

# Opportunity Hidden in Plain Sight: International Growth



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Credit: Bim

**FLEXTION** It's about *time*.

For the past decade, investors have been trained to believe one thing: growth lives in the U.S. and nowhere else. The data now tells a very different story—the gap has grown so wide that it's starting to matter.

In 2025, international growth stocks rose 22%. International value stocks surged 42%. That disparity isn't new; it's the culmination of a five-year stretch in which international growth has lagged value by roughly 900 basis points annually, making it one of the most neglected equity categories in global markets.

Historically, this level of underperformance doesn't persist. It tends to mark an inflection point.

Five years ago, international value stocks were written off. COVID fears pushed cyclicals, financials, and commodity-linked companies to generational lows. What followed was a powerful rebound fueled by stimulus, reopening demand, and earnings recovery. Today, much of that trade is well understood and increasingly crowded. As the saying goes, the easy money has already been made.

Momentum and residual valuation support suggest value leadership may continue in the near term. But the imbalance between value and growth has become extreme. Meanwhile, international growth has absorbed years of disappointment.

Luxury goods, healthcare, media, and beverages have faced cyclical slowdowns. Non-U.S. technology firms—often mature software businesses—have been dismissed as AI laggards rather than beneficiaries. Expectations are low, positioning is thin, and pessimism is no longer a risk—it's embedded in prices.

This is often how rotations begin.



As artificial intelligence moves from experimentation to deployment, the benefits are likely to broaden beyond a narrow group of U.S. mega-caps. Productivity gains accrue not just to developers, but to users and infrastructure providers across industries and geographies. Many of those companies sit outside the U.S. and many fall squarely into international growth universes.

Policy dynamics reinforce this setup. Interest rates are falling across both developed and emerging markets. Governments are shifting toward domestic consumption and growth-oriented stimulus conditions that historically favor growth businesses, particularly in consumer and healthcare sectors.

## This is where process matters more than narratives.

At Flexion, we focus less on past returns and more on where strategies sit in the performance cycle. Our probabilistic framework evaluates whether managers are more likely to improve or deteriorate from here, bridging the gap between clock time and market time.

Right now, that lens is flashing clearly. Across international growth strategies, Flexion's platform shows 98 buy signals and zero sells, an unusually lopsided reading that reflects improving forward probabilities rather than backward-looking disappointment.

International growth has spent years in the shadows. History suggests that when neglect reaches this extreme, leadership often changes quietly, long before the narrative follows.

- ▶ BNY Mellon International Stock
- ▶ PGIM Jennison International Opportunities
- ▶ Thornburg Better World International
- ▶ WCM Focused International Growth
- ▶ William Blair International Growth
- ▶ Clearbridge International Growth
- ▶ American Century World: International Growth
- ▶ Manning & Napier Overseas Series
- ▶ Artisan International Small-Mid Fund
- ▶ Federated Hermes International Growth



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## About the Author

Paul Ehrlichman, Flextion's CEO and CIO, has over four decades of experience in portfolio management, leveraging fundamental and quantitative research to develop investment processes and strategies that enhance client returns and manage risks in volatile markets. He has led equity teams focused on global and international value strategies, serving a diverse client base that includes individuals, pension funds, and endowments at several leading global asset managers.

**Flextion** is a breakthrough platform for evaluating fund strategy returns, helping investors identify managers at a pivotal turning point—those poised to outperform after a period of underperformance. Designed by seasoned portfolio managers, Flextion bridges the gap between "clock time" and "market time," empowering investors to unlock long-term value and uncover hidden performance potential.

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