

Think Outside the (U.S.) Box

Author: Alan Rubinfeld

IN A NUTSHELL

- The second Trump administration's trade and tariff policies have created elevated levels market volatility and uncertainty across global markets.
- Most international markets – especially Europe - while certainly not immune to these gyrations, have provided superior investment performance when compared to their American counterparts.
- DWS perceives better investment opportunities currently reside outside the United States, especially in Europe.
- Xtrackers offers investors multiple ETF solutions focusing on international markets, whether seeking currency hedged exposures, an international high dividend strategy, or direct access to Chinese markets.

Reassessing Global Opportunities in an Uncertain Market

At the onset of 2025, investors hoped that the return to the Trump-era policies – marked by tax cuts and deregulation – would revive the markets record-breaking momentum. So far, that hope has gone unrealized.

Instead, markets have experienced increased levels of insecurity, uncertainty, and volatility. Trade tensions, aggressive tariff programs, and foreign policy reversals have undermined long established geopolitical alliances and have shaken investor confidence. The result: the S&P 500 Index fell 4.27% in Q1 2025. These declines accelerated in April, as global markets further retrenched, victims of Trump's punitive trade war.

International Markets Have Told a Different Story

This underwhelming first quarter performance of U.S. equities stands in contrast to the rally in many international markets, with the MSCI Europe Index up 10.60% and Germany's DAX Index gaining 10.86% in Q1.¹ Additionally, the MSCI EAFE Index posted an impressive 7.00%, while the MSCI Emerging Markets Index (3.00%) and Japan's equity market ended the quarter in positive territory (0.50%).² Even in the wake of the recent global pullback, European equity benchmarks – such as the those in the Germany, France, and the UK – have held their ground better than the U.S.

For U.S. investors, is it time to think out of the (U.S.) box? At Xtrackers by DWS, we believe that the answer is **yes**. Let's discuss why.

European Revival

European equity markets have been one of the comeback stories of 2025. Europe has been outpacing the U.S. and economic data has consistently surprised to the upside, as measured by the Citi Economic Surprise Index. Additionally, European bank profitability, as measured by return on equity, has been climbing to multi-year highs. The potential threat of the U.S. leaving NATO has galvanized Europe to prioritize spending on defense. Germany has pledged €1 trillion for defense and infrastructure, dramatically increasing fiscal expenditure levels and creating economic activity across the region.

Yet even after this strong start, European equities remain relatively undervalued, with their forward P/E ratios trading at a near-historical 35% discount against their U.S. peers. Even with their impressive Q1 2025 returns, DWS believes that the region's rally has more room to run.

Past performance does not guarantee future results. Cannot directly invest in an index.

1. Source: MSCI, March 31, 2025

2. Source: MSCI, March 31, 2025

Mounting Headwinds for the U.S. Economy

What markets most fear is uncertainty. Trump's "America First" tariff and protectionist approach has damaged investor confidence by disrupting supply chains and pressuring industries across the board, from automobiles to commodities to manufacturing. As a result, leading economists now believe that there is a risk of a U.S. recession in 2025.

Reducing Concentration Risk

The DWS CIO Office view is that the market dominance of the Magnificent 7 has likely come to an end. Even with their recent underperformance, the Mag 7 still comprises approximately 30% of the weight of the S&P 500 Index. This narrow leadership presents a major risk, especially as their valuations remain stretched and earnings growth slows.

What's more, global investors face an additional concentration risk, as U.S. equities comprise approximately 65% of the MSCI ACWI Index.³ That means that many global portfolios are heavily concentrated in a single market that's facing mounting challenges. Now may be the time to diversify across regions, sectors, and styles.

Investment Opportunities Outside the (U.S.) Box

Even with their recent outperformance, DWS still sees additional upside for international markets:

"We prefer a global equity portfolio, diversified across regions, styles and sectors. Even though some sectors (especially defense, construction and infrastructure-related) have already become relatively expensive, we believe that continued reallocations from the U.S. to the European market could continue to drive stock market."⁴

Xtrackers by DWS offers a comprehensive suite of international ETFs, enabling you to gain exposure to nearly all foreign markets.

