

Q3 2025

Why International Equities

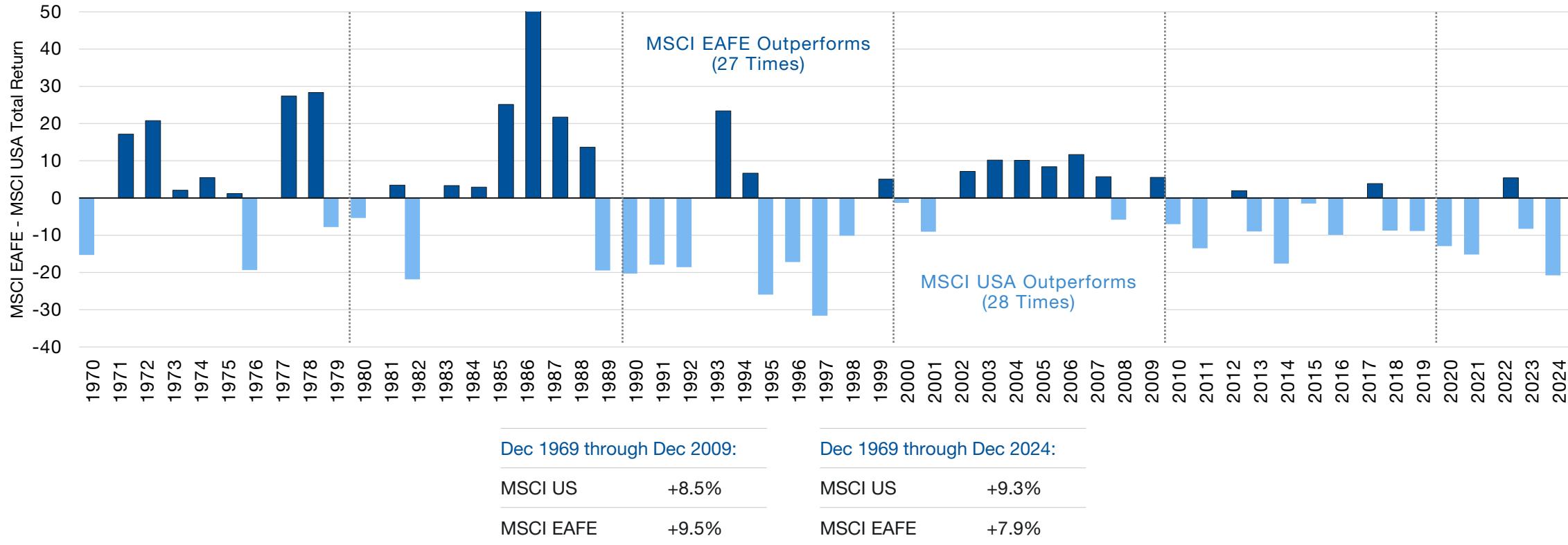
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Looking Back ...

US and EAFE Returns Are Very Similar over the Long Term

EAFE vs. USA Returns

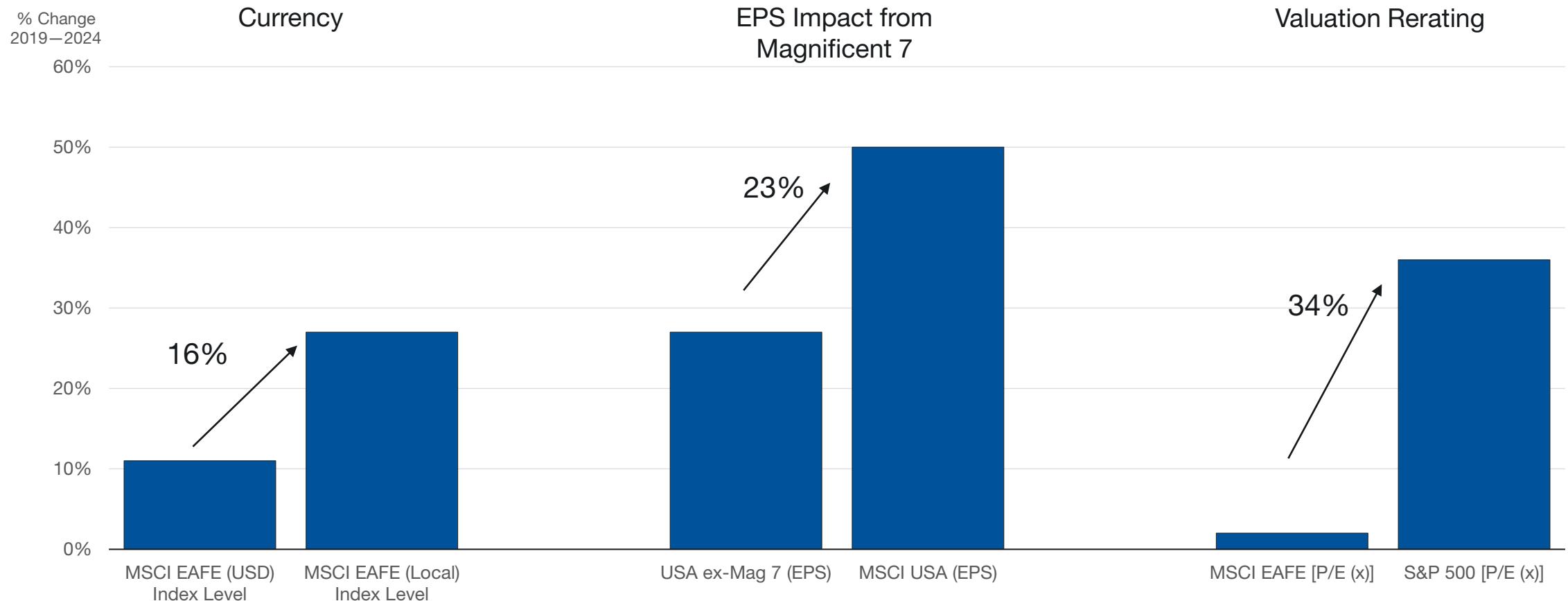


As of 31 December 2024. Returns since 1969 are annualized.

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Source: Lazard, MSCI

Three Factors Have Impacted US Outperformance



Applying the US PE multiple on 2024 EAFE EPS, the MSCI EAFE Index would be about 66% higher.

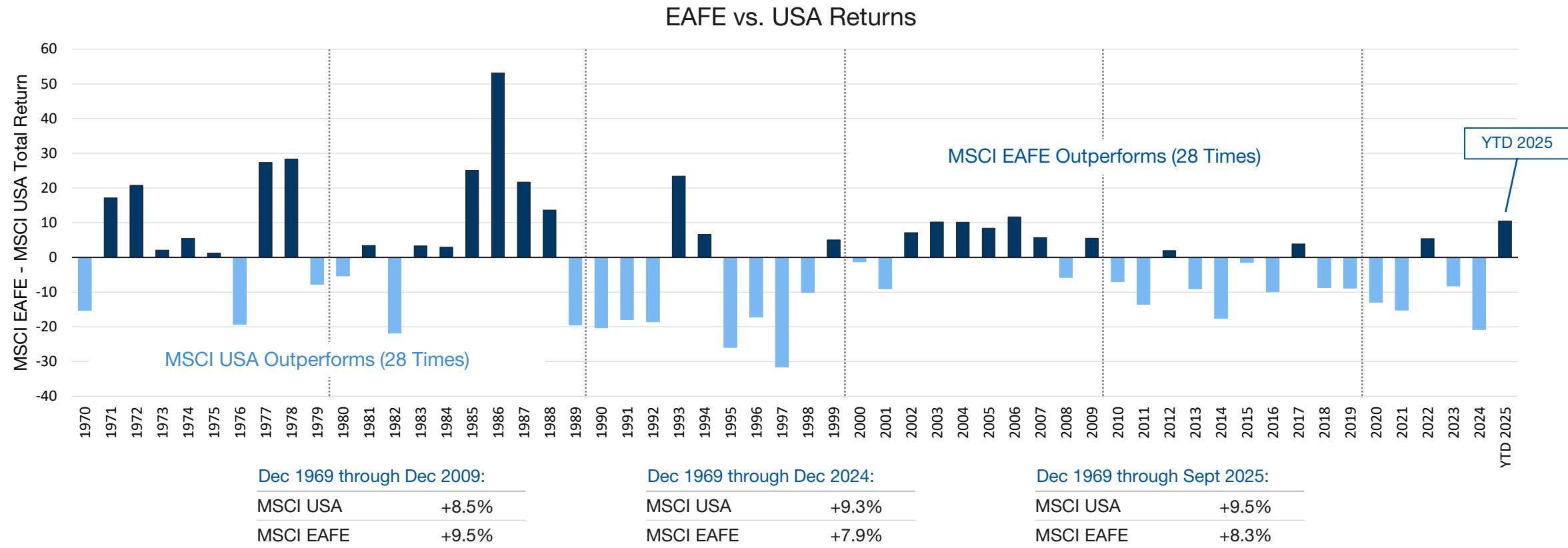
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Source: Lazard, Bloomberg, FactSet, MSCI

Is the Tide Starting to Shift?

