

WHY INTERNATIONAL EQUITIES Q4 2024

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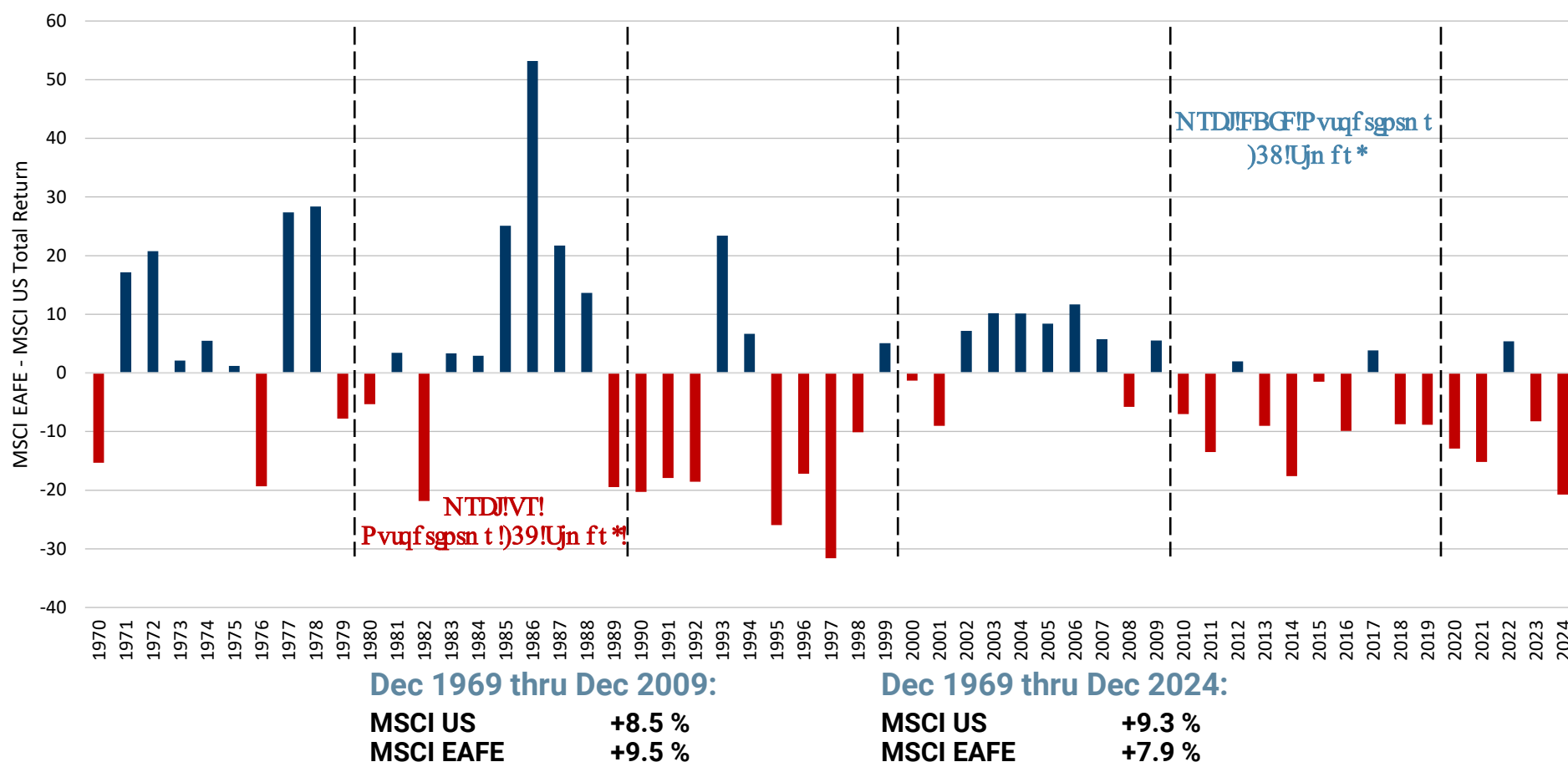
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What is driving the difference between US and International performance?

EAFE VS. US RETURNS



US and EAFE returns are very similar over the long run

As of 31 December 2024. Returns since 1969 are annualized.

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Source: Lazard, MSCI

WHAT HAS BEEN DRIVING US OUTPERFORMANCE?

Three factors have driven much of the difference between US & EAFE performance over the past 5 years:

1) Currency

Index Level	Dec 2019	Dec 2024	% Change
MSCI EAFE (USD)	2,037	2,262	11%
MSCI EAFE (Local)	1,190	1,510	27%
USD Headwind			-16%

2) Earnings Impact from Larger Stocks

EPS	2019	2024	% Change
MSCI USA	\$1,224B	\$1,854B	51%
MSCI USA ex-Mag 7	\$1,076B	\$1,419B	32%
Mag 7 Headwind			-19%

3) Valuation Rerating

P/E	2019	2024	% Change
S&P 500	18.1x	24.6x	36%
MSCI EAFE	14.4x	14.8x	2%
EAFE Headwind			-34%