Currency Hedged International Exposure

Volatile currencies can erode the benefits of investing internationally. Xtrackers currency hedged ETFs offer US investors a way to participate in international equity markets while mitigating the impact of foreign currency movements on investment risk and returns. By minimizing the effects of currency fluctuations, these ETFs allow for a more direct exposure to the performance of international companies. Xtrackers offers a range of currency hedged products, including ETFs for regions such as Europe, Australasia and Far East (EAFE), emerging markets, or Japan. Learn more about the Xtrackers suite of currency hedged ETFs [here](#).

European Currency Hedged ETFs

Xtrackers MSCI Europe Hedged Equity ETF (DBEU)
Xtrackers MSCI Eurozone Hedged Equity ETF (DBEZ)

International Currency Hedged ETFs:

Xtrackers MSCI All World ex US Hedged Equity ETF (DBAW)
Xtrackers MSCI EAFE Hedged Equity ETF (DBEF)

Asian and Emerging Markets Currency Hedged ETFs

Xtrackers MSCI Emerging Markets Hedged Equity ETF (DBEM)
Xtrackers MSCI Japan Hedged Equity ETF (DBJP)

International High Dividend Yield Strategy

Looking for income and quality? **The Xtrackers MSCI EAFE High Dividend Yield Equity ETF (HDEF)** offers exposure to high-quality international companies with a focus on dividend sustainability.

- Historically, developed international companies have delivered higher dividend yields as opposed to their U.S. counterparts.
- HDEF targets high-quality companies with dividend yields at least 1.3x the MSCI EFA Index.

3. Source: MSCI, March 31, 2025

4. Source: DWS CIO Office, March 23, 2025

Direct Access to the China A-Shares Market

China remains a critical piece of the global growth puzzle. Xtrackers offers two unique solutions for accessing this market:

- **Xtrackers Harvest CSI 300 China A-Shares ETF (ASHR):** The first US listed ETF with direct access to large-cap China A-shares.
- **Xtrackers Harvest CSI 500 China A-Shares Small Cap ETF (ASHS):** A pioneering ETF focused on small-cap, high-growth Chinese companies.

The Bottom Line

As markets adjust to a more fractured geopolitical landscape and diverging economic outcomes, global diversification is more important than ever. Xtrackers by DWS offers U.S. investors a broad range of international solutions – whether you're looking to hedge currency risk, tap into European resilience, or access high-dividend and China specific opportunities. It may be time to think outside the (U.S.) Box.

Glossary

Citi Economic Surprise Index: The Index is constructed using weighted historical standard deviations of surprises of different macroeconomic indicators, where the weights depend on the announcement's effect on the foreign exchange markets.

MSCI ACWI Index: The MSCI ACWI captures large and mid-cap representation across Developed Markets (DM) and Emerging Markets (EM) countries.

MSCI EAFE Index: The Index captures large and mid-cap representation across Developed Markets countries around the world, excluding the US and Canada.

MSCI Emerging Markets Index: The Index captures large and mid-cap representation across Emerging Markets countries.

MSCI Europe Index: The Index captures large and mid-cap representation across Developed Markets (DM) countries in Europe

S&P 500 Index: The S&P 500 includes 500 leading companies spanning all sectors of the U.S. stock market, covering approximately 80% of the U.S. equity market capitalization and over 50% of the global equity market.

War, terrorism, sanctions, economic uncertainty, trade disputes, public health crises and related geopolitical events have led and, in the future, may lead to significant disruptions in U.S. and world economies and markets, which may lead to increased market volatility and may have significant adverse effects on the fund and its investments.

The brand Xtrackers represents all systematic investment solutions. Xtrackers ETFs ("ETFs") are managed by DBX Advisors LLC (the "Adviser"), and distributed by ALPS Distributors, Inc. ("ALPS"). The Adviser is a subsidiary of DWS Group GmbH & Co. KGaA, and is not affiliated with ALPS.

Carefully consider the fund's investment objectives, risk factors, and charges and expenses before investing. This and other information can be found in the fund's prospectus, which may be obtained by calling 1-844-851-4255 or by visiting www.Xtrackers.com. Read the prospectus carefully before investing.

