

CHIEF INVESTMENT OFFICE

Equity Spotlight

International Equities

All data, projections and opinions are as of October 8, 2025 and subject to change.

Chief Investment Office (CIO) believes a strategic allocation to International Equities is warranted. We examine the role of International Equities in portfolios, including an overview of the composition of non-U.S. Equities markets.

Since the 2008/2009 Global Financial Crisis (GFC), International Equities have been far less favored by investors as compared to U.S. Equities. The U.S. exceptionalism story has reigned supreme, fueled by economic strength, a strong U.S. dollar (USD), and persistent leadership of mega cap growth/technology stocks. Meanwhile International Equities have been characterized by stagnant growth and headwinds from various geopolitical/macroeconomic events (Exhibit 1).

Coming into 2025, however, the environment started to shift, making International Equities look more interesting. Below we examine some key drivers and implications.

- **European reforms and fiscal expansion:** Prompted by the shifting global geopolitical climate, many European nations are taking steps to decrease dependence on other countries, grow and develop their economies, ramp up security, develop infrastructure, and drive deregulation. Earlier this year, the German government approved a major infrastructure and defense spending initiative. As Germany is the largest European Union (EU) economy, this had implications for Europe broadly and inspired action by other EU nations. These actions along with improving corporate fundamentals and better inflation control strengthened the outlook for European Equities.
- **Japan reforms and economic improvement:** Corporate and economic reform has been key in Japan. This started in 2023 when the Tokyo Stock Exchange pushed companies to improve profitability and capital efficiency. In addition, Japan has shifted into an inflationary environment. And loosening yield curve controls has allowed yields to drift higher. The reforms, inflation and policy shifts should benefit many parts of the Japan market.
- **Index Composition and Diversification:** Despite some broadening this year, U.S. Equities indexes remain concentrated in a few mega-cap technology or related stocks, while International Equities are less concentrated, and have sector/geographic diversification, and greater balance between Value and Growth (Exhibit 2). Fading U.S. exceptionalism, along with global market broadening trends, reforms, relatively attractive valuations and improving growth expectations, should benefit the more diverse international markets.
- **USD Weakness:** After a period of notable USD strength, this year the dollar has been weaker (around 10% decline YTD as of September 30, 2025) due to concerns around a U.S. growth slowdown, fiscal/monetary policy uncertainty, and tariffs. The CIO does not expect material USD weakness from current levels; however, continued weakness would likely benefit International Equities.

CIO ASSET CLASS VIEWS

Asset Class	CIO View				
	Underweight		Neutral		Overweight
Equities	•	•	•	●	•
U.S. Large-Cap	•	•	•	●	•
U.S. Mid-Cap	•	•	•	●	•
U.S. Small-Cap	•	•	•	●	•
International Developed	•	•	●	•	•
Emerging Markets	•	•	●	•	•

Source: Chief Investment Office as of October 7, 2025.
CIO asset class views are relative to the CIO Strategic Asset Allocation (SAA) of a multi-asset portfolio.

CIO EQUITY SECTOR VIEWS

Sector	CIO View				
	Underweight		Neutral		Overweight
Financials	•	•	•	•	●
Utilities	•	•	•	●	•
Consumer Discretionary	•	•	•	●	•
Industrials	•	•	•	●	•
Communication Services	•	•	●	•	•
Information Technology	•	•	●	•	•
Real Estate	•	•	●	•	•
Healthcare	•	●	•	•	•
Consumer Staples	•	●	•	•	•
Materials	•	●	•	•	•
Energy	●	•	•	•	•

Source: Chief Investment Office as of October 7, 2025.
All sector and asset allocation recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

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Are Not FDIC Insured	Are Not Bank Guaranteed	May Lose Value
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- **Yield Opportunities:** International Equities have historically offered attractive dividend yields as compared to those in the U.S. As of September 30, 2025, the dividend yield of the MSCI EAFE was around 2.9% vs. around 1.2% for the S&P 500.
- **Valuation Discount:** International equity valuations are at a significant around 35% discount relative to those of U.S. Equities as of 9.30.25 (price-to-earnings ratio using FY1 of the S&P 500 was 25x vs. 16.2x for the MSCI EAFE). There are several catalysts that could help close the valuation gap: fiscal expansion, further dollar weakness, improving earnings growth abroad, sector rotations and structural reforms.