**Applying the US 24.6x PE multiple on 2024 EAFE EPS,
the EAFE index would be ~66% higher than now**

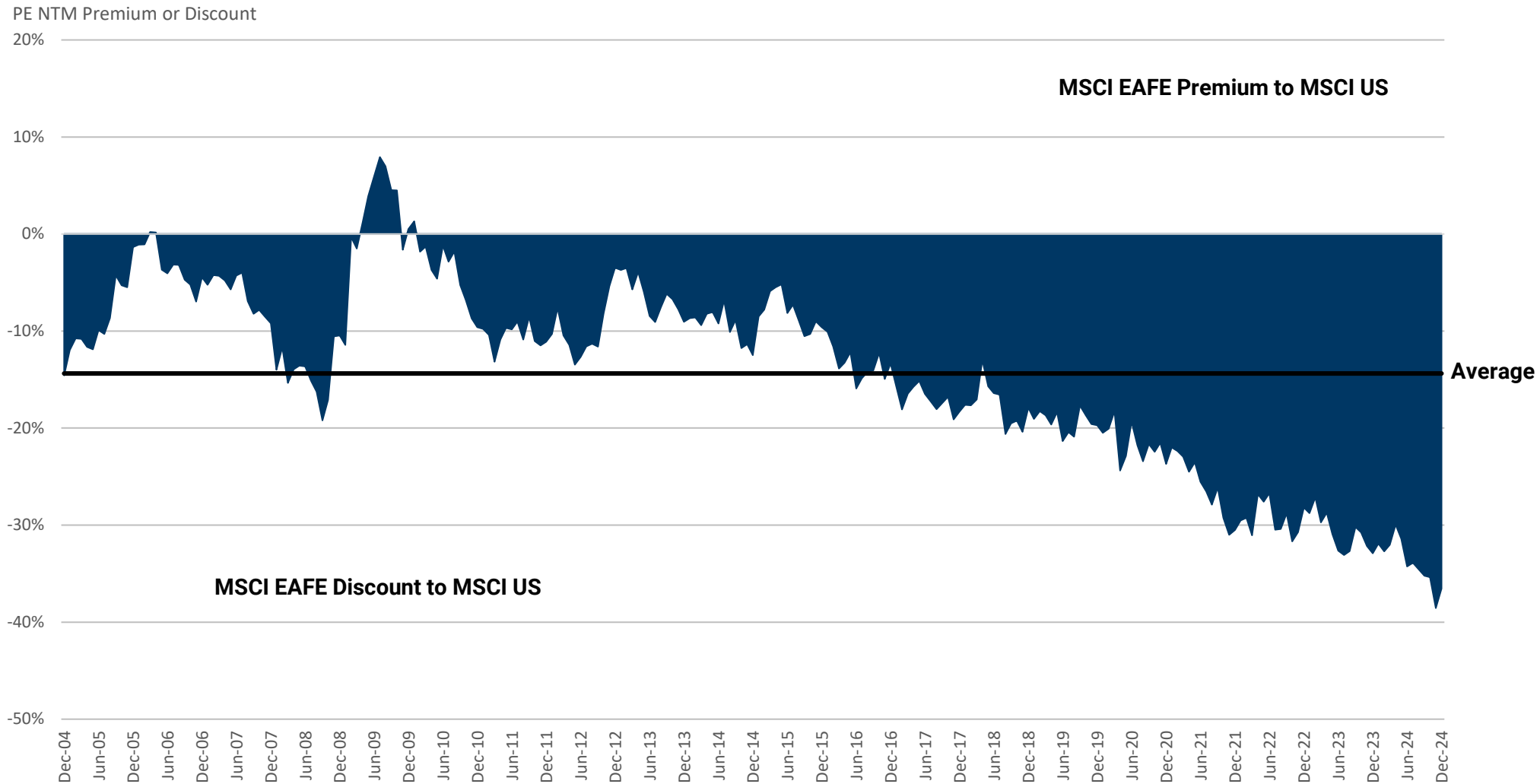
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Source: MSCI, Lazard