The MSCI EAFE Index YTD Performance Has Outperformed the MSCI USA Index by the Second-Largest Magnitude in 30+ Years



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Source: Lazard, MSCI

Strong International Absolute Returns May Endure

EAFE (Rolling 9-Month since 1970)

After any EAFE 9-month absolute return

Forward 12 Months	
Average ¹	+10.73%
Hit Rate ²	70%

After any EAFE 9-month absolute return that is >1 standard deviation above the mean*

Forward 12 Months	
Average ¹	+20.56%
Hit Rate ²	84%

Following periods of similar performance, EAFE has historically returned another 20.6% the following year.

As of 30 September 2025

1. represents on average the forward 12-month return, not annualized return of the index

2. Hit Rate defined as the number of periods that have positive forward 12-month absolute return divided by the total number of forward 12-month periods

*. 9m absolute return of EAFE ending 09/30/2025 represents ~1 standard deviation relative to history

Source: Lazard, FactSet, MSCI

Currency Headwind Has Become a Tailwind



Tariff uncertainty and plans for EU fiscal stimulus strengthened international currencies.

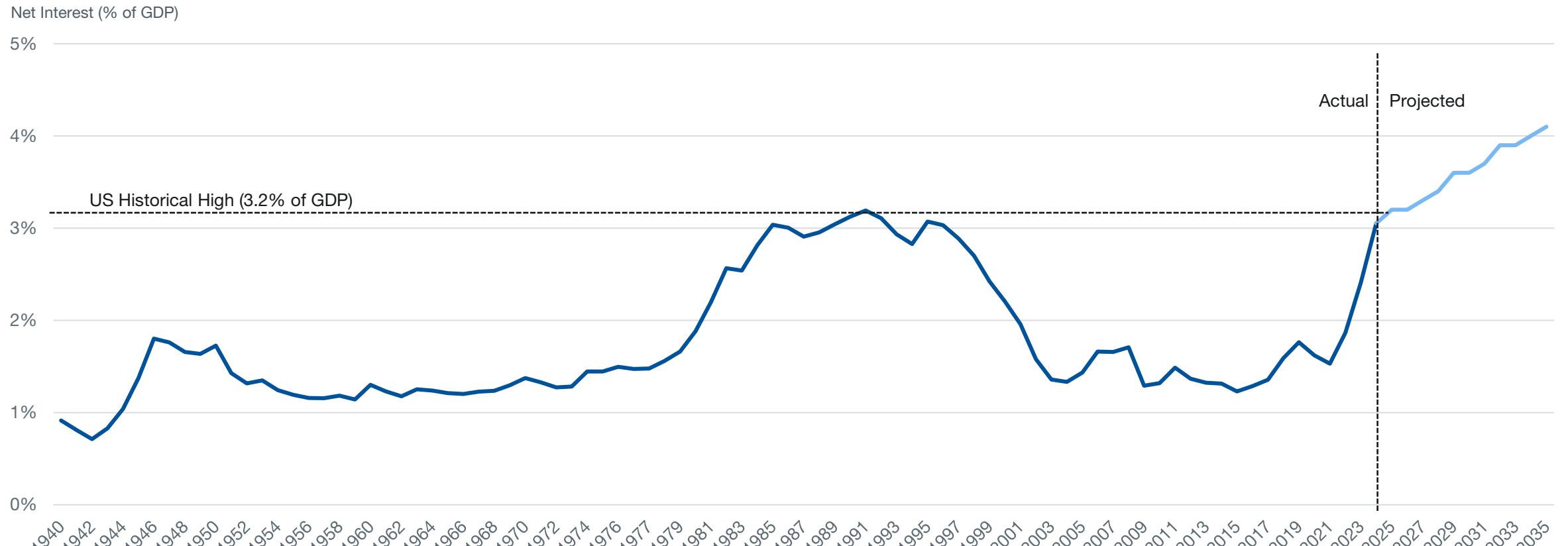
What Could Cause USD Weakness to Continue? (1 of 3)

Will deficits make a difference?

Country/Region	2025 Est. Current Account Balance	2025 Est. General Government Net Lending/Borrowing	“Twin Deficit”
United States	-3.7	-6.5	-10.2
United Kingdom	-3.7	-4.4	-8.1
China	1.9	-8.6	-6.7
Emerging Markets	0.3	-6.1	-5.9
France	0.2	-5.5	-5.3
Italy	0.9	-3.3	-2.4
Canada	-0.1	-1.9	-2.0
European Union	2.9	-3.3	-0.4
Japan	3.4	-2.9	0.5
Germany	5.2	-3.0	2.3

Source: International Monetary Fund, World Economic Outlook Database, April 2025

What Could Cause USD Weakness to Continue? (2 of 3)

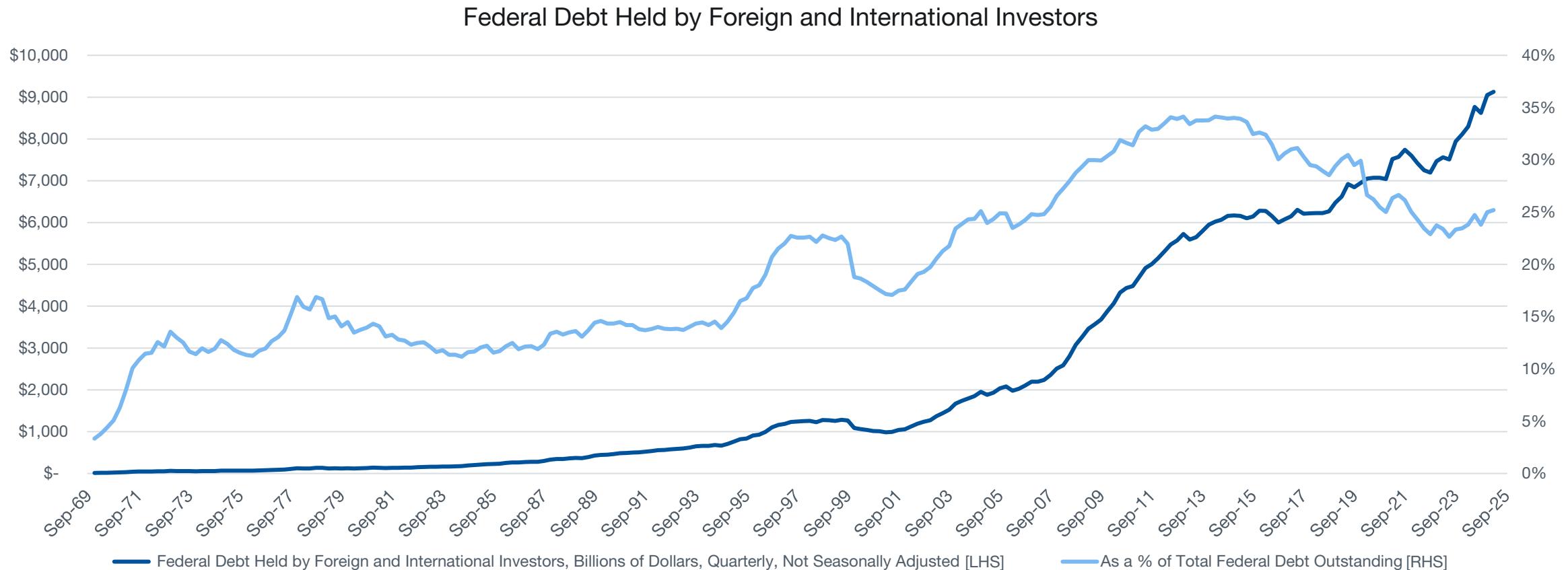


Net interest costs are projected to exceed the previous high relative to the size of the economy in 2026.

