

Hunt for Cheaper Stocks Goes Global*

International stock markets have lagged the U.S. market for the majority of the last 10 years but outperformed significantly in 2025. While the S&P 500 posted a 17.9% gain in 2025, the iShares MSCI EAFE ETF gained 31.6% and the iShares MSCI Emerging Markets ETF surged 34.0%. Thus far in 2026, international markets have continued to outperform U.S. shares.

The recent outperformance of international markets has had an insignificant impact on their valuation discounts relative to the U.S. market. At the end of 2025, based on cyclically adjusted price to earnings ratios (CAPE), the U.S. market traded at one of its highest levels ever. In contrast, international markets traded at much lower levels, both in terms of CAPE metrics as well as P/Es based on projected earnings over the next year.

Better valuations overseas are not the only reason for the recent international market outperformance. Fiscal stimulus in Japan and strategic government policies in Europe intended to stimulate investment have boosted optimism about international markets. In addition, a decline in the U.S. dollar has led to increased returns for U.S. holders of foreign shares, as the value of overseas holdings has risen in dollar terms. Of course, the improved momentum of international markets has also resulted in increased investment flows.

Given the large valuation differences between the U.S. and overseas markets, it seems likely that the recent positive price trends of international stocks are building a firm base for further gains. From the standpoint of return potential along with the benefits of diversification, we believe that investors should consider adding selected investments in international markets.

CAPE RATIOS AS OF 12/31/2025⁽¹⁾

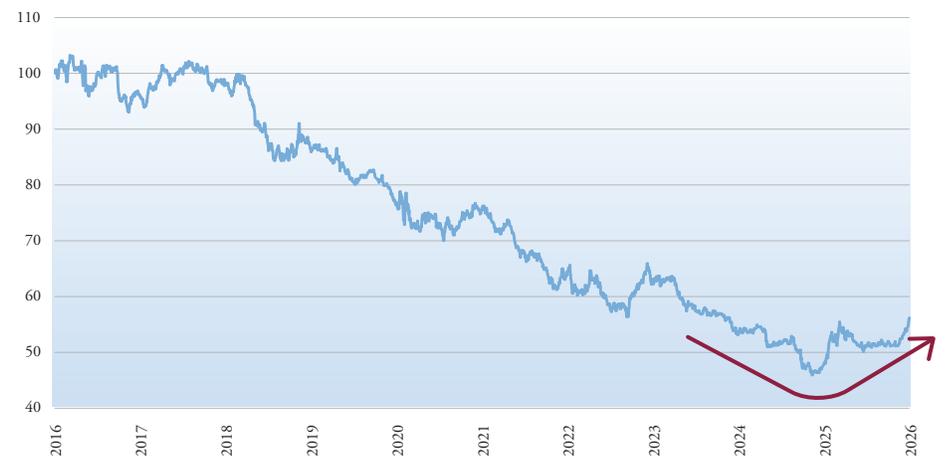
| | |
|----------------|-------|
| United States | 38.9x |
| Japan | 26.4x |
| Switzerland | 26.3x |
| Germany | 24.3x |
| France | 24.2x |
| Spain | 22.6x |
| Israel | 22.4x |
| Italy | 22.4x |
| Europe | 22.3x |
| Korea | 21.7x |
| Sweden | 21.6x |
| Singapore | 21.3x |
| Mexico | 20.0x |
| United Kingdom | 18.6x |
| Hong Kong | 18.3x |
| China | 16.6x |
| Poland | 14.4x |
| Brazil | 12.7x |

Data from 1/1/2016–12/31/2025

⁽¹⁾ The CAPE Ratio (or Cyclically-Adjusted Price to Earnings Ratio) is a measure of stock market valuation that is calculated by dividing the current price of a stock or index by its average inflation-adjusted earnings for the last ten years.

Source: Barclays Capital

OVERSEAS STOCKS START TO OUTPERFORM
iShares MSCI ACWI ex U.S. ETF – Price Relative to S&P 500



Data from 2/12/2016–2/12/2026

Source: FactSet, BlackRock

PRICE TO EARNINGS (P/Es) BASED ON PROJECTED EARNINGS, NEXT 12 MONTHS

| | |
|-----------------------------------|-------|
| S&P 500 | 22.2x |
| iShares MSCI ACWI ex U.S. ETF | 14.9x |
| iShares MSCI Emerging Markets ETF | 13.0x |

Data as of 1/31/2026

Sources: FactSet, BlackRock

* Wall Street Journal Headline, February 10, 2026.

DISCLOSURES

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REFERENCED ETFs

iShares MSCI ACWI ex U.S. ETF—The iShares MSCI ACWI ex U.S. ETF seeks to track the investment results of an index composed of large- and mid-capitalization non-U.S. equities. iShares ETF names are registered trademarks of Blackrock, Inc.

iShares MSCI EAFE ETF—The iShares MSCI EAFE ETF seeks to track the investment results of an index composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada.

iShares MSCI Emerging Markets ETF—The iShares MSCI Emerging Markets ETF seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities.

REFERENCED INDEX

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

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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