MSCI EAFE VS. MSCI USA

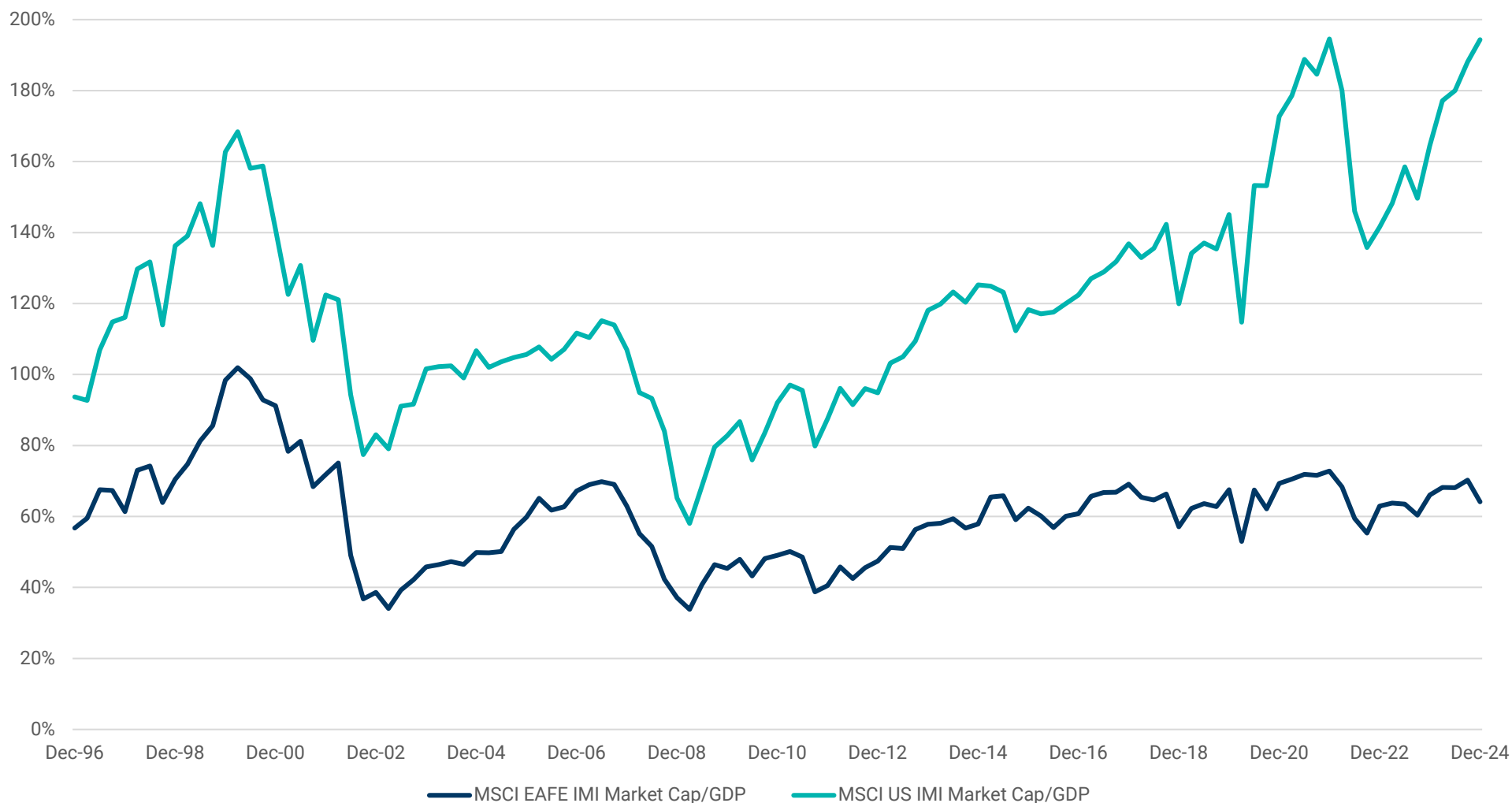


EAFE historic discount should likely continue to support international market returns

