

The Stocks That Eclipsed the FAANGs

US equity shares—those of the tech giants, in particular—have grabbed the headlines. But, the majority of the developed market's top 25 best-performing stocks over the last five years have come from outside the US.

Insight from sub-adviser Schroders Investment Management

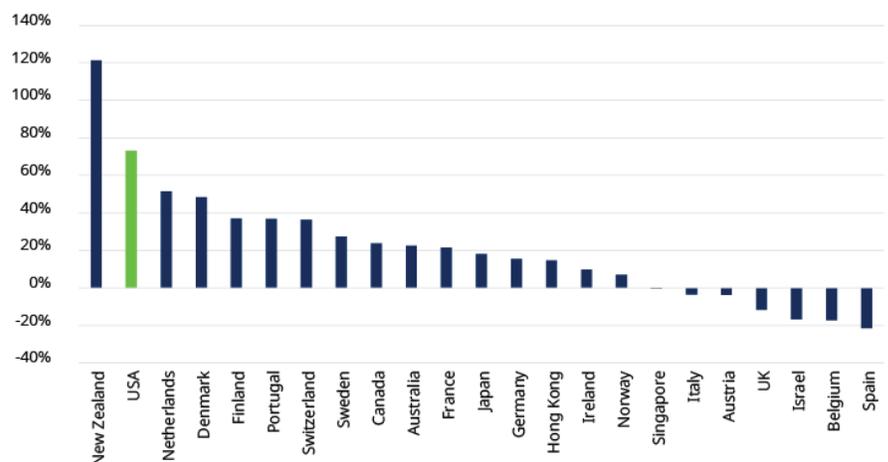


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ALL OF THE MOST EXCITING DEVELOPED-MARKET COMPANIES TO INVEST IN ARE LOCATED IN THE US, RIGHT? THINK AGAIN. Yes, the US stock market has dominated the global landscape for years, but there's a catch. In terms of performance, US stocks have returned 73% in the five-year period ended 7/31/20 (USD), leaving all but the small New Zealand market (which only includes seven stocks) in its wake (see FIGURE 1).

FIGURE 1 The US Stock Market Has Powered Ahead of the Competition

Returns over the five-year period ended 7/31/20 (USD)



Past performance does not guarantee future results. | Chart shows all constituent countries in the MSCI World Index¹ of developed-market stocks. | The level of each market's return would be different when expressed in a different base currency, but the ranking and relative performance would be the same. Source: Refinitiv.

Most of the Top-Performing Companies Are From Outside of the US

Companies such as the FAANGs—Facebook, Apple, Amazon, Netflix, and Google (Alphabet)—dominate headlines.

But, investors may be surprised to learn that, over the past five years, seven of the top-10-performing developed-market stocks in the MSCI World Index and 16 of the top 25, in dollar terms, have been located outside of the US. Countries of origin include Canada, Japan, New Zealand, Sweden, Australia, Germany, and Denmark. Stocks in the Index span sectors as diverse as milk production, mining, and, of course, technology (see FIGURE 2).

Key Points

- US-domiciled firms have dominated global stock markets for years, with the so-called FAANG stocks—Facebook, Amazon, Apple, Netflix, and Google—helping to drive performance.
- But investors may be surprised to learn that 16 of the 25 top-performing stocks during the last five years are from outside of the US.
- While international stocks have generally lagged US equities, some of the best-performing companies have been headquartered overseas.

¹ The MSCI World Index captures large- and mid cap representation across 23 Developed Markets countries. With 1,601 constituents, the Index covers approximately 85% of the free float-adjusted market capitalization in each country. Source: MSCI.com. Indices are unmanaged and not available for direct investment.

FIGURE 2

The Top 25 Best-Performing Stocks in Developed Markets

Excluding the FAANGs, 16 out of 25 companies are located outside of the US

Country	Company	Business	Five-Year return (USD)
US	Advanced Micro Devices	Semiconductors	3,912%
Canada	Kirkland Lake Gold	Gold mining	3,183%
Japan	Lasertec	Semiconductor testing	2,916%
Canada	Shopify	Online marketplace	2,622%
New Zealand	The A2 Milk Company	Protein-free milk	2,449%
Sweden	Evolution Gaming	Digital casinos	2,370%
Canada	Cronos Group	Cannabis producer	2,174%
US	Nvidia	Graphics processing units (GPUs)	2,091%
US	Ringcentral	Cloud-based communications	1,373%
Canada	Canopy Growth	Cannabis producer	1,088%
Australia	Fortescue Metals Gp.	Iron and steel	1,087%
US	Wix.com	Software	937%
US	Veeva Systems	Cloud computing	883%
US	Paycom Software	Online payroll and HR	789%
US	Mercadolibre	Online marketplaces	768%
Australia	Northern Star	Gold mining	695%
US	Teladoc Health	Virtual healthcare	653%
Germany	Sartorius Pref. (Xet)	Medical equipment	626%
US	Wayfair	E-commerce (furniture/homeware)	613%
Japan	Advantest	Semiconductor testing	586%
Japan	Daifuku	Material handling systems	568%
Japan	Gmo Payment Gtwy.	Payment processing services	550%
Denmark	Ambu B	Medical equipment	548%
Australia	Evolution Mining	Gold mining	543%
Canada	B2gold	Gold mining	540%
MSCI World			48%
The FAANGS:			
US	Facebook		170%
US	Apple		280%
US	Amazon		490%
US	Netflix		328%
US	Google (Alphabet)		126%

Past performance does not guarantee future results.
Data as of 7/31/20. Source: Refinitiv.

Particularly noteworthy is that, despite the fact that Japanese stocks in aggregate have underperformed their US counterparts by 55% over the past five years, four of the top 25 performing stocks are Japanese.

So, although US companies have made most of the headlines and international markets have lagged the US market, investors should ignore international stocks at their peril.

To do so could mean missing out on some of the best-performing companies in the world.

For more information about international investing, visit hartfordfunds.com

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