

Investing in Broad World Stock Market Indices

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May 23, 2025

Introduction

Investing in a broad world stock market index, such as the **MSCI World Index** or **FTSE All-World Index**, has historically delivered solid long-term returns. To have an overview of its long-term performance click on the button next slide.

1. What is a Broad World Stock Market Index?

- A global index tracks a diverse range of equities across developed (and sometimes emerging) markets. Examples:
 - **MSCI World Index:** [Go to MSCI World Index](#)
 - Covers stocks from 23 developed countries.
 - Focused on large- and mid-cap companies.
 - **MSCI All-Country World Index (ACWI):** [Go to MSCI ACWI](#)
 - Includes both developed and emerging markets (~49 countries).
 - **FTSE All-World Index:** [Go to FTSE AWorld Index](#)
 - Similar to MSCI ACWI, covers ~90–95% of the investable global market.
- These indices provide exposure to thousands of companies across sectors and geographies, offering diversification in a single investment.

2. Historical Performance

2.1 Long-Term Returns

While past performance doesn't guarantee future results, here's what historical data shows:

- **Average Annual Return:** Global indices typically return around **7–10% annually**, including dividends, before inflation.
 - Adjusted for inflation, the real return is approximately **5–7% annually**.
- Performance varies by decade and market conditions, but the trend over 20–30 years has been growth.

2. Historical Performance

2.2 Key Periods: Strong Growth and Downturns

Strong Growth Periods:

- Late 1980s, 1990s: Fueled by globalization and technological advancements.
- 2010s: Post-financial crisis recovery, driven by tech stocks like Apple, Microsoft, and Amazon.
- 2023, 2024 (2025?): Markets rallied due to falling inflation, hopes for interest rate cuts, resilient economic growth, strong tech earnings, and the AI boom.

Downturns:

- Early 2000s: Dot-com bubble burst.
- 2008–2009: Global Financial Crisis.
- 2020: COVID-19 crash (followed by rapid recovery).
- 2022: stock markets performed poorly due to high inflation, aggressive interest rate hikes by central banks, recession fears, the war in Ukraine, and China's zero-COVID policy.

2. Historical Performance

2.3 Volatility

Global indices experience short-term volatility but tend to recover over time, making them suitable for long-term investors.

3. Benefits of Investing in a Broad World Index

1 Diversification:

- Reduces the impact of poor performance in any single region or sector.
- U.S. stocks typically dominate (~60–65% of most world indices), but there's exposure to Europe, Asia, and emerging markets.

2 Consistent Growth:

- Global indices have consistently delivered inflation-beating returns in the long run.

3 Lower Risk:

- Diversified exposure reduces country-specific risks compared to investing in individual regions.

4. Considerations for Investors

4.1 Long-Term Horizon and Currency Risks

- Stock markets can be volatile in the short term. A long-term approach (10+ years) is crucial to benefit from compounding.
- For non-U.S. investors, global indices are often dollar-denominated. Currency fluctuations (e.g., EUR/USD) can affect returns. (Note that some ETF invested on the MSCI World are currency hedged, see Amundi ETFs).

4. Considerations for Investors

4.2 Tracking ETFs

To invest in these indices, ETFs (Exchange-Traded Funds) are a popular option:

- **Amundi PEA Monde (MSCI World) UCITS ETF:** Tracks the MSCI World Index. [▶ Go to Amundi DCA](#)
- **Vanguard FTSE All-World ETF:** Tracks the FTSE All-World Index.
- **SPDR MSCI ACWI ETF:** Tracks the MSCI ACWI Index.

These ETFs are available on various European platforms and offer low expense ratios (0.10%–0.30%).

Conclusion

- A broad world stock market index is an excellent choice for long-term savings, providing diversification, steady growth potential, and simplicity. With a consistent investment approach (e.g., monthly contributions to ETFs) and a long horizon, global indices can form the backbone of a retirement portfolio.
- Under no circumstances should it constitute the entirety of a well-diversified portfolio, which should also include bonds (government and corporate) as well as money market and real estate assets.