As of 31 December 2024
Source: Lazard, FactSet, MSCI

BUFFETT VALUATION INDICATOR

Measuring Index Market Cap to GDP



EAFE is near long-term average valuation, US is near multi-decade highs

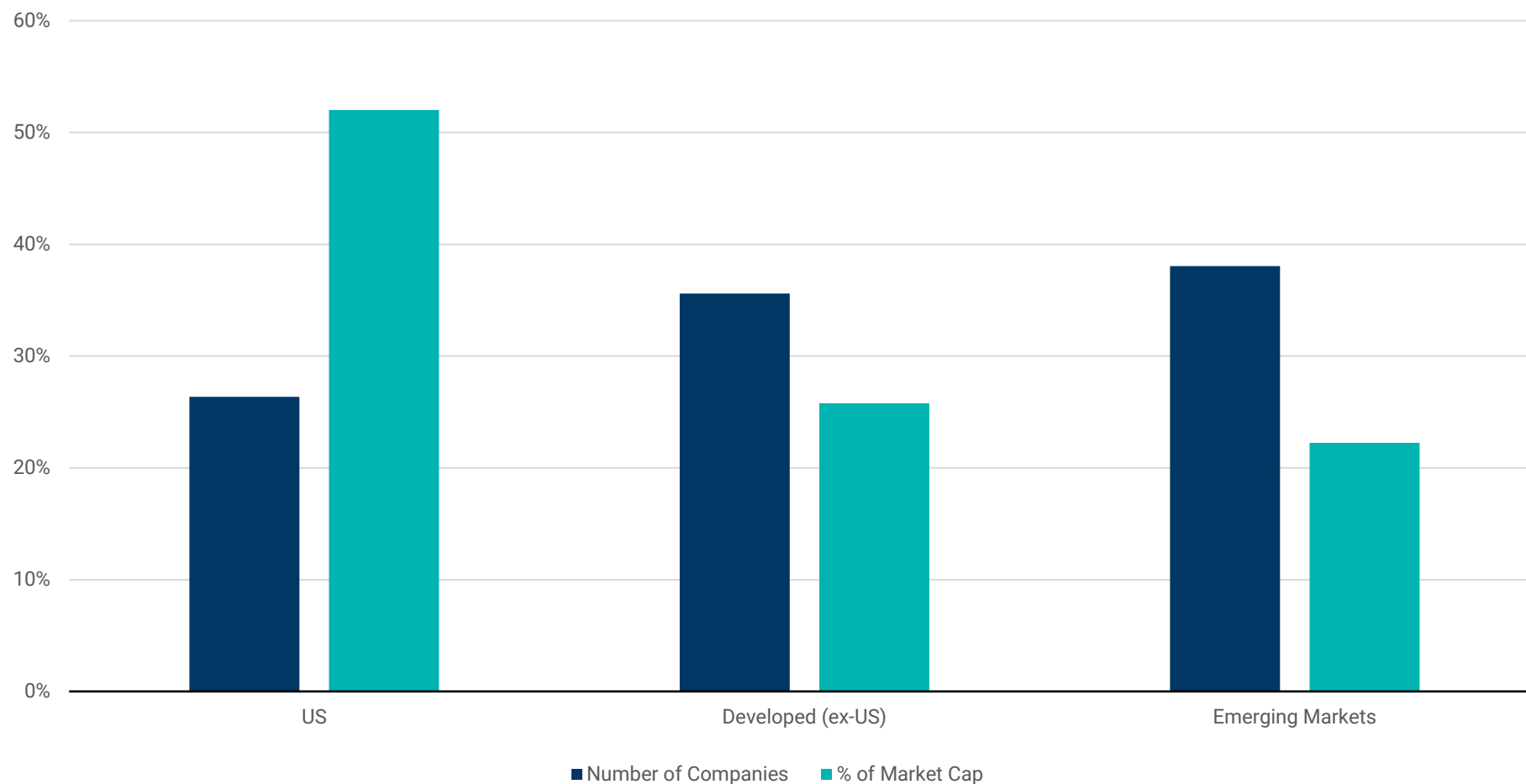
As of 31 December 2024

Source: FactSet Economics Nominal GDP through September 2024, IMF World Economic Outlook (Nominal GDP, as of October 2024) for December 2024 Estimate, MSCI

B

The case for non-US Equities

INVESTMENT OPPORTUNITIES OUTSIDE THE US



**US listed companies represent only 26% of the global companies
but 52% of global market capitalization**

As of 31 July 2024
Global benchmark is MSCI ACWI IMI.
Source: FactSet, MSCI

WHO HAS THE LARGEST DEFICITS?

Country/Region	2024 Est. Current Account Balance	2024 Est. Budget Balance	"Twin Deficit"
United States	-2.5	-6.5	-9.1
United Kingdom	-2.6	-4.6	-7.2
China	1.3	-7.4	-6.1
France	-0.6	-4.9	-5.5
Emerging	0.3	-5.5	-5.2
Italy	0.8	-4.6	-3.8
Japan	3.5	-6.5	-3.1
Canada	0.3	-1.1	-0.8
European Union	3.0	-2.9	0.1
Germany	7.0	-1.5	5.5

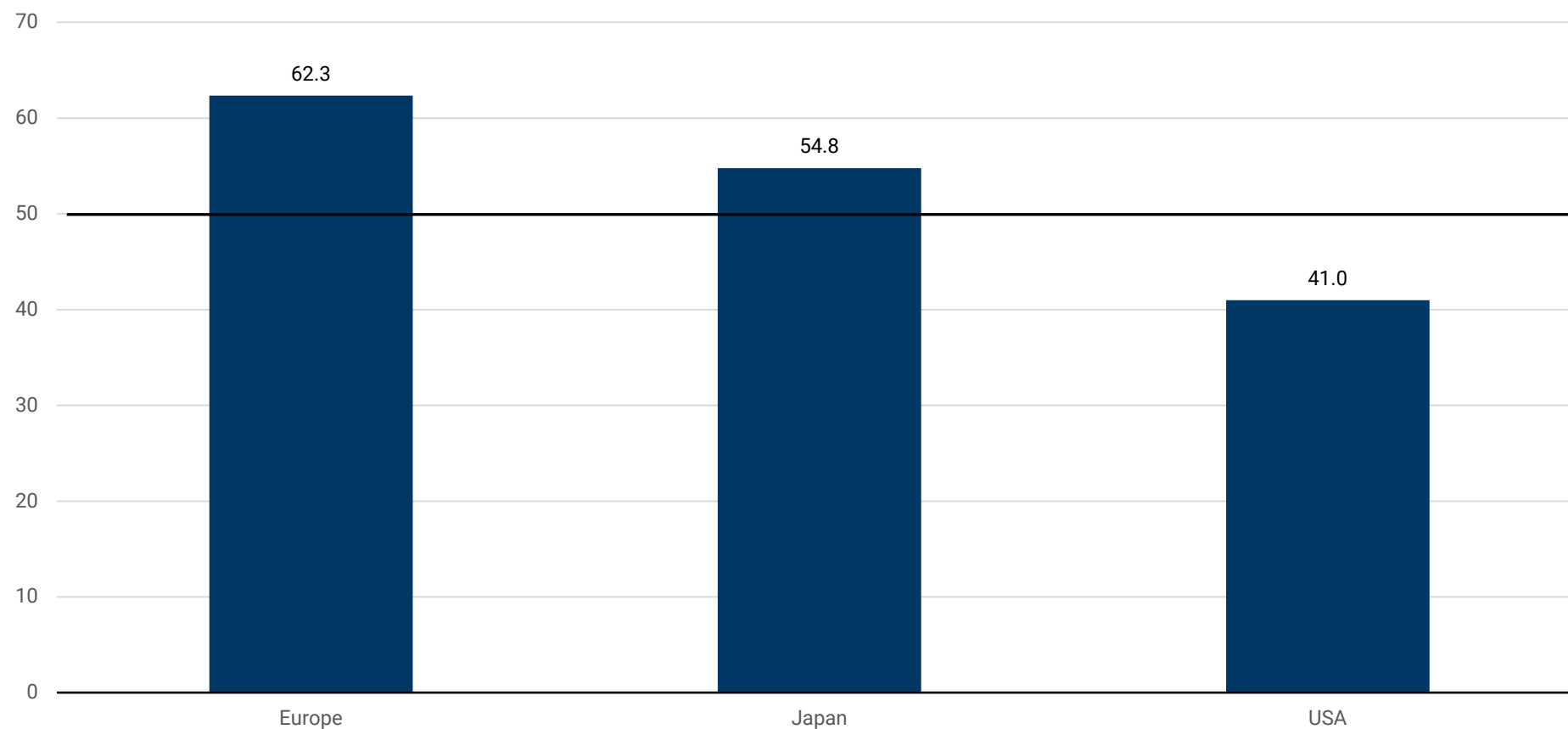
Does the US deserve such a strong currency?