As of 30 September 2025

Source: Lazard, Congressional Budget Office, European Central Bank, International Monetary Fund, Office of Management and Budget, Peter G. Peterson Foundation (["What Are Interest Costs on the National Debt?"](#))

What Could Cause USD Weakness to Continue? (3 of 3)



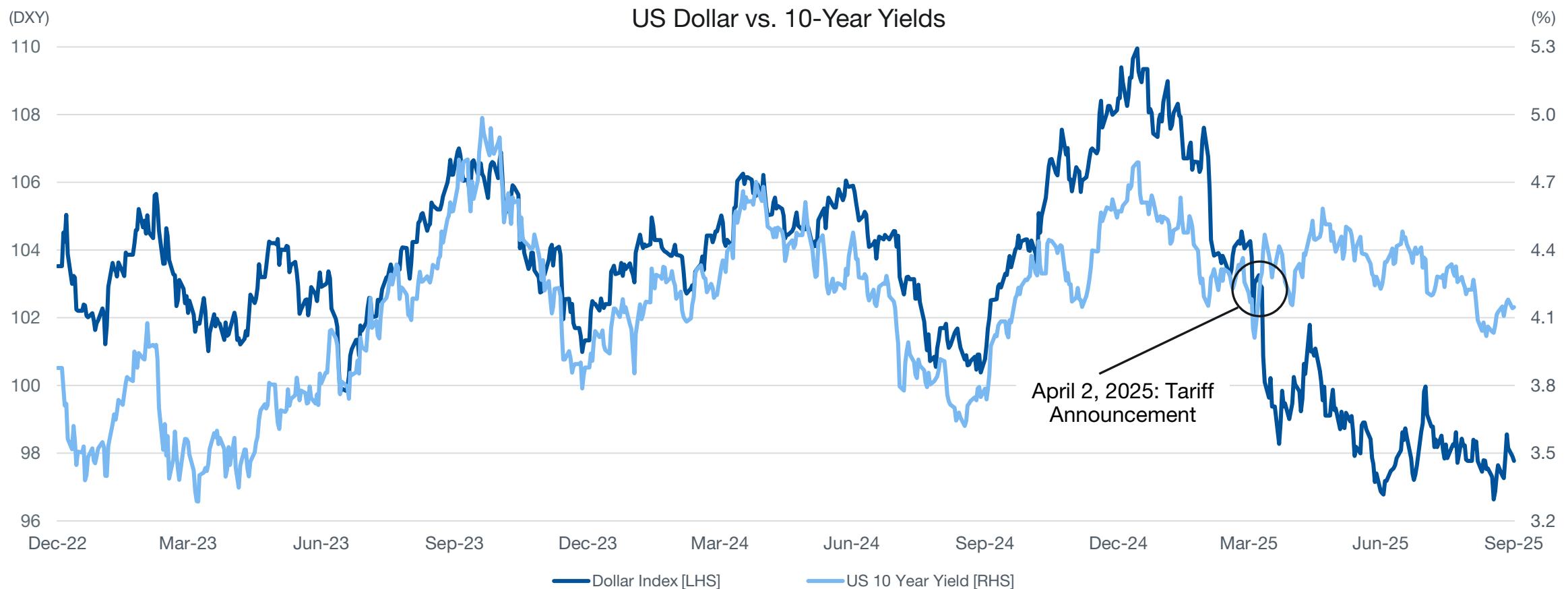
Total federal debt has more than doubled since 2014, while foreign investors have been purchasing a smaller share.

As of 1 April 2025

Source: Lazard, U.S. Department of the Treasury, collected by The St. Louis Federal Reserve

Geopolitics May Be Driving Diversification Away from US Dollar-Denominated Holdings

The US dollar's relationship with US yields has weakened.



International Earnings Growth is Increasingly Attractive

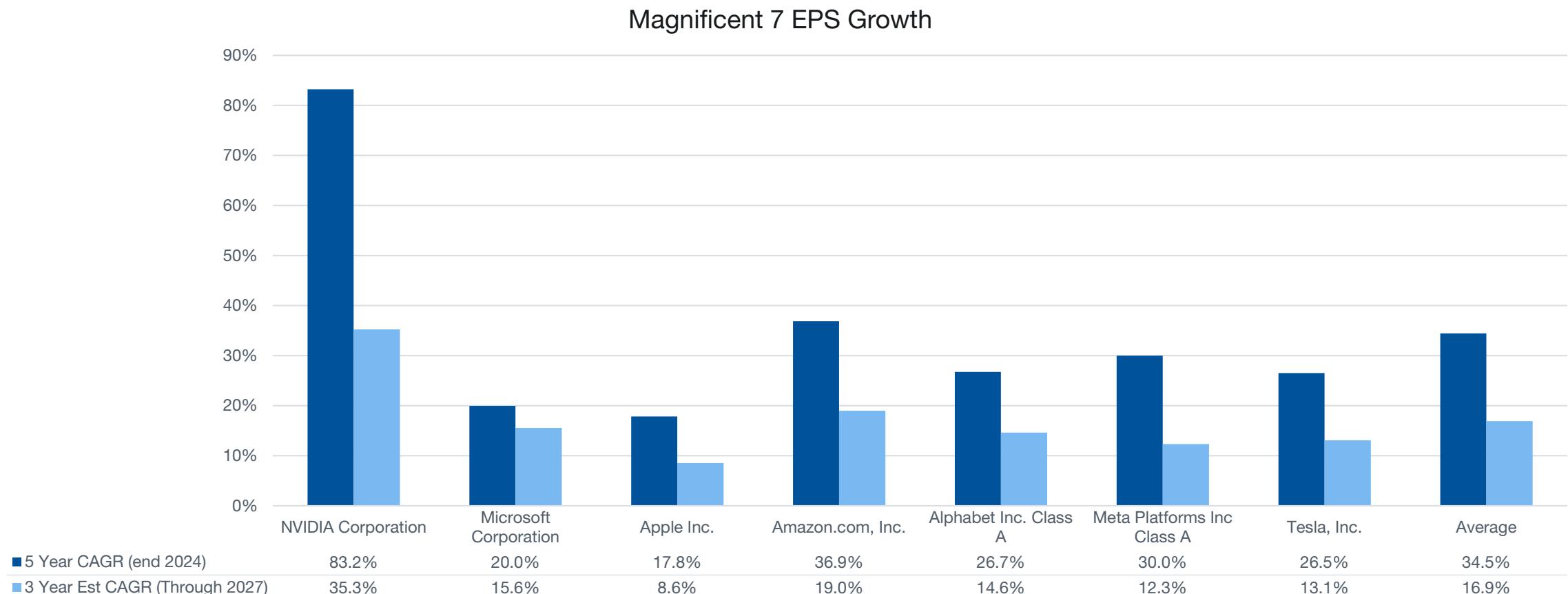
The influence of the Magnificent 7 diminished.



As of 30 September 2025
Source: Lazard, Bloomberg

Projected Earnings Growth

Growth for Magnificent 7 stocks is expected to taper.



