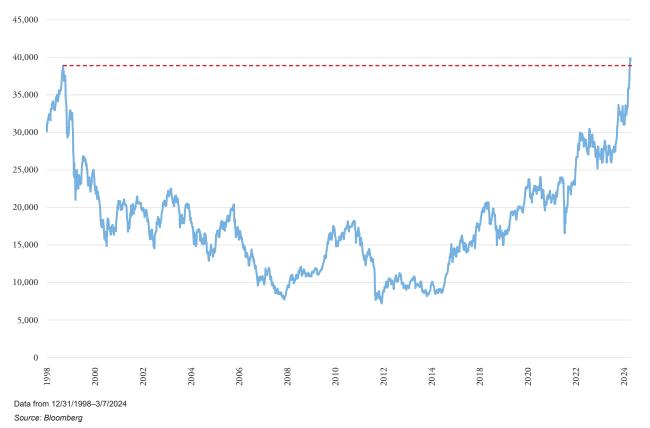
While the U.S. stock market has enjoyed a strong rally, many overseas markets have posted similar or even better gains since the end of 2022. Most notably, the Japanese stock market has finally recovered from its peak levels of 1989 and appears poised for further gains going forward.

From the end of 2022 through 3/7/2024 the S&P 500 has risen 34%, while Japan's Nikkei 225 Index has gained 52% (in local currency), with both indices powered by their technology and consumer stocks. Earnings for Japanese companies in the fourth quarter of 2023 grew 45% from the same period a year earlier (*Source: Goldman Sachs*), and profits for the fiscal year ending March 2024 could reach a record high for the third consecutive year (*Source: Nikkei*).

Of course, it is impossible to forget the dismal returns posted by Japanese stocks from 1989–2012. The Japanese stock market was among the most expensive in the world in 1989, trading at 60x trailing P/E while corporate management teams were notoriously unfriendly to foreign investors. The ensuing 23-year bear market has led to much better valuations for many Japanese stocks, which now trade in-line with their U.S. peers, while corporate governance reforms have led to efforts by management to boost shareholder returns. As a result, foreigners have become significant buyers of Japanese stocks in recent years. The Japanese yen also depreciated almost 50% against the U.S. dollar since its peak in 2011, which helped reverse the slide of Japanese stocks while it boosted earnings and the global competitiveness of Japan's many export-oriented companies.

Recent trends from international companies toward disinvesting operations from China as a result of geopolitical events may also benefit Japan in the future. Japanese manufacturers are world class companies, and electronic manufacturing in particular may present growth opportunities as international companies move operations away from China.

As always, diversification is key to long-term investment success, and Japanese stocks should be only a portion of an investor's overall portfolio. However, the Japanese market is a notable example of favorable investment opportunities today that exist outside of the S&P 500 and the borders of the U.S.



## Nikkei 225 Index (Japan)

The Disclosures Section on the following page is an integral part of this presentation.



March 2024

# DISCLOSURES

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### REFERENCED INDEX

#### (Indices are unmanaged and are not available for direct investment.)

Nikkei 225 Index—The Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average (DJIA) Index in the United States.

S&P 500 Index—The S&P 500 Stock Index is a market capitalization weighted index and consists of 500 stocks chosen for market size, liquidity and industry group representation.

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