Note: % of GDP

Source: International Monetary Fund, World Economic Outlook Database, April 2024

NON-US COMPANIES ARE MORE GEARED TO GLOBAL GROWTH

(% of Revenue Generated Outside Region)

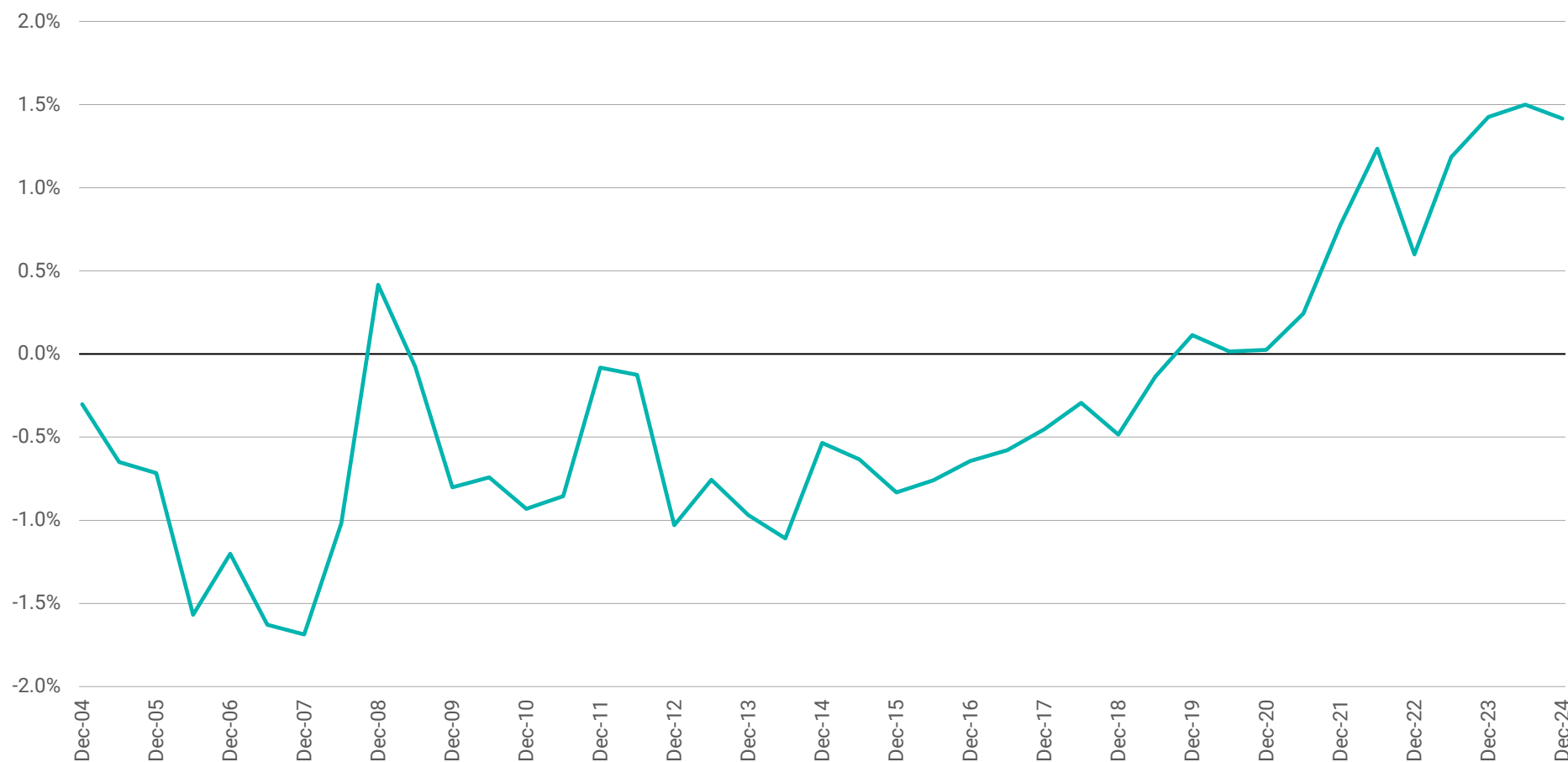


International domiciled companies generate the majority of their revenues outside of their home region

