

In light of the strong performance from U.S. stocks over the past five years, it's reasonable for an investor to ask "Why international stocks now?". We are convinced that the reasons for investing internationally are even more compelling today than they were twenty years ago. Permit us to illustrate the most significant reasons for investing internationally today.

## 1. The Opportunity Set is Dramatically Larger

As of the end of June 2018, 60% of the weight of the world stock market capitalization consisted of non-US companies. Investing has become a more global activity over the past twenty years, with many more investment opportunities becoming apparent in both developed and developing countries. The largest companies in many industries are in fact foreign rather than U.S. based. For example, of the 15 largest banks in the world, 10 are outside the U.S. Other industries dominated by foreign firms include Metals and Mining (12 of top 15), Airlines (11 of top 15), Automobiles (12 of top 15), Diversified Telecommunication Services (12 of top 15) and Pharmaceuticals (8 of top 15). Source: MSCI All Country World Index, ranked by index weight as of 6/30/18.

While the market value weight of foreign stock markets as a percentage of world equity markets has increased over time, U.S. investors have tended to overweight their portfolios toward U.S. securities simply as a matter of habit (the so-called "home country bias"). This has resulted in neglecting the significantly attractive investment opportunities available today in overseas markets.

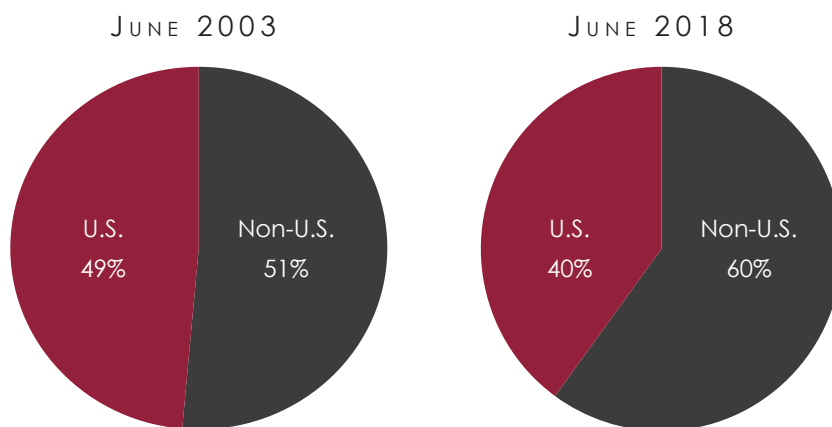
## 2. The Growth Opportunities are Greater

The growth potential in many so-called emerging markets today is a generational opportunity to take advantage of unprecedented demographic and political change. While population growth stagnates in

many developed nations, a number of emerging countries are experiencing robust population growth, with positive effects for their economies. As incomes rise in emerging markets, an increasingly large number of consumers will be able to purchase automobiles, televisions, mobile phones and other products and services demanded by middle class consumers. Infrastructure such as bridges, roads and airports will

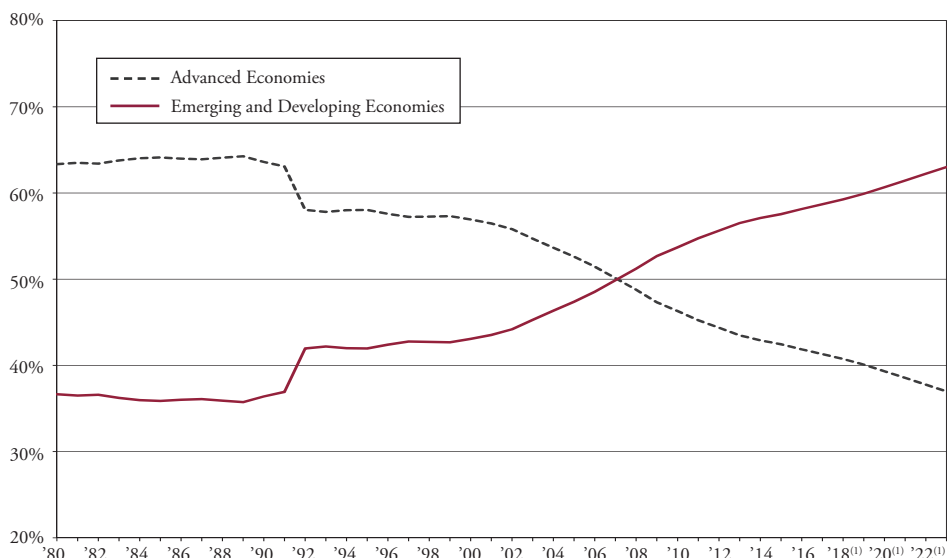
need to be built, creating demand for experienced industrial companies from both emerging and developed countries. According to International Monetary Fund (IMF) data, emerging and developing economies account for an increasingly larger percentage of world GDP (see Chart II), and this trend presents attractive growth potential for an investor in international stocks.

