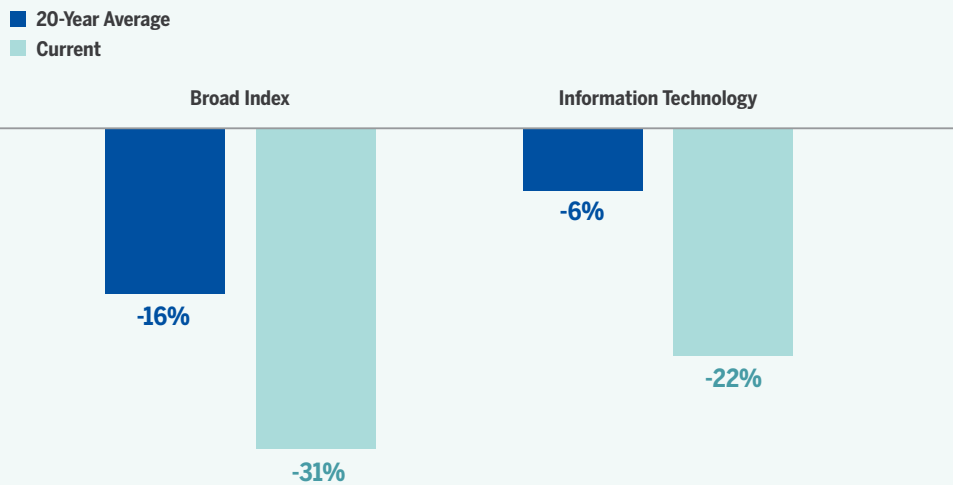


## A World of Opportunity?

Recent strong U.S. equity market returns have led to a historically large price-to-earnings (P/E) discount for international equities relative to the U.S. A considerable discount is also apparent in some sectors where the U.S. has long been a leader. While we continue to see potentially attractive opportunities within the U.S., could long-term investors be overlooking compelling innovation abroad at potentially attractive prices?

### Non-U.S. Equity Discount to U.S. Stocks



Source: FactSet, MSCI, Standard & Poor's. The broad index compares the MSCI All Country World ex USA Index to the S&P 500 Index. Information Technology refers to the sector within the MSCI All Country World ex USA Index and S&P 500 Index. Data from September 2003 through September 2023.

- As of September 2023, U.S. equity markets, represented by the S&P 500 Index, are trading at a P/E of 18x, while international equity markets, represented by MSCI ACWI ex USA, are trading at a P/E of 12x, a -31% discount as indicated in the chart above. Further, we see a similar valuation disparity within the Information Technology sector, where international equities within the sector are trading at a -22% discount relative to the S&P 500 Technology sector, which is more than three times below the 20-year average, as indicated in the chart above.
- Given the geographic disparity in equity valuations, we believe investors may be able to diversify their exposure to similar innovative themes abroad at potentially lower prices. Within innovative areas such as semiconductors, electric vehicles, and e-commerce, companies which are domiciled abroad appear inexpensive compared with their U.S. counterparts.
- We believe it is important for investors to avoid the common trap of [home country bias](#) by having a geographically diversified portfolio. As a result, we find that the current valuation discount for non-U.S. equities may offer a potentially attractive opportunity for long-term investors looking to hold innovative growth companies overseas.

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The MSCI ACWI ex USA Index (gross) captures large and mid cap representation across Developed Markets (DM) countries (excluding the US) and Emerging Markets (EM) countries. The S&P 500 is an index of large company stocks considered to be representative of the U.S. stock market.

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