As of 31 July 2024
Source: FactSet, MSCI

EAFE-US SHAREHOLDER YIELD IS HIGHEST IN 20 YEARS

EAFE-US Total Shareholder Yield (Buybacks + Dividends)

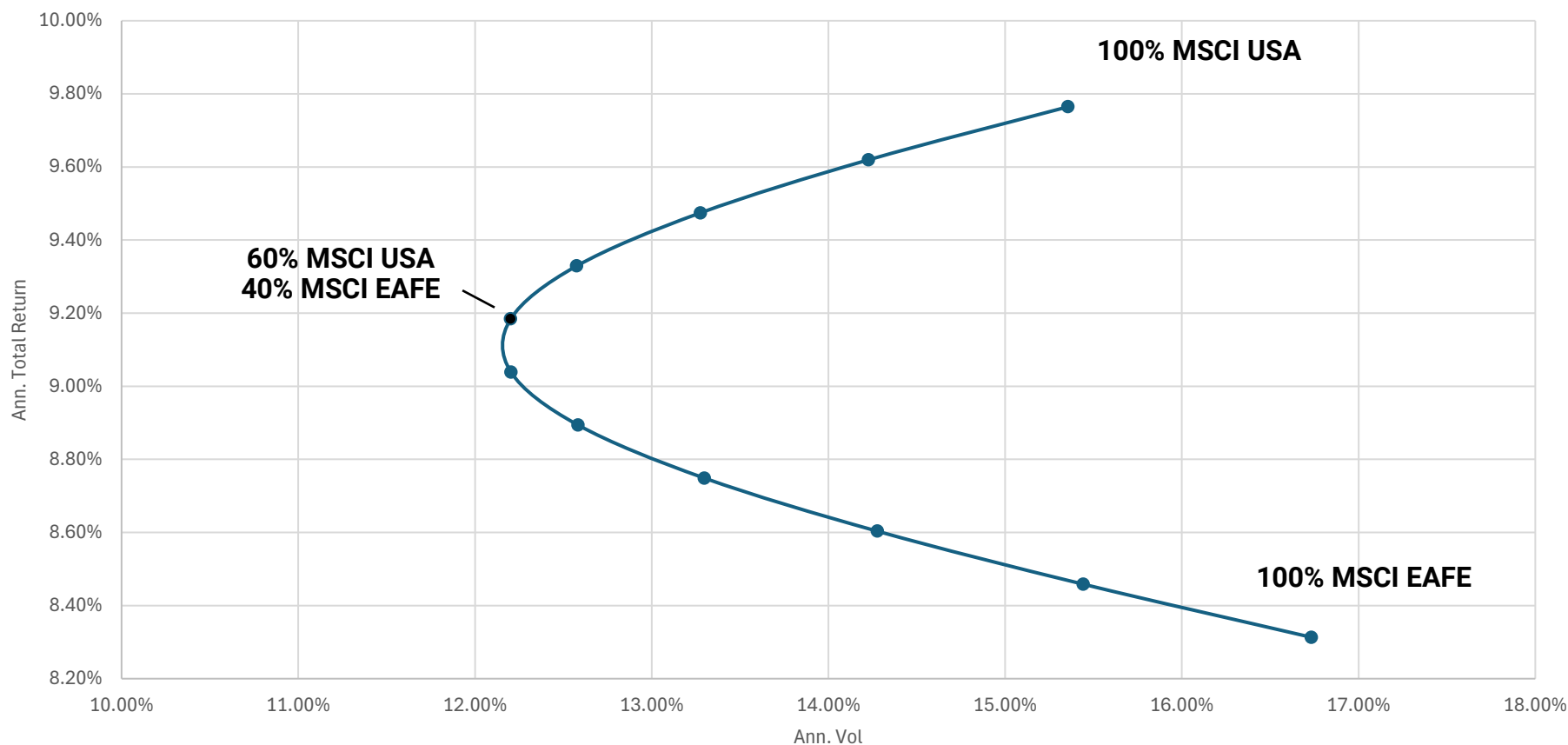


EAFE shareholder yield should support non-US equities

As of 31 December 2024
Source: Lazard, FactSet, MSCI

EFFICIENT FRONTIER BETWEEN US AND NON-US

Return/Risk since Dec 1969



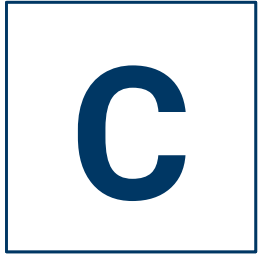
60% US and 40% non-US provides the optimal risk / return characteristics

As of 31 December 2024. Data since MSCI EAFE Index inception of 31 December 1969.