Indexes are unmanaged and you cannot invest directly in an index. Shares are not individually redeemable, and owners of Shares may acquire those Shares from the Fund, or tender such Shares for redemption to the Fund, in Creation Units only.

Investing involves risk, including the possible loss of principal. Stocks may decline in value. Foreign investing involves greater and different risks than investing in US companies, including currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards. Foreign investing involves greater and different risks than investing in US companies, including currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards. Emerging markets tend to be more volatile and less liquid than the markets of more mature economies, and generally have less diverse and less mature economic structures and less stable political systems than those of developed countries. Funds investing in a single industry, country or in a limited geographic region generally are more volatile than more diversified funds. Performance of a fund may diverge from that of an underlying index due to operating expenses, transaction costs, cash flows, use of sampling strategies or operational inefficiencies. There are additional risks associated with investing in high-yield bonds, aggressive growth stocks, non-diversified/concentrated funds and small- and mid-cap stocks which are more fully explained in the prospectuses, as applicable. An investment in any fund should be considered only as a supplement to a complete investment program for those investors willing to accept the risks associated with that fund. Please read the applicable prospectus for more information.

ASHR / DBEM Risk: Special risks associated with investments in Chinese companies include exposure to currency fluctuations, less liquidity, less developed or less efficient trading markets, lack of comprehensive company information, political instability and differing auditing and legal standards the nature and extent of intervention by the Chinese government in the Chinese securities markets, and the potential unavailability of A shares. The U.S. government has imposed restrictions on the ability of U.S. investors to hold and/or acquire securities of certain Chinese companies. To the extent that an Underlying Index includes such a security, and the Fund excludes it, the Fund's tracking error may increase, and the performance of the Fund and Underlying Index may diverge. Uncertainties in the Chinese tax rules governing taxation of income and gains from investments in A-shares could result in unexpected tax liabilities for the fund which may reduce fund returns. Any reduction or elimination of access to A-shares will have a material adverse effect on the ability of the fund to achieve its investment objective.

The CSI 300 Index and the CSI 500 Index (the "Indexes") is calculated by China Securities Index Co., Ltd (CSI). CSI does not make any warranties, express or implied, to its customers or any other party regarding the accuracy or completeness of any data related to the Indexes. All information is provided for information purposes only. CSI accepts no liability for any errors or any loss arising from the use of information it provides.

DBAW / DBEF / DBJP Risk: The fund's use of forward currency contracts may not be successful in hedging currency exchange rates changes and could eliminate some or all of the benefit of an increase in the value of a foreign currency versus the US dollar. Funds investing in a single industry, country or in a limited geographic region generally are more volatile than more diversified funds. Investing in derivatives entails special risks relating to liquidity, leverage and credit that may reduce returns and/or increase volatility.

DBEU / DBEZ Risk: The European financial markets have recently experienced volatility and adverse trends in recent years due to concerns about economic downturns or rising government debt levels in several European countries, including Greece, Ireland, Italy, Portugal and Spain. A default or debt restructuring by any European country would adversely impact holders of that country's debt, and sellers of credit default swaps linked to that country's creditworthiness (which may be located in countries other than those listed in the previous sentence). These events have adversely affected the exchange rate of the euro, the common currency of certain EU countries, and may continue to significantly affect every country in Europe, including countries that do not use the euro. Italy, Portugal and Spain currently have high levels of debt and public spending, which may stifle economic growth, contribute to prolonged periods of recession or lower sovereign debt ratings and adversely impact investments in the Fund. The fund's use of forward currency contracts may not be successful in hedging currency exchange rates changes and could eliminate some or all of the benefit of an increase in the value of a foreign currency versus the US dollar.

HDEF Risk: Dividends are not guaranteed. If the dividend-paying stocks held by the fund reduce or stop paying dividends, the fund's ability to generate income may be adversely affected.

The funds or securities referred to herein are not sponsored, endorsed, issued, sold or promoted by MSCI, and MSCI bears no liability with respect to any such funds or securities or any index on which such funds or securities are based. The Prospectus contains a more detailed description of the limited relationship MSCI has with DBX Advisors LLC and any related funds.

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