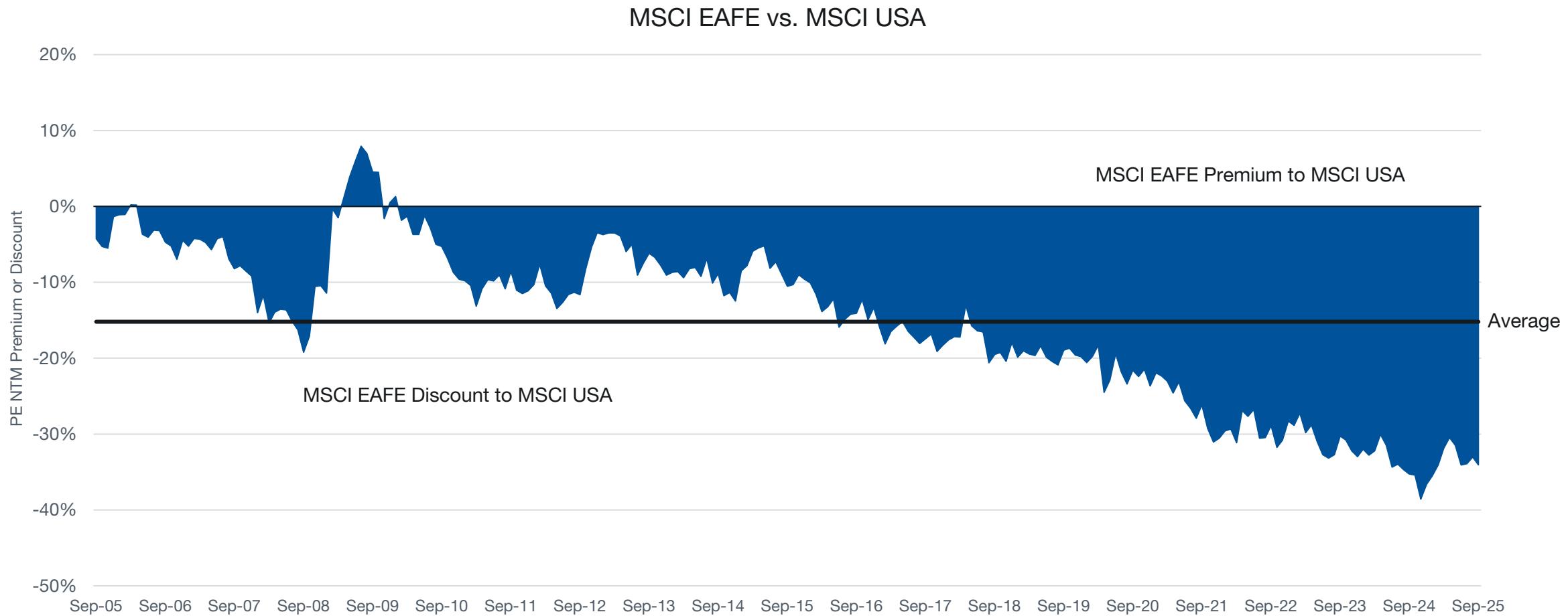
As of 30 September 2025

Tesla is 4-year CAGR due to negative earnings in 2019.

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Source: Lazard, FactSet

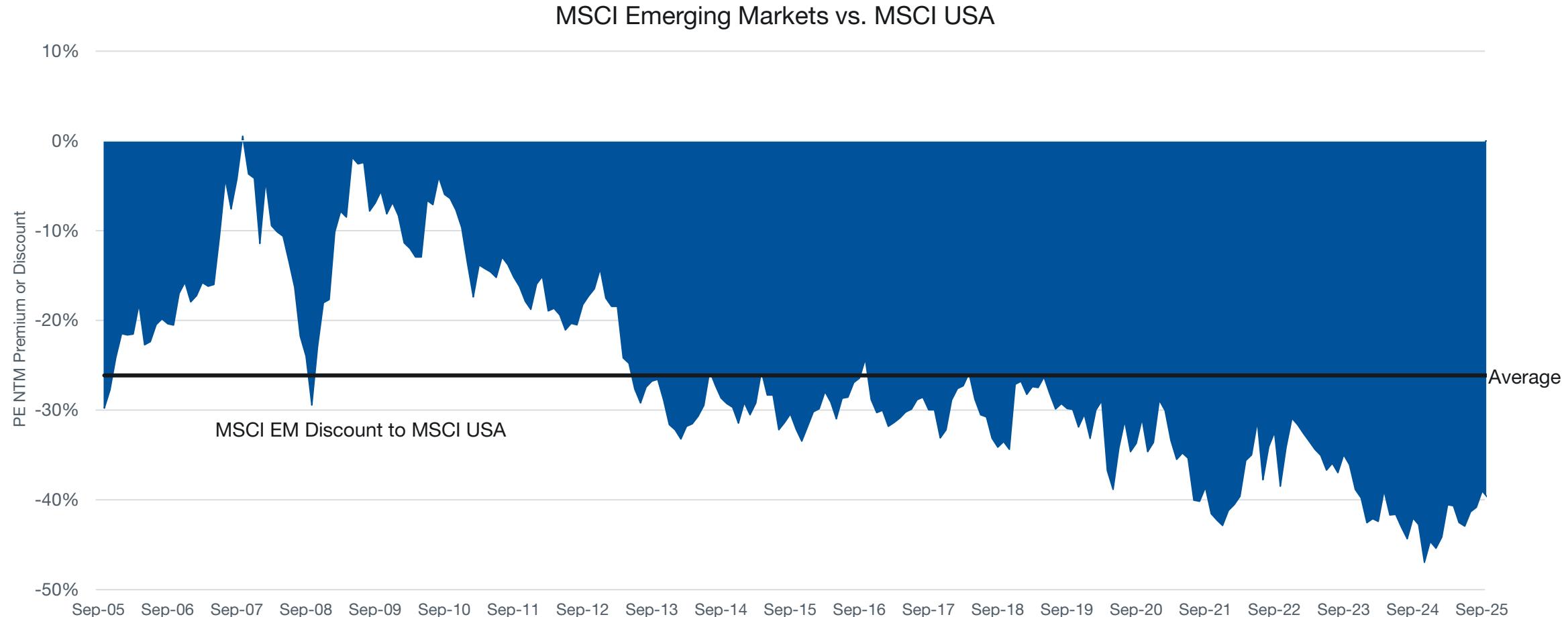
The MSCI EAFE Index's Historic Discount Could Continue to Support International Market Returns



As of 30 September 2025
Source: Lazard, FactSet, MSCI

A Closer Look at Valuations (1 of 3)

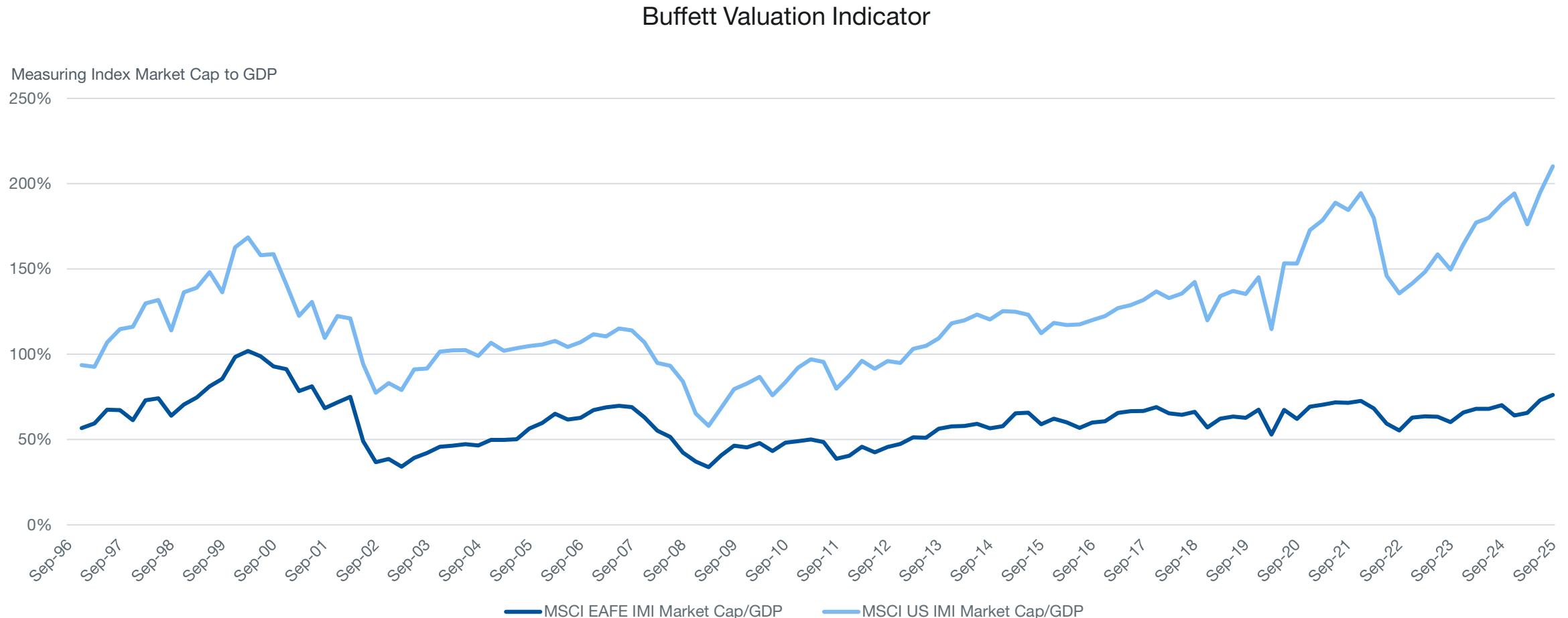
The MSCI EAFE Index is near its long-term average valuation while the US approaches multidecade highs.