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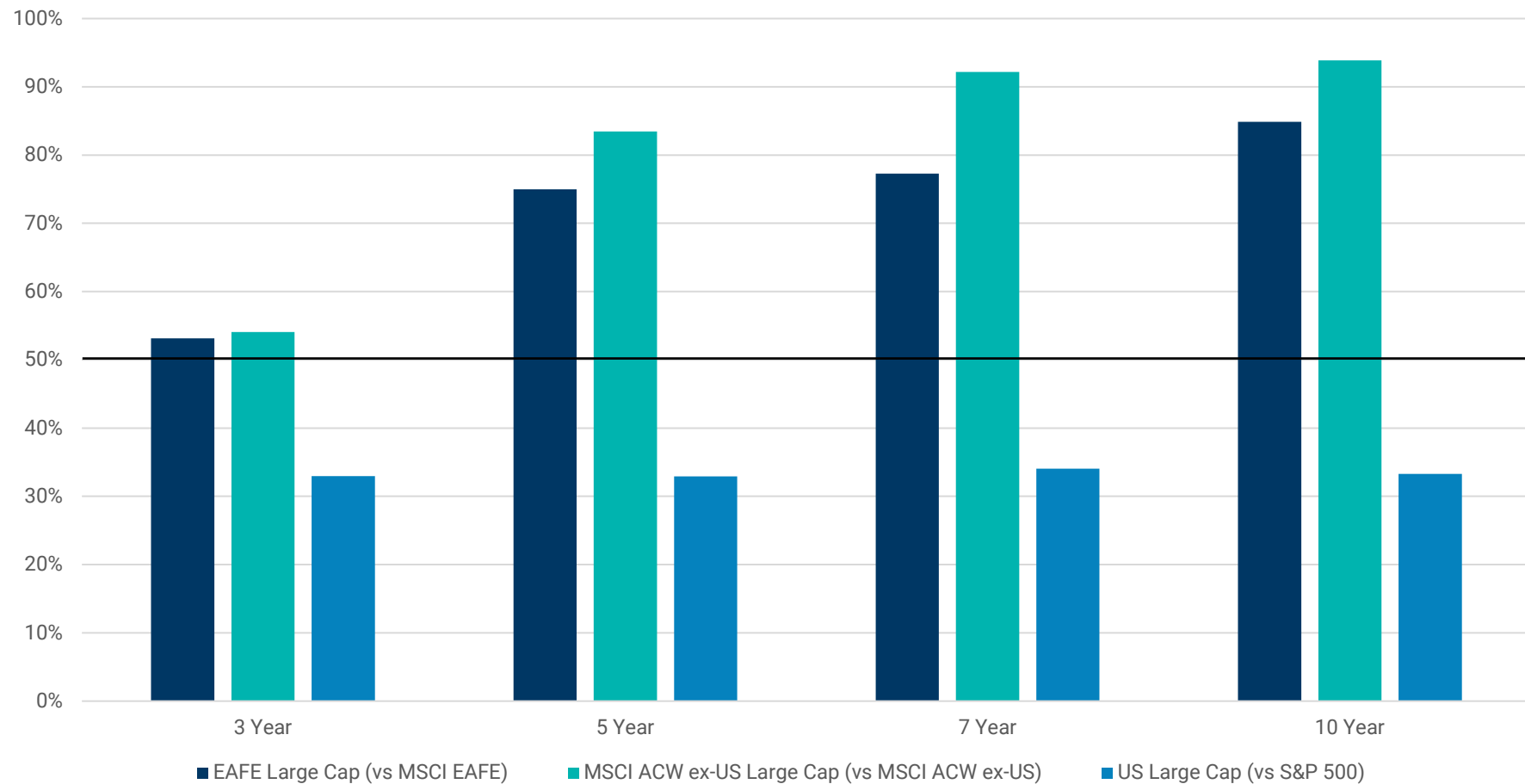
No risk management technique or process can guarantee return or eliminate risk in any market environment.

Source: Lazard, FactSet, MSCI



Why Active?