International Equities may not have been in favor for the past decade; however, if we are at an inflection point, investors should consider maintaining exposure.

International Equities offer notably more diversification than that available from U.S. Equities currently, and additionally have had attractively valued and higher dividend yields than U.S. Equities.

Exhibit 1: Relative Performance of the MSCI EAFE Index vs. S&P 500 Index Total Return.

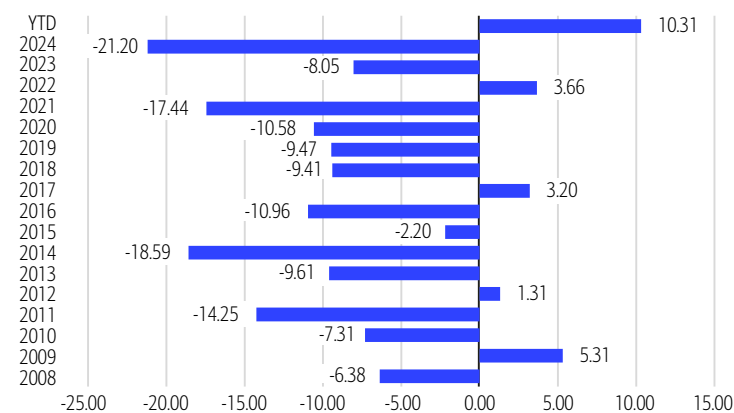
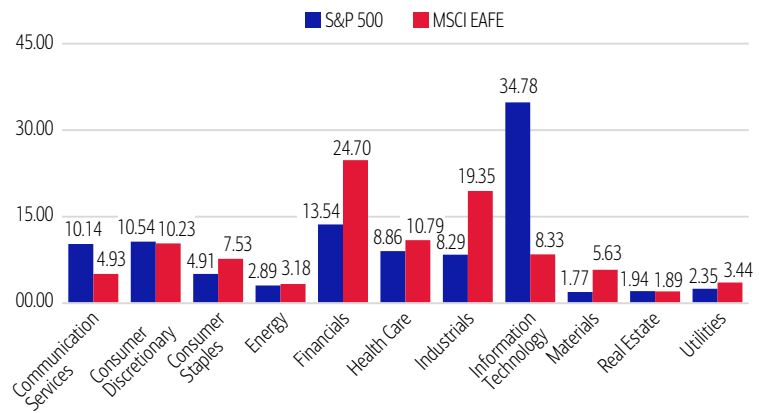


Exhibit 2: GICS Sector Composition of the MSCI EAFE and S&P 500 Index.



YTD=year-to-date. Sources: FactSet; CIO as of September 30, 2025. Note: Since GFC through September 30, 2025, S&P500 returned +11% vs. +4% for MSCI EAFE, with MSCI EAFE ahead in just 4 of the last 17 calendar years. Year To Date through September 30, 2025, international developed markets outperformed U.S. markets by >10% (MSCI EAFE +25.1% vs. S&P 500 +14.8%). Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

Sources: FactSet, Chief Investment Office as of September 30, 2025. Note: Technology represents just 8% of the MSCI EAFE vs ~35% in the S&P 500 index as of 9/30/25. Financials, Industrials, and Healthcare are the largest sectors in the MSCI EAFE. Past performance is no guarantee of future results. Please refer to index definitions at the end of this report. It is not possible to invest directly in an index.

CIO Multi-Asset Class Portfolios and CIO Due Diligence Selection

CIO has reiterated that a strategic allocation to developed International Equities may be warranted and has grown tactically more positive on the asset class this year (moving to a neutral from a moderate underweight).