As of 30 September 2025
Source: Lazard, FactSet, MSCI

A Closer Look at Valuations (2 of 3)

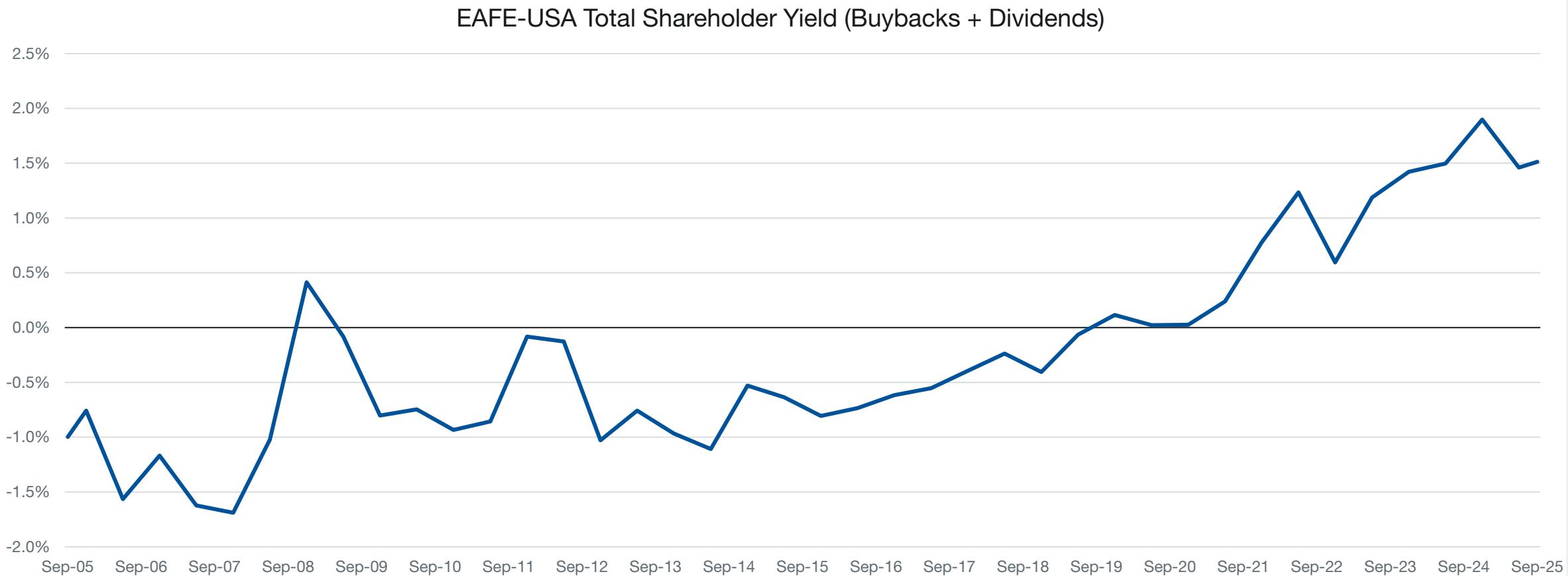
The MSCI EAFE Index is near its long-term average valuation while the US approaches multidecade highs.



As of 30 September 2025

Source: FactSet Economics Nominal GDP, IMF World Economic Outlook (Nominal GDP, as of April 2025), MSCI

EAFFE vs. US Shareholder Yield Is Near Its Highest Level in 20 Years



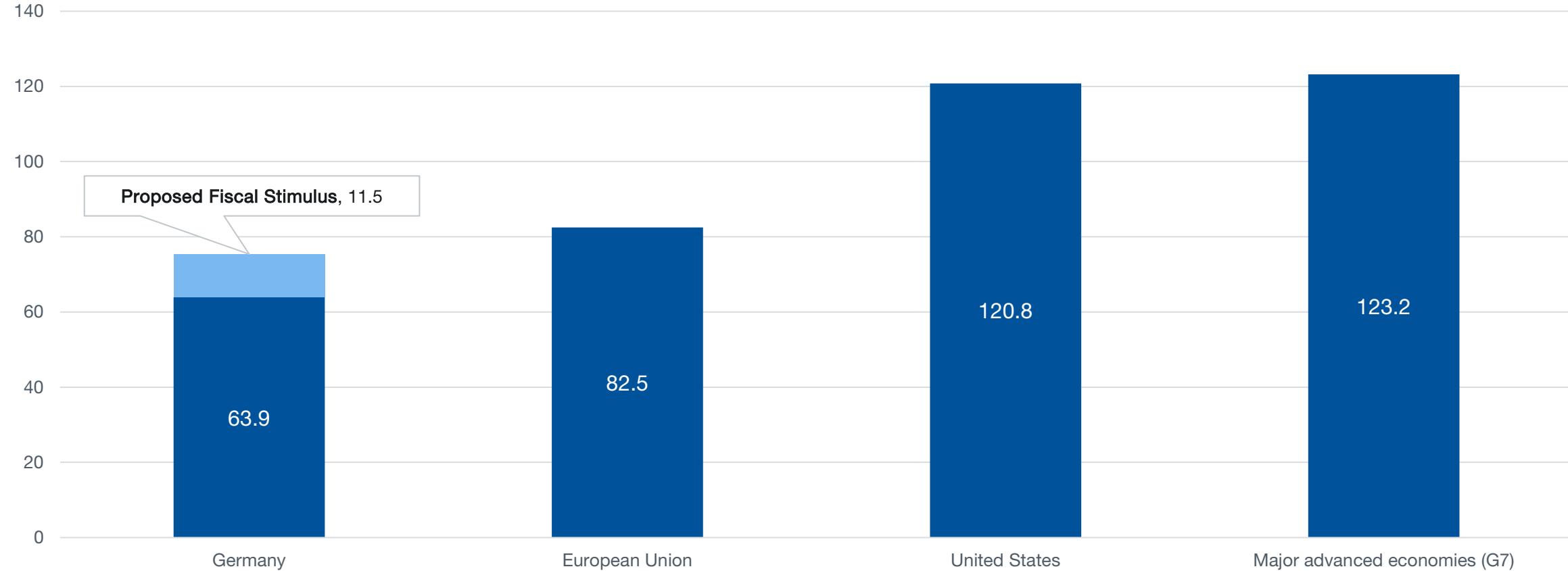
The MSCI EAFE Index shareholder yield should support non-US equities.

As of 30 September 2025
Source: Lazard, FactSet, MSCI

Europe Has Enough Fiscal Stimulus Capacity to Drive Growth

General Government Gross Debt Level vs. GDP

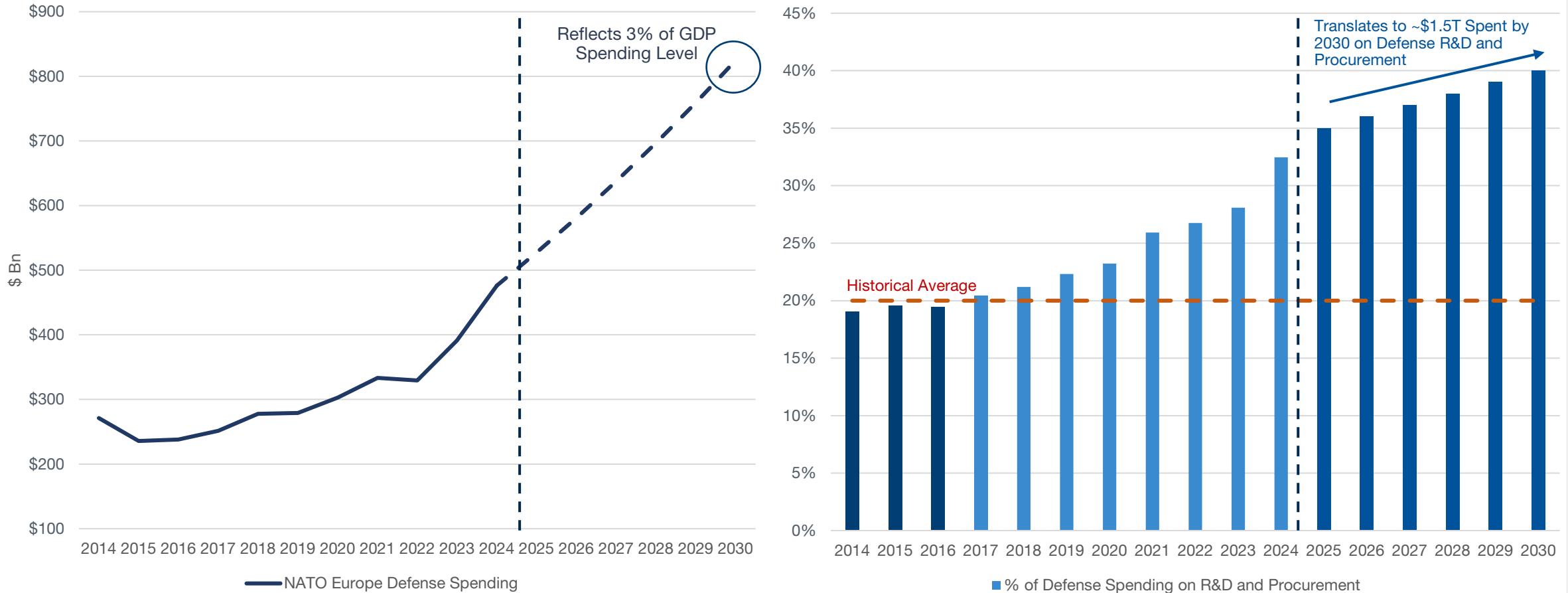
General Government Gross Debt (% of GDP, 2024)