CHART I: WORLD STOCK MARKET CAPITALIZATION



Data ending 6/30/18  
Source: FactSet Market Aggregates

CHART II: ADVANCED VS EMERGING & DEVELOPING GDP (Percent of World, Based on Purchasing Power Parity)



<sup>(1)</sup>Based on estimates from the World Economic Outlook Database.  
Source: International Monetary Fund, World Economic Outlook Database, April 2018

### 3. Overseas Markets have Lagged the U.S. Recently

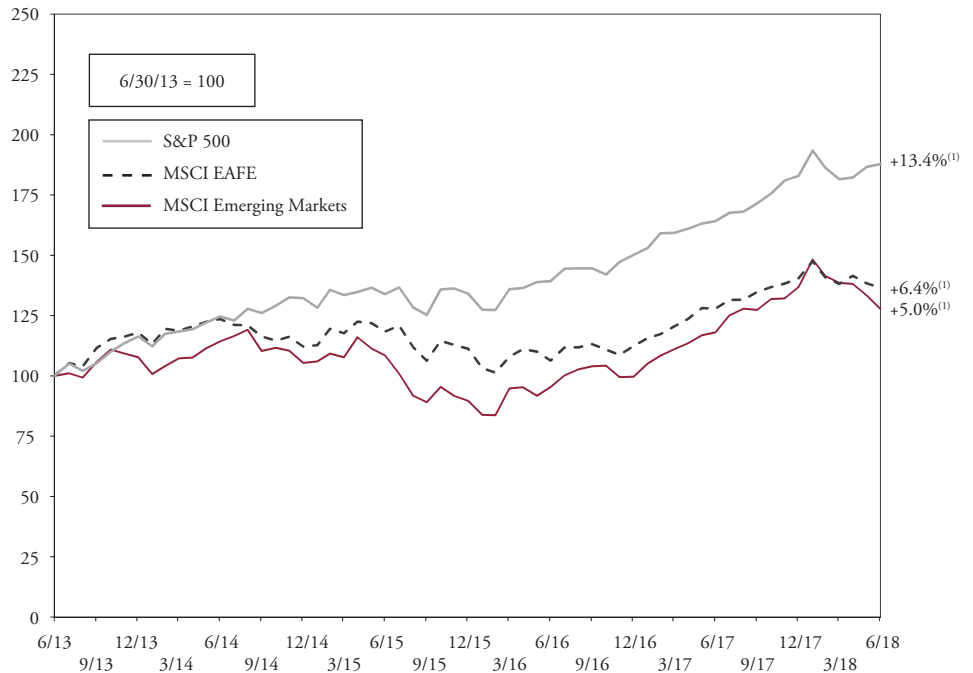
Experienced investors know that rebalancing portfolios toward lagging asset classes can both reduce risk and increase returns over time. The rebound in global stock markets over the past five years presents just such an opportunity today. While the U.S. stock market has been the strongest performer over this period, developed and emerging market indices have been relative underperformers, presenting a good entry point for investors looking to take advantage of the larger opportunity set and greater growth opportunities in international markets.

