a long period caused stock prices to rise to a point from which they were destined to do just that.”*

“ [Howard Marks](#)”

The S&P 500 declined in 2000, 2001 and 2002 for the first three-year decline in 60 years since 1939, during the Great Depression.

*As a consequence of this poor performance, investors deserted stocks en masse, causing the S&P 500 to have a cumulative return of zero for the more than 11 years from the bubble peak in mid-2000 until 2011.*

Most investors then did not believe it possible because they didn't have the experience it hadn't happened in 60 years!

But that doesn't mean it wasn't going to.

And then it did.

## The past does not guarantee our future returns.

As investors trying to build and secure our financial future, we need to invest by looking into the future rather than simply expecting past returns to always continue.

This requires us to think about where capital flows in the next few decades will be. Will that still be the US capital markets, especially given how unreliable they've been shaping up to be in recent months?

As supply chains shift and globalization starts to move towards localized production, could emerging markets and Asia be a better place to invest in the next few decades?

Or will history repeat itself, and give us another 20 - 30 years of inflation-beating returns from simply buying the S&P 500 every month?

No one knows. But we have to each make a decision on what our view of the future is, and accept that the actual outcome of our finances when we hit our retirement years will be shaped by the choices we make today.

What if one simply wants to make investing easy by simply automating and DCA-ing into the S&P 500 every month? Could there be a possibility that it'll be good enough?

It might. Who knows?

I'd acknowledge that as luck.

But as an investor growing my portfolio for my retirement, I don't want to hinge my entire future on luck. Hence, I won't be depending on just the S&P 500 alone. That's why my portfolio has allocation to non-US markets - including Singapore and China.

What about you?

With love,  
Dawn

## Category

1. Investing