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US markets are sky high. There's better value elsewhere

By Perpetual Asset Management

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The time is right for global equities investors to look beyond pricey US stocks to Europe and emerging markets, argues Barrow Hanley's DAVID GANUCHEAU

- Look for value in Europe and emerging markets
- Sharp contrast with AI premium on US stocks
- Find out about Barrow Hanley's global equities investment solutions

EUROPEAN and emerging-market valuations remain well below US levels, and should attract investors over the remainder of the year.

That's the view of David Ganucheau, senior managing director at Barrow Hanley, a Texas-based global equities fund manager distributed in Australia through Perpetual.

Barrow offers a value global equities strategy in Australia (available in managed fund and active ETF formats) as well as a dedicated emerging markets fund.

A rally in US stocks since President Donald Trump's Liberation Day tariff announcement in April has concentrated US value in a few sectors such a healthcare, utilities and listed property (REITs).

The scarcity of opportunities contrasts with attractive prices in Europe and emerging markets – a shift in the value landscape that should see investors tilt away from the US, predicts Ganucheau.

"Emerging markets valuations in general are still very, very cheap relative to history even though we've seen some of the Chinese names recover," he says.

Barrow Hanley is finding particular value in companies listed in Thailand, Brazil and Mexico.

“Those values look really cheap now when you consider how much the US has run, and the scarcity of value in the US.”

Barrow Hanley Global Share Fund (and its ASX-quoted active ETF) aim to provide investors with long-term capital growth by investing in quality global shares trading at a discount to their estimated fair value.

Emerging markets offer strong value

Ganucheau says US stocks have lifted to such an extent that value only remains in small pockets of the market – led by healthcare, utilities and REITs.

The premium on US stocks may well be justified, he says, with many of its leading companies selling into the AI boom.

But it’s a sharp contrast from international markets.

“We've got a story of the haves and the have-nots. When you go to Europe and emerging markets, you can start to see much more value.

“I wouldn't be surprised if our portfolio migrated more to the emerging markets and more to international companies on the margin.

“European industrials are not seeing the kind of valuations that you see in the United States.”

Tariff-led downturn unlikely

Trump’s tariff policy is still causing “all kinds of uncertainties” but Ganucheau believes a worst-case global downturn is unlikely.

“A lot of it is posturing and positioning. Trump and his team did signal that they were going to do these massive tariffs... but you saw him consistently back off.

“If you watch what his feet are doing, rather than his mouth – which is probably the best thing to do – what you see is he's not trying to blow it up.

“If you can look through it and think a little bit longer term, there are things that each specific company can do to offset some of the impacts of tariffs – they can move supply chains around and the like.

“It really depends on the company.”

The Barrow Hanley team stress-tested every holding after Trump’s Liberation Day tariff announcement as the probability of a global trade war escalated.

“The impact was not evenly distributed,” Ganucheau says.

“The companies that got hit the worst in that downdraft really were the ones that were going to get hit the worst – the auto parts companies, the semi companies.

“But when we ran through those stresses, we got more comfortable in the overall impact.

“We were able to add to those positions on weakness, because we knew... they were still going to be okay, and it was still a great asymmetric return proposition, especially given the drops in the stocks.”

About Barrow Hanley

Barrow Hanley is a global leader in value investing, managing assets on behalf of clients for more than 40 years.

Barrow Hanley Global Share Fund and its ASX-quoted asset class aim to provide investors with long-term capital growth through investment in quality global shares.
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