There are multiple high-conviction actively managed solutions available on the platform. Whereas U.S. markets are efficient and increasingly concentrated in a small number of mega-cap technology names (thus limiting potential alpha generation by active¹ managers), there tends to be wide dispersions in returns across non-U.S. markets. This makes the International Equities universe conducive for skilled active managers who have additional alpha generating opportunities in regional and country allocation. For example, YTD managers who have expressed an overweight to European Financials/Industrials have been handsomely rewarded. Active managers can also better navigate index concentrations and reposition in response to macroeconomic/geopolitical events or to take advantage of structural shifts, such as corporate governance reforms in Japan. While both active and passive² solutions may play a role in client portfolios, skilled active managers may provide an edge over passive solutions in International Equities for the aforementioned reasons.

CIO suggests a balance between styles, which can be implemented through a core solution or by combining Value and Growth managers in a portfolio. Investors can also pair a core solution with style managers for additional diversification. Additionally, higher dividend yields could make Value-dividend strategies an attractive solution.

We have a fine roster of high-conviction managers available who have delivered value consistently over full market cycles. These are managers with significant experience investing through market cycles, breadth and depth of global resources to support their research and decision-making, and who have successfully applied a disciplined, opportunistic and flexible investment process.

¹ Active management seeks to outperform benchmarks through active investment decisions, such as asset allocation and investment selection.

² Passive management seeks to outperform benchmarks by making tactical allocation decisions.

Index Definitions

Securities indexes assume reinvestment of all distributions and interest payments. Indexes are unmanaged and do not take into account fees or expenses. It is not possible to invest directly in an index. Indexes are all based in U.S. dollars.

S&P 500 Index includes a representative sample of 500 leading companies in leading industries of the U.S. economy. Although the index focuses on the large-cap segment of the market, with approximately 75% coverage of U.S. equities, it is also an ideal proxy for the total market.

S&P 500 Total Return is a **total return index** that reflects both changes in the prices of stocks in the S&P 500 Index as well as the reinvestment of the dividend income from its underlying stocks.

MSCI EAFE Index is a stock market index that measures the performance of large- and mid-cap companies across 21 developed markets countries around the world. Canada and the USA are not included. EAFE is an acronym that stands for Europe, Australasia, and the Far East.

S&P 500 sub-sectors and industry groups Global Industry Classification Standard (GICS®)/S&P 500 Total Return Index, including Information Technology Total Return (TR) USD; Consumer Discretionary TR USD; Industrials TR USD; Real Estate TR USD; Communication Services TR USD; Materials TR USD; Financials TR USD; Consumer Staples TR USD; Utilities TR USD; Energy TR USD; Healthcare TR USD.

Important Disclosures

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All recommendations must be considered in the context of an individual investor's goals, time horizon, liquidity needs and risk tolerance. Not all recommendations will be in the best interest of all investors.

Asset allocation, diversification and rebalancing do not ensure a profit or protect against loss in declining markets.

Dividend payments are not guaranteed, and are paid only when declared by an issuer's board of directors. The amount of a dividend payment, if any, can vary over time.

Investments have varying degrees of risk. Some of the risks involved with equity securities include the possibility that the value of the stocks may fluctuate in response to events specific to the companies or markets, as well as economic, political or social events in the U.S. or abroad. Small cap and mid cap companies pose special risks, including possible illiquidity and greater price volatility than funds consisting of larger, more established companies. Investments in a certain industry or sector may pose additional risk due to lack of diversification and sector concentration. Investments in real estate securities can be subject to fluctuations in the value of the underlying properties, the effect of economic conditions on real estate values, changes in interest rates, and risk related to renting properties, such as rental defaults. Investments in foreign securities involve special risks, including foreign currency risk and the possibility of substantial volatility due to adverse political, economic or other developments. These risks are magnified for investments made in emerging markets.

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