### 4. The Current Valuation of International Markets is Very Attractive

Profit growth has rebounded around the world since the global recovery began seven years ago. However, the recovery in stock prices has not been uniform, with the result that markets around the world present dramatically different valuation pictures today. While the U.S. stock market trades at among the highest P/E ratios in the world today, companies in the developed and emerging markets trade on average at significantly lower multiples of earnings. Investor returns depend in part on the initial valuation when an investment is made, and today's valuation levels in international securities suggest attractive relative return potential going forward. Importantly, investing at low multiples also tends to reduce the risk of investing in markets in the process of peaking in price.

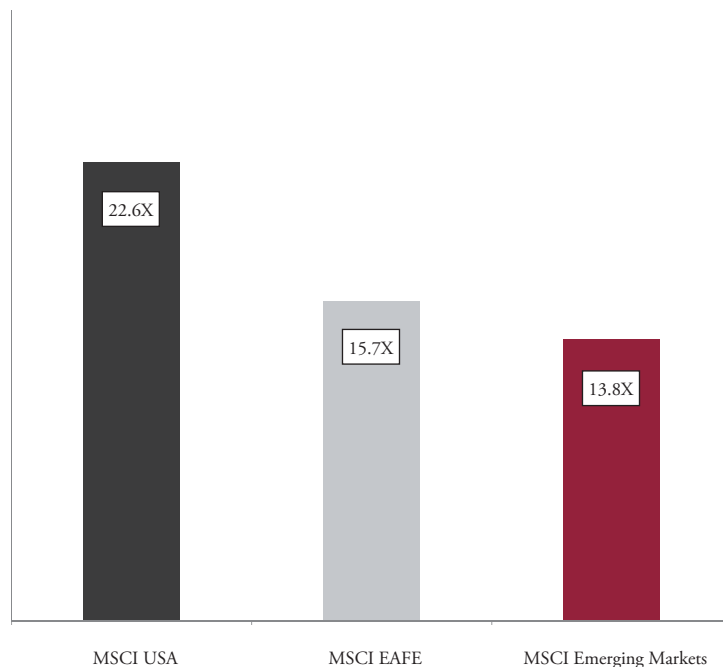
The above are a few of the reasons why we find opportunities in international markets to be especially compelling today. We believe that a disciplined process of systematically investing in high-quality companies around the world that exhibit good growth potential, strong earnings acceleration and reasonable valuation is likely to result in favorable returns for the long-term investor.

**CHART III: U.S. INDICES HAVE FARED BETTER THAN GLOBAL MARKETS RECENTLY**



Data from 6/30/13–6/30/18  
<sup>(1)</sup>Annualized 5-year total return ending 6/30/18.  
 Source: FactSet, MSCI

**CHART IV: MARKET VALUATIONS AROUND THE WORLD**  
Trailing 1-Year Price-to-Earnings Ratio



Data as of 6/30/18  
 Source: MSCI

## DISCLOSURES

The opinions stated in this presentation are those of the authors as of the date listed on this presentation and are subject to change at any time due to changes in market or economic conditions.

Diversification does not guarantee a profit or protect against a loss.

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## REFERENCED INDICES

**MSCI ACWI Index**—The MSCI All Country World Index is designed to measure the performance of the large and mid-cap segments of global equities. The index consists of approximately 2,800 securities from 23 developed market and 24 emerging market countries.

**MSCI EAFE**—The MSCI EAFE Index is designed to measure international equity performance for U.S. investors. It comprises the MSCI country indexes capturing large and mid-cap equities across developed markets in Europe, Australasia and the Far East, excluding U.S. and Canada. The index consists of approximately 925 securities from 21 countries.

**MSCI Emerging Markets**—The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the emerging markets. The index consists of approximately 1,100 securities from 24 countries.

**MSCI USA Index**—The MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the U.S. market. The index consists of approximately 630 securities and covers 85% of the float adjusted market capitalization in the U.S.

**S&P 500 Index**—The S&P 500 Index consists of 500 stocks chosen for market size, liquidity and industry group representation. It is a market-value weighted index (stock price times number of shares outstanding), with each stock's weight in the Index proportionate to its market value. It is calculated by Standard & Poor's Corporation, and reflects reinvestment of all dividends and capital gains.