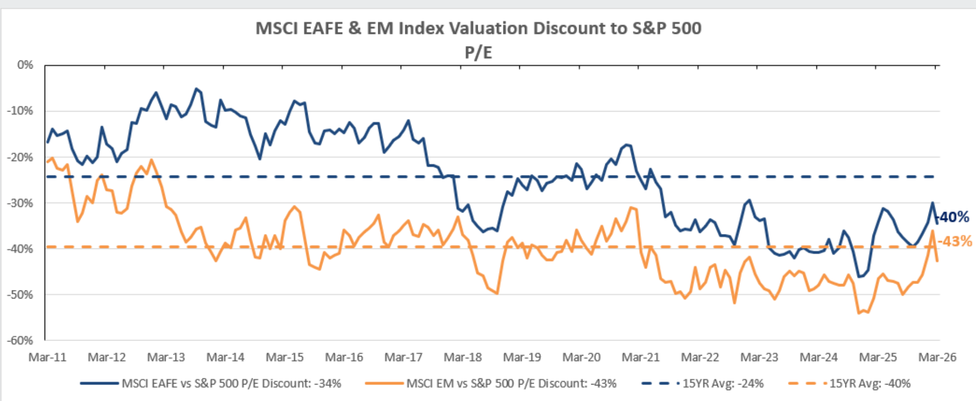
Discounts Abroad

Domestic and International Index Valuations Compared to Historical Averages

Diving into Discounts: Over the past 15 years, the MSCI EAFE Index has traded at an average valuation discount of 24% to the S&P 500 Index when looking at monthly P/E ratios through March. At the end of March, the discount stood at 34%, narrowing from a high of 46% reached in December of 2024. When comparing the MSCI EM Index to the S&P 500 Index, the discount has averaged 40% over the past 15 years and sat at 43% at the end of March. As a result, the EAFE and EM indices remain attractively valued relative to long-term averages when compared to the S&P 500.

The Discount Remains

The EAFE Index trades significantly below long-run averages



Source: Bloomberg as of March 31, 2026

Index performance is not indicative of the performance of any particular investment. Indexes are unmanaged and their returns do not take into account any of the costs associated with buying and selling individual securities. Individuals cannot invest directly in an index.

A Different Approach: While the chart above is focused on the valuation discount of international equities compared to domestic equities, the table below focuses on the discount of each index relative to its own history. Recent valuation metrics indicate that the EAFE is trading closer to its longer-term historical averages, representing only a slight premium, while U.S. and EM equities appear elevated relative to their historical norms. The S&P 500 is expected to outpace the EAFE's earnings growth rate, warranting a higher multiple. Emerging market stocks are expected to produce robust earnings growth. However, these expectations may prove to be lofty if energy prices remain high.

International Equity Valuations are Near Long-Term Averages

Valuation (3/31/26)	S&P 500	MSCI EAFE	MSCI EM
P/E (Trailing)	**23.5x**	**16.7x**	**15.9x**
15YR Avg	19.1x	15.5x	13.3x
Premium/Discount vs 15YR Avg	23%	8%	19%
ROE	**19.9%**	**11.8%**	**13.3%**
15YR Avg	15.4%	9.6%	11.7%
Premium/Discount vs 15YR Avg	29%	23%	14%
NTM Earnings Growth	**21.0%**	**10.2%**	**40.8%**

Source: Bloomberg as of March 31, 2026. Past performance is not indicative of future results.

P/E (Trailing) is calculated as index price divided by aggregate 12-month trailing index EPS. The 15 year average is an average of the trailing P/E ratios over the past 15 years. Aggregate 12-month trailing EPS is based on individual index member's earnings per share for the most recent 12 months.

NTM earnings growth is the percent change in next 12-months earnings estimates compared to last 12-months earnings. The 15 year average is an average of the NTM Earnings growth over the past 15 years.

U.S. equities offer higher-quality characteristics. As of March 31, 2026, U.S. equites had a return on equity of 19.9% compared to 11.8% for the MSCI EAFE Index and 13.3% for the MSCI EM Index, suggesting a higher-quality profile for U.S. equities.

S&P 500 TR USD: The index measures the performance of 500 widely held stocks in US equity market. Standard and Poor's chooses member companies for the index based on market size, liquidity and industry group representation. Included are the stocks of industrial, financial, utility, and transportation companies. Since mid 1989, this composition has been more flexible and the number of issues in each sector has varied. It is market capitalization-weighted.

MSCI EAFE NR USD: The index measures the performance of the large and mid cap segments of developed markets, excluding the US & Canada equity securities. It is free float-adjusted market-capitalization weighted.

MSCI EM NR USD: The index measures the performance of the large and mid cap segments of emerging market equity securities. It is free float-adjusted market-capitalization weighted.

P/E (Trailing) is calculated as index price divided by aggregated 12-month trailing index EPS. Aggregate 12 month trailing EPS is based on individual index member's earnings per share for the most recent 12 months. Trailing P/E is not a performance measurement metric since it does not calculate a rate of return, and is used to measure valuation of an investment such as a stock, portfolio or index.

An index should only be compared with a mandate that has a similar investment objective. An index is not available for direct investment, and does not reflect any of the costs associated with buying and selling individual securities or management fees.

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