PERCENT OF STRATEGIES THAT BEAT THE INDEX



**Active International managers have beaten their benchmarks
with more frequency than US managers**

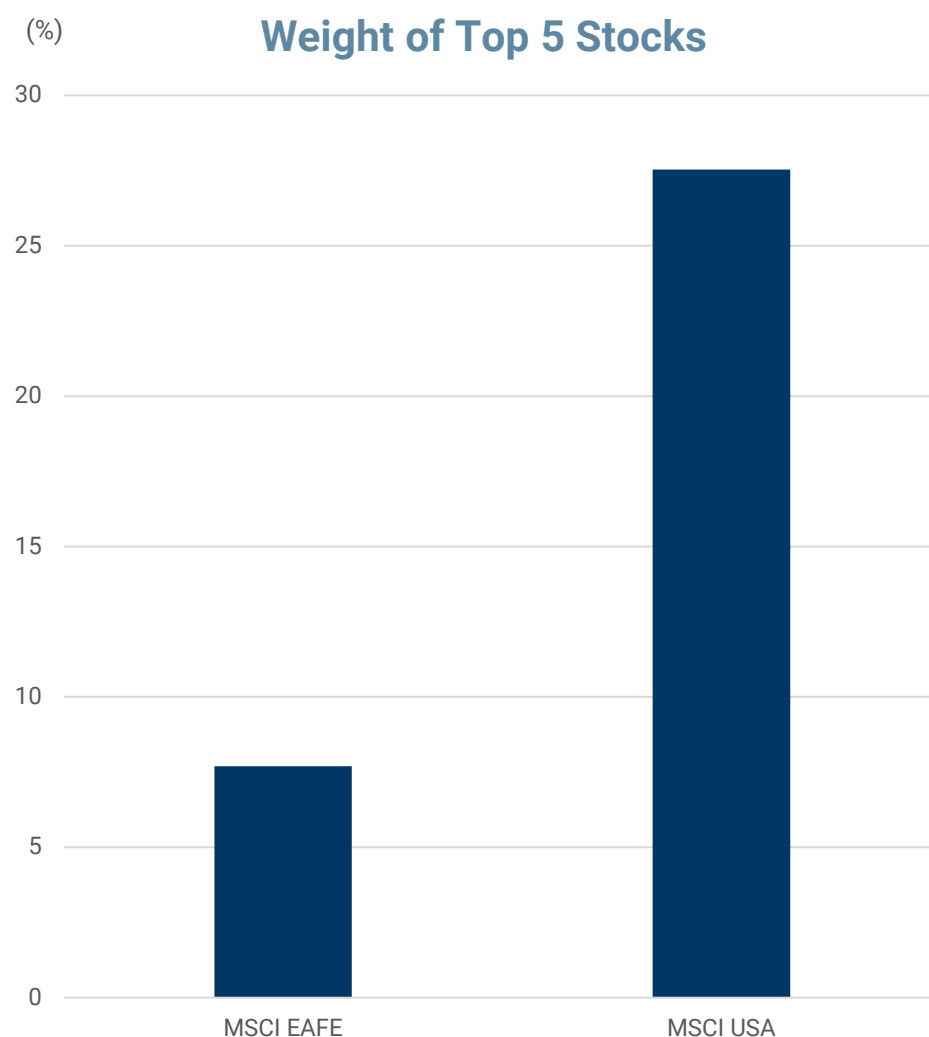
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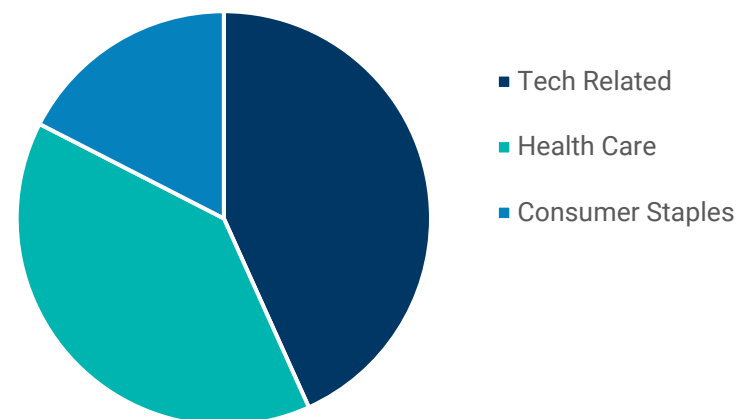
Source: eVestment

THE INTERNATIONAL INDEX IS MUCH MORE DIVERSE

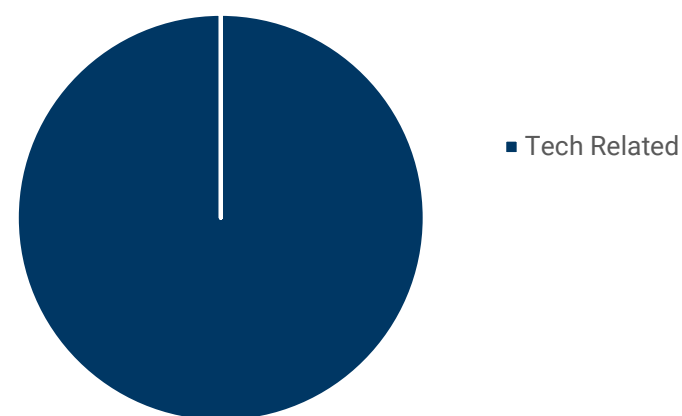
Diversity can present more potential opportunities for active managers



Industries of Top 5 MSCI EAFE Stocks



Industries of Top 5 MSCI USA Stocks



As of 31 December 2024
Source: Lazard, FactSet, MSCI

VALUATIONS OF US VS. NON-US

	MSCI US	MSCI EAFE
Median P/E Top 25%	31.2x	14.1x
# of companies	5	24
Median P/E Bottom 75%	19.2x	14.6x
# of companies	581	689

Valuations of non-US companies are consistent across market caps

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No risk management technique or process can guarantee return or eliminate risk in any market environment.

The S&P 500 Index is a market capitalization-weighted index of 500 companies in leading industries of the US economy.

The MSCI EAFE Index (Europe, Australasia, Far East) is a free-float-adjusted market capitalization index that is designed to measure developed market equity performance, consisting of developed market country indices excluding the United States and Canada.

The MSCI World Index is a free-float-adjusted market capitalization index that is designed to measure global developed market equity performance comprised of developed market country indices.

The MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. The index covers approximately 85% of the free float-adjusted market capitalization in the US.

The MSCI Emerging Markets Index is a free-float-adjusted market capitalization index that is designed to measure equity market performance in the global emerging markets. The MSCI Emerging Markets Index consists of emerging markets country indices including: Brazil, Chile, China, Colombia, Czech Republic, Egypt, Greece, Hungary, India, Indonesia, Korea, Malaysia, Mexico, Peru, Philippines, Poland, Qatar, Saudi Arabia, South Africa, Taiwan, Thailand, Turkey, and United Arab Emirates.

The MSCI All Country World Index (ACWI) is a free-float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed and emerging markets.

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