Source: Lazard, Fitch, IMF WEO April 2025

Lazard Asset Management

European Defense Spending Is Set to Significantly Increase



The base case defense spending level is expected to reach 3% of GDP by 2030.

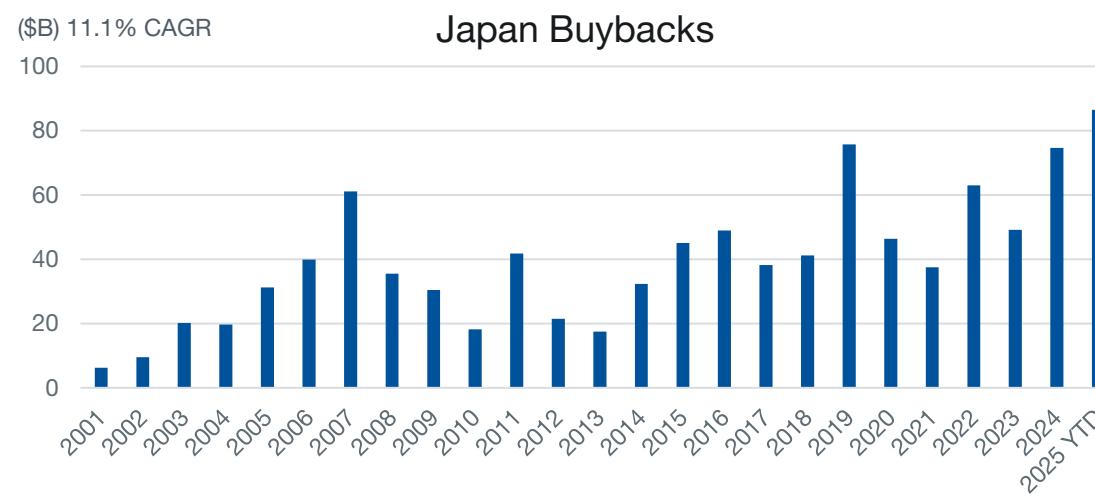
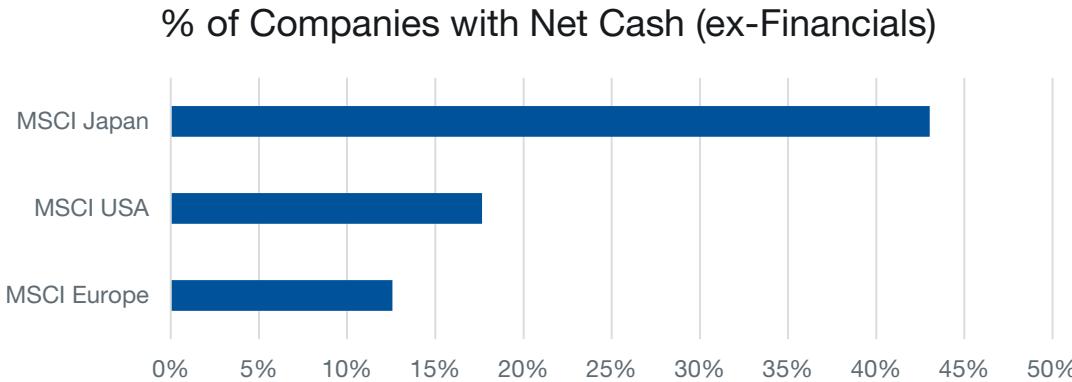
Left Chart: As of December 2024, Total NATO Europe Defense Spending vs. 3% of GDP NATO Guideline

Right Chart: As of December 2024, % of NATO Europe Defense Investment as a Proportion vs. Total NATO Europe Defense Spending. 2024 figures are NATO Estimates

Forecast analysis assumes 3% nominal GDP growth

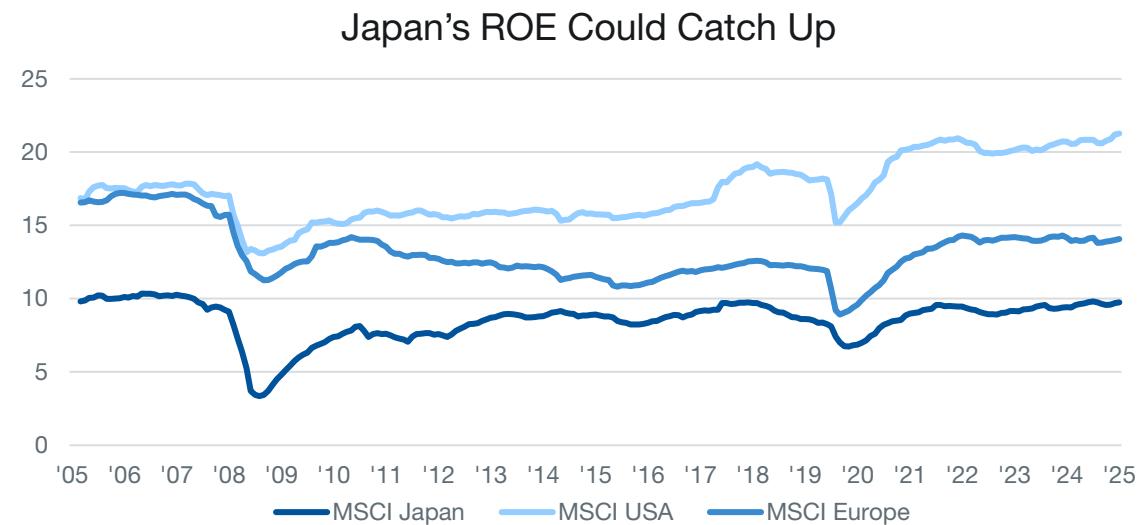
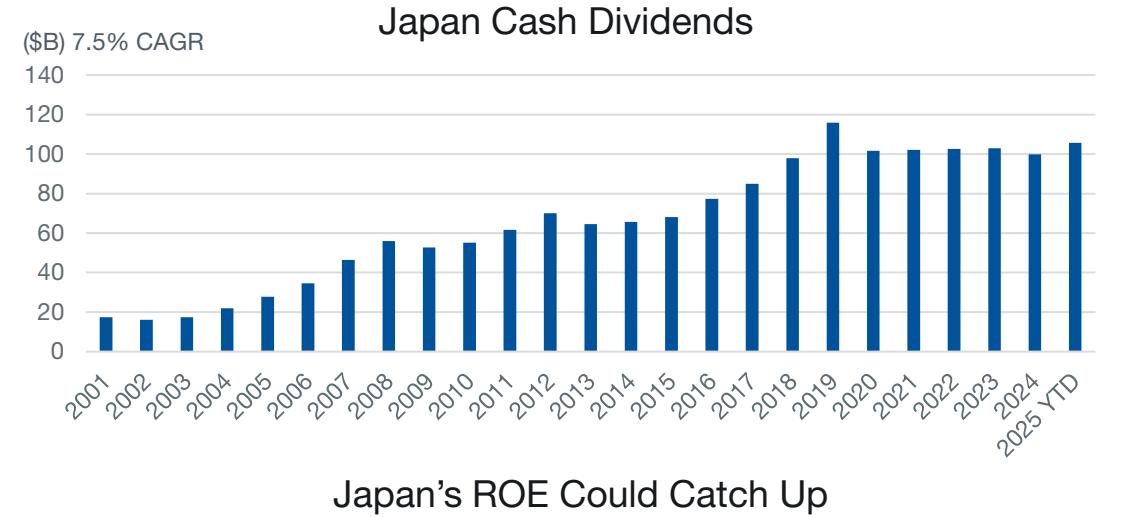
Source: Lazard, NATO

In Japan, Strategic Capital Deployment Could Boost Returns



As of 30 September 2025
Source: Lazard, FactSet, MSCI

Lazard Asset Management



Why Active?

