

IS YOUR PORTFOLIO WELL POSITIONED TO

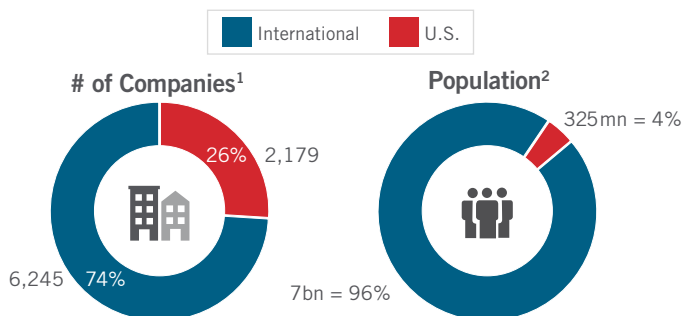
Take Advantage of International Opportunities?

There are compelling reasons why *now* is precisely the time to cast a longer look at international equities.

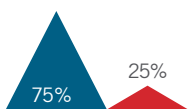
WHY INTERNATIONAL EQUITIES?

ACCESS TO MORE OPPORTUNITIES

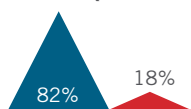
Expanded Opportunity Set = Higher Inefficiency Potential



Sources of 2016 World GDP³



Estimated Sources of World GDP Growth (2016-2020)³



GDP: Gross Domestic Product

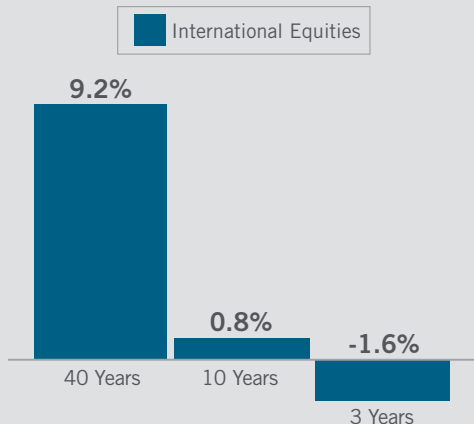
DIVERSIFICATION POTENTIAL

Managing Risk Exposure



RETURN REVERSION POTENTIAL

Annualized Returns (as of 12/31/2016)⁴



International equities **UNDERPERFORMED U.S. EQUITIES** by **6.2%** annually over the last **10 YEARS** and **10.5%** over the last **3 YEARS**.

DID YOU KNOW?

AS OF 12/31/2016



Opportunity Set

U.S. equities account for 71% of total equity assets under management (AUM) in USD.⁵



Asset Allocation

\$76bn
OUTFLOWS



International equity **outflows** for the last 18 months represent 5% of the AUM for the asset class (USD).⁵

International equities are experiencing the **longest streak of underperformance** on record relative to U.S. equities.⁴

102
MONTHS

Underperformance

RETURNS*
International
11.2%
U.S.
3.6%

After the previous record cycle of underperformance vs. U.S. stocks (90 months ended 12/31/2001), international equities **outperformed the U.S. for 78 months**.

*Annualized, 12/31/2001-6/30/2008



HOW IS YOUR INTERNATIONAL EXPOSURE?

¹Source: FactSet as of 12/31/2016. Includes companies with market capitalization above \$1 billion.

²Source: The U.S. Census Bureau as of 3/30/2017. U.S. share of world population.

³Source: IMF World Economic Outlook Database, October 2016. There is no assurance that a forecast will be accurate. Because of the many variables involved, an investor should not rely on forecasts without realizing their limitations.

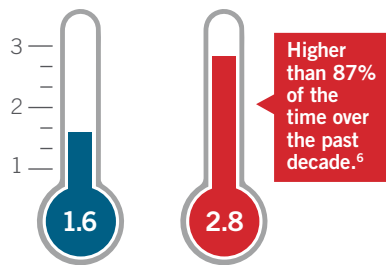
⁴Source: FactSet, MSCI and S&P. Underperformance of 102 months: 6/30/2008-12/31/2016. Based on cumulative return. International equities: MSCI EAFE Index; U.S. equities: S&P 500 Index. Past performance is not a guarantee of future results. One cannot invest directly in an index.

⁵Source: Morningstar as of 12/31/2016. Includes actively managed U.S. open-end funds and exchange-traded funds.

