



### **2024 4<sup>th</sup> Quarter: Business Friendly?**

Many US investors question allocating to non-US stocks because the US market has performed so strongly for more than a decade. From January 2010 through December 2023, the S&P 500 Index returned 13.12%, beating the MSCI All Country World ex USA Index by an annualized 8.5 percentage points.

The history of country market performance says investors shouldn't count on one country's market remaining on top. But some investors look for stories supporting why the US is different and might continue its dominance. One increasingly popular belief is that the US is particularly friendly to businesses, attracting the best proprietors and subsequent innovation.

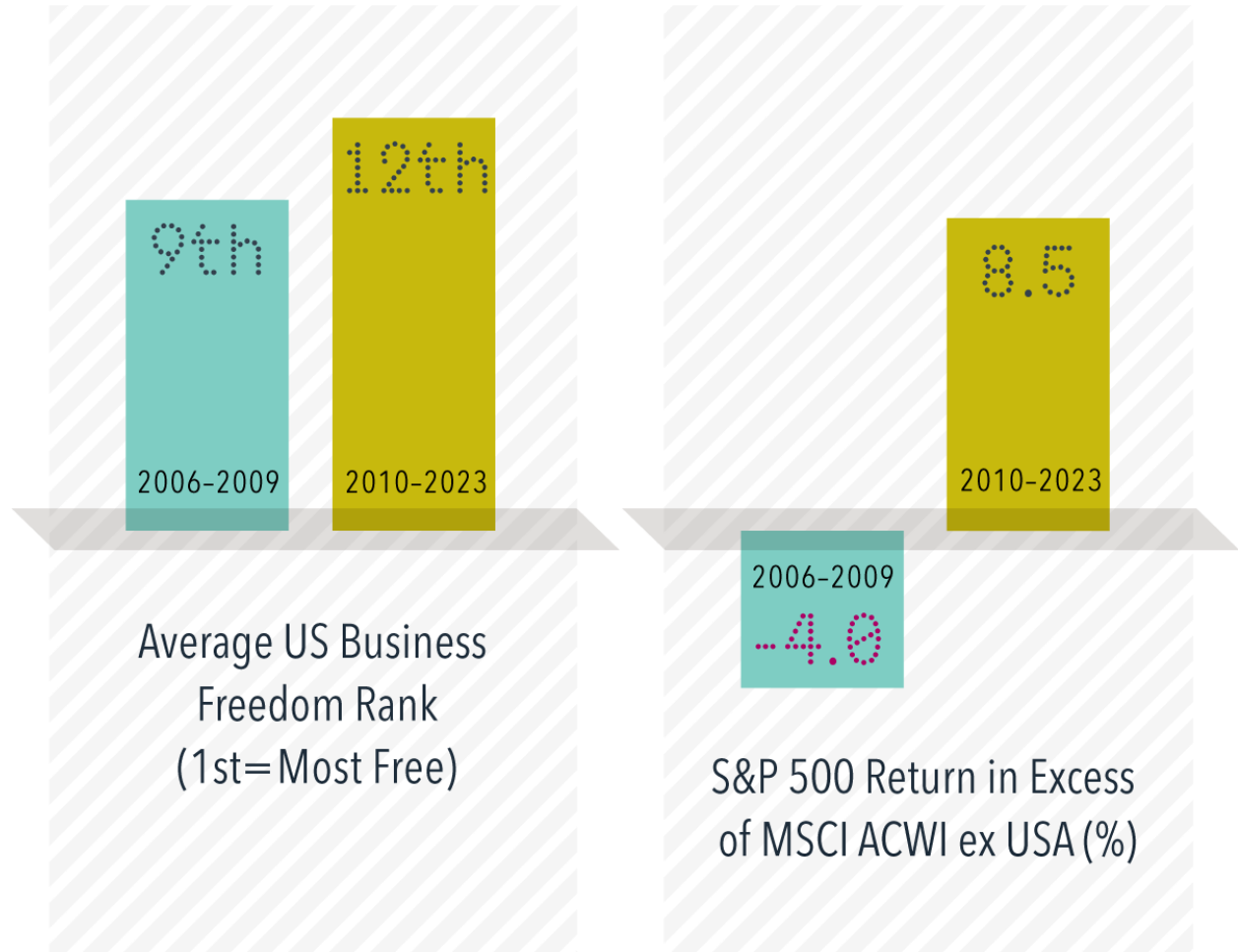
The premise that the US leads the way in business friendliness is up for debate. The Heritage Foundation's business freedom scores rank countries on subjective criteria like regulatory environment, business risk, and access to electricity. The US ranked 13th out of 22 developed countries in 2023.<sup>1</sup>

More relevant than the level is the consistency of the US's ranking, and this poses a major challenge to explaining recent US market performance through business freedom. The average ranking from 2006 through 2009 was about ninth. During the years since 2010, the average ranking fell slightly to 12th. So, the US's business appeal was essentially middle of the pack both during the back end of the "lost decade" and from 2010 to 2023. And yet, the S&P 500's relative-return outcomes were polar opposites during these two periods, flipping from underperforming the MSCI All Country World ex USA Index by 4.0 percentage points to outperforming by 8.5 percentage points.

The data casts doubt on whether US market success is correlated with its appeal to businesses.

**Exhibit 1**

Average Business-Freedom-Score Ranking for the US and Annualized Returns for the S&P 500 Index in Excess of the MSCI All Country World ex USA Index



**Past performance is no guarantee of future results. Actual returns may be lower.**