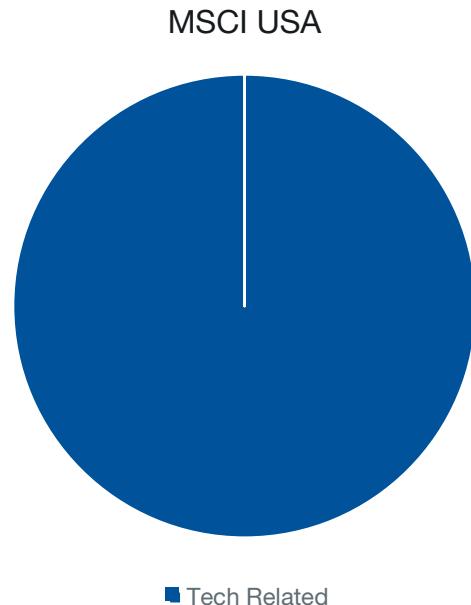
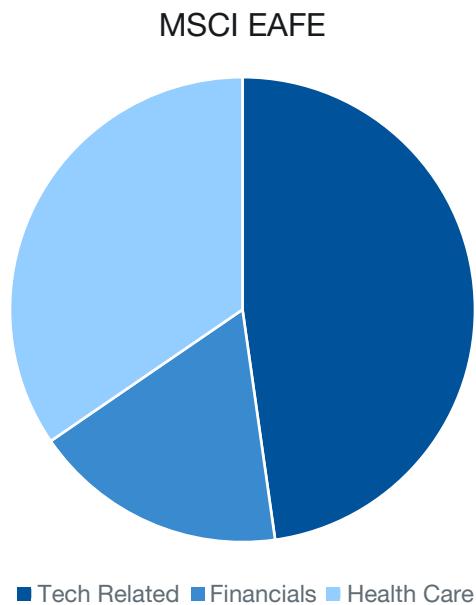
Valuations of Non-US Companies Are Consistent across Market Caps

	US	EAFE
Median P/E Top 25%	32.8x	16.2x
# of companies	5	27
Median P/E Bottom 75%	20.7x	15.9x
# of companies	539	666

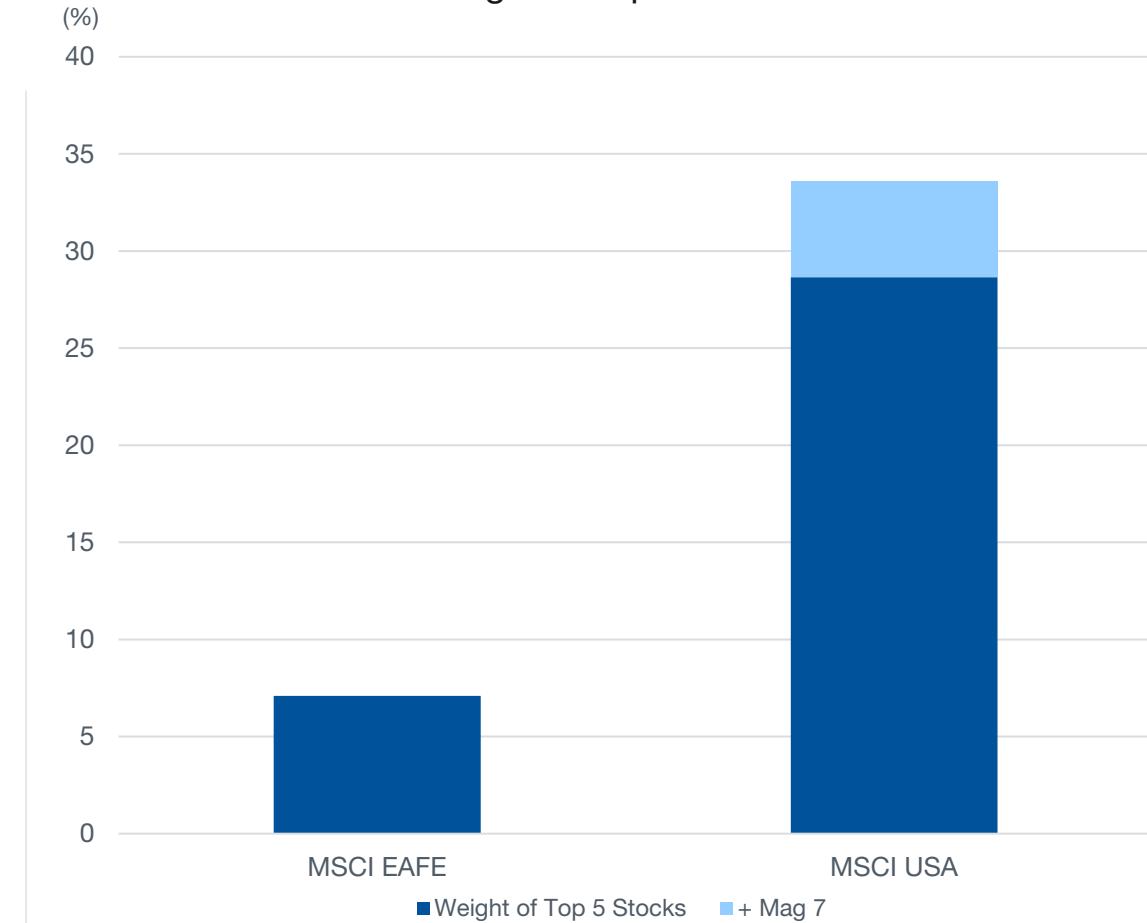
As of 30 September 2025
Global Benchmark is MSCI ACWI IMI
Source: Lazard, FactSet, MSCI

International Markets Offer Greater Diversity—and More Opportunities for Active Managers

Industry Composition of Top 5 Stocks

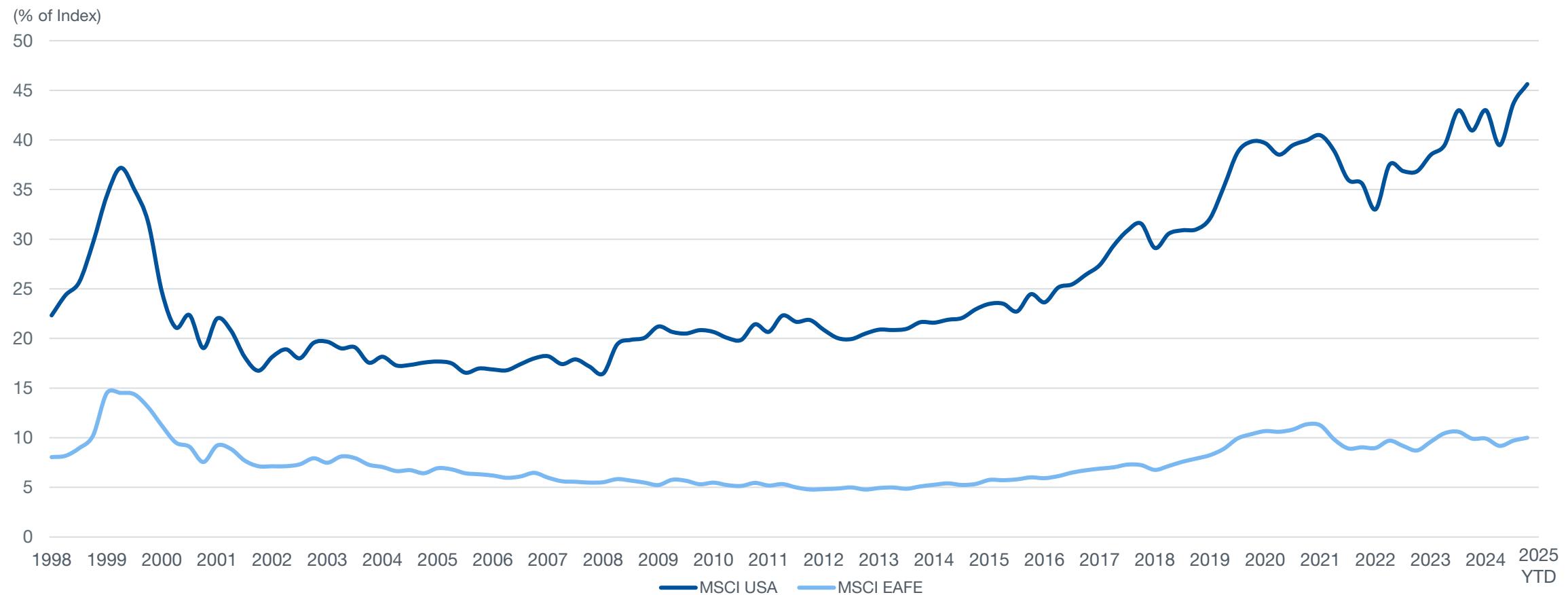


Weight of Top 5 Stocks



As of 30 September 2025
Source: Lazard, FactSet, MSCI

Lower Technology & Internet Concentration May Boost EAFFE Outperformance Potential