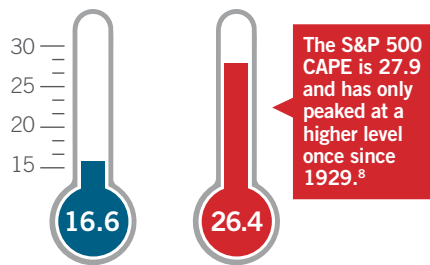
ATTRACTIVENESS OF INTERNATIONAL EQUITIES

AS OF 12/31/2016

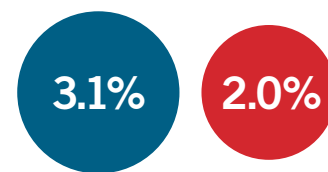
Price/Book (X)⁶



Cyclically Adjusted Price/Earnings (X)⁷



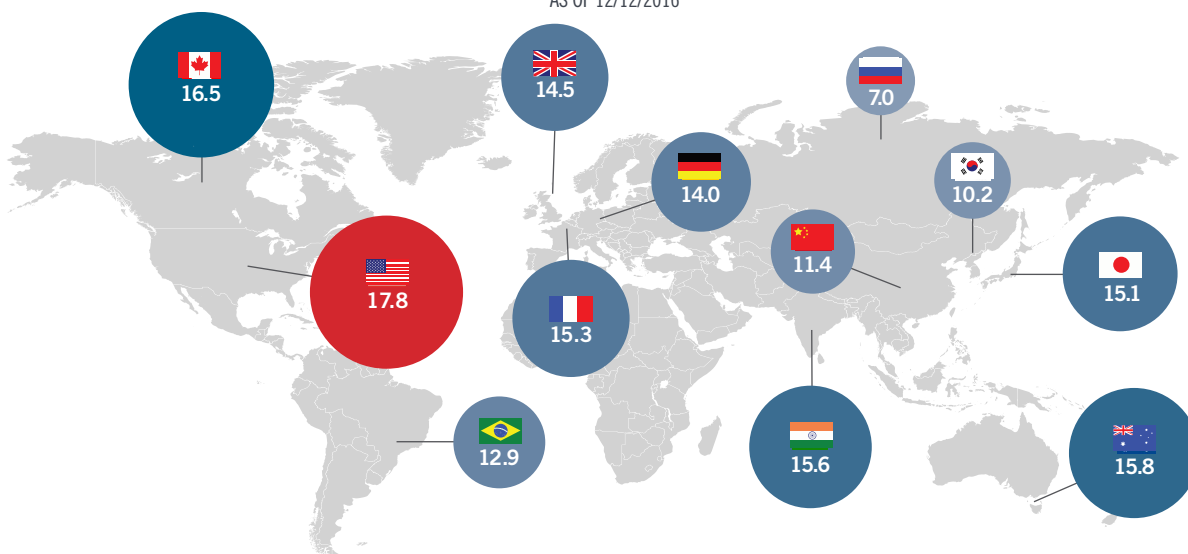
Dividend Yield⁶



International Equities U.S. Equities

Forward Price/Earnings (X)⁹

AS OF 12/12/2016



IS YOUR PORTFOLIO OVEREXPOSED TO THE UNITED STATES? CONSIDER INTERNATIONAL EQUITIES NOW.

	3 Years	5 Years	10 Years
MSCI EAFE	-1.6%	6.5%	0.8%
S&P 500	8.9%	14.7%	7.0%

Price/Book: Price per share divided by book value per share. **Price/Cash Flow:** Price per share divided by cash flow per share. **Price/Earnings:** Price per share divided by earnings per share. **Yield:** Annual income from the investment (dividend, interest, etc.) divided by the current market price of the investment. **Cyclically Adjusted Price/Earnings:** Price divided by 10-year earnings adjusted for inflation.

MSCI EAFE: International developed markets, large/mid cap. **S&P 500:** U.S. large cap. MSCI has not approved, reviewed or produced this report, makes no express or implied warranties or representations and is not liable whatsoever for any data in the report. You may not redistribute the MSCI data or use it as a basis for other indices or investment products.

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⁶Source: FactSet, MSCI and S&P as of 12/31/2016. International equities: MSCI EAFE; U.S. equities: S&P 500. Past performance is not a guarantee of future results. One cannot invest directly in an index.

⁷Source: <http://www.starcapital.de/research/stockmarketvaluation> as of 12/31/2016. U.S. represented by all U.S. stocks in the Datastream Global Equity Universe. International represented by all non-U.S. countries in the Datastream Global Equity Universe. Includes only companies for which data is supplied by two independent providers. Past performance is not a guarantee of future results.

⁸Source: <http://www.econ.yale.edu/~shiller/data.htm>. As of 12/31/2016, which was not a peak. Data prior to S&P 500 inception of March 1957 estimated using data from its predecessor, the Standard and Poor's Composite Index. Past performance is not a guarantee of future results. One cannot invest directly in an index.

⁹Source: FactSet as of 12/12/2016. Forward P/E is Price / Next Twelve Months Time-Weighted Annual estimates via FactSet Market Aggregates. Universe captures 98% of market cap and free-float adjusted market cap in each country. Past performance is not a guarantee of future results.