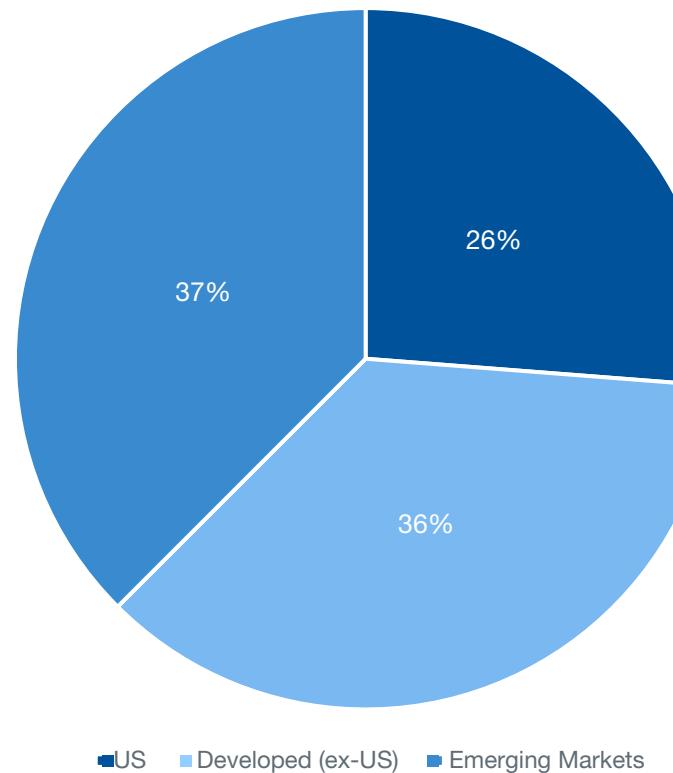
As of 30 September 2025

Weights are end-of-period classifications using GICS Level 3 (Interactive Media & Services and Broadline Retail) and GICS Level 1 (Information Technology).

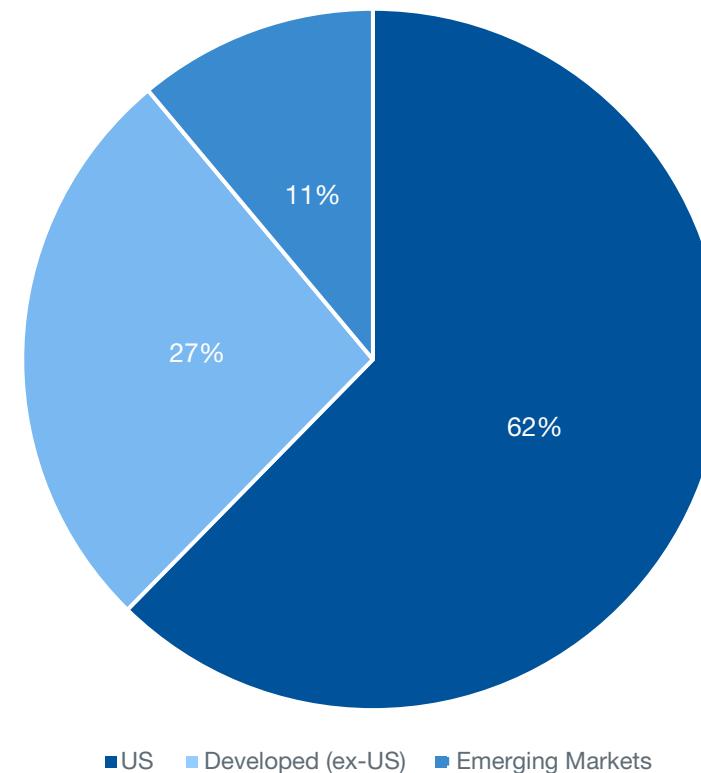
Source: Lazard, FactSet, MSCI

Opportunity Set Outside of the United States

Number of Companies as a Proportion of ACWI IMI



% of Market Cap

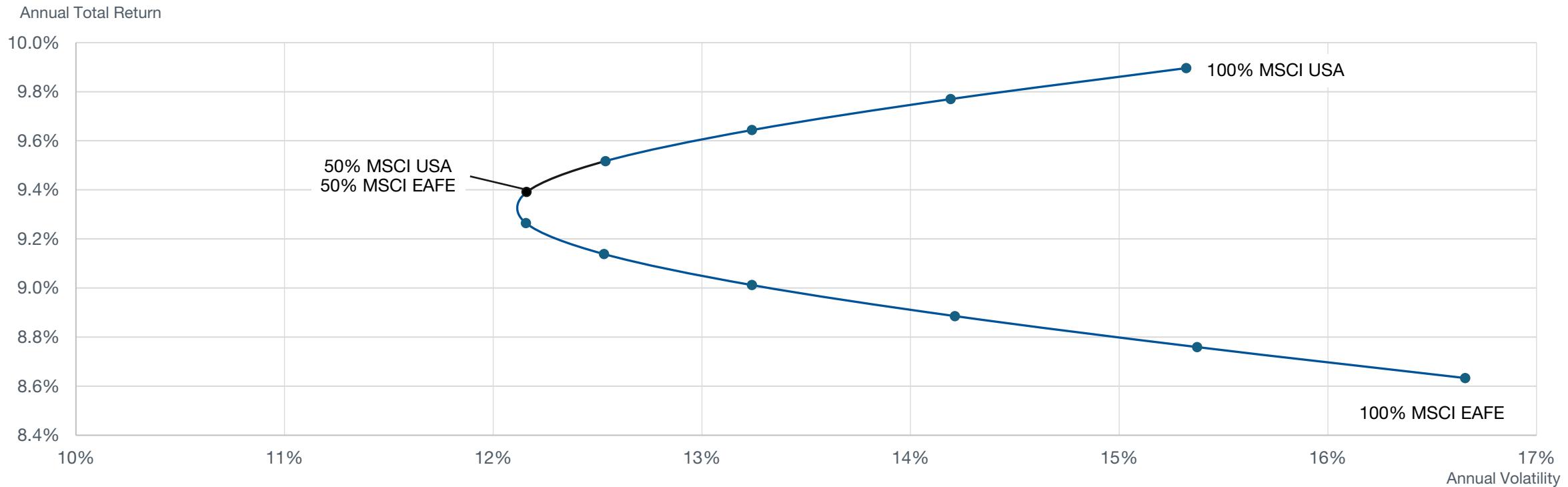


US listed companies represent only 26% of the global companies but 62% of global market capitalization.

As of 30 September 2025
Global Benchmark is MSCI ACWI IMI
Source: Lazard, FactSet, MSCI

50% US, 50% Non-US: Optimal Risk/Return Characteristics

Efficient Frontier between US and Non-US Opportunities
(Risk/Return since December 1969)



As of 30 September 2025. Data since MSCI EAFE Index inception of 31 December 1969. The performance quoted represents past performance. Past performance is not a reliable indicator of future results. This information is for illustrative purposes only and does not represent any product or strategy managed by Lazard. It is not possible to invest directly in an index.

Source: Lazard, FactSet, MSCI. No risk management technique or process can guarantee return or eliminate risk in any market environment.

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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 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.

These indices are unmanaged and have no fees. One cannot invest directly in an index.

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