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Why International

December 2022

Key Takeaways – Opportunity Set and Diversification

- **The opportunity outside the U.S. is much larger and foreign countries account for the vast majority of global GDP**
- **Correlations are elevated, but historically have varied over time**
- **The diversification benefit of an international equity allocation could improve going forward**
- **The opportunity set is very different outside the U.S., with different sector and industry exposures**
- **There are lots of great companies, and stocks, outside the U.S.**

Don't Restrict Your Portfolio to the U.S.

	U.S.	Non-U.S.
Countries ¹	1	194
Share of Global Population (%) ²	4.3%	95.7%
Share of Global GDP (%) ^{*3}	15.8%	84.3%
Share of Global Market Cap (%) ⁴	60.7%	39.3%
Listed Stocks ⁴	2,573	6,647

**Adjusted for Purchasing Power Parity.*

Sources: 1: Worldometers.info, as of November 30, 2022. 2: World Population Review, as of September 30, 2022. 3: International Monetary Fund, as of October 31, 2022. 4: MSCI, as of November 30, 2022.

96%

of the global population is outside the U.S.

84%

of global GDP is produced by countries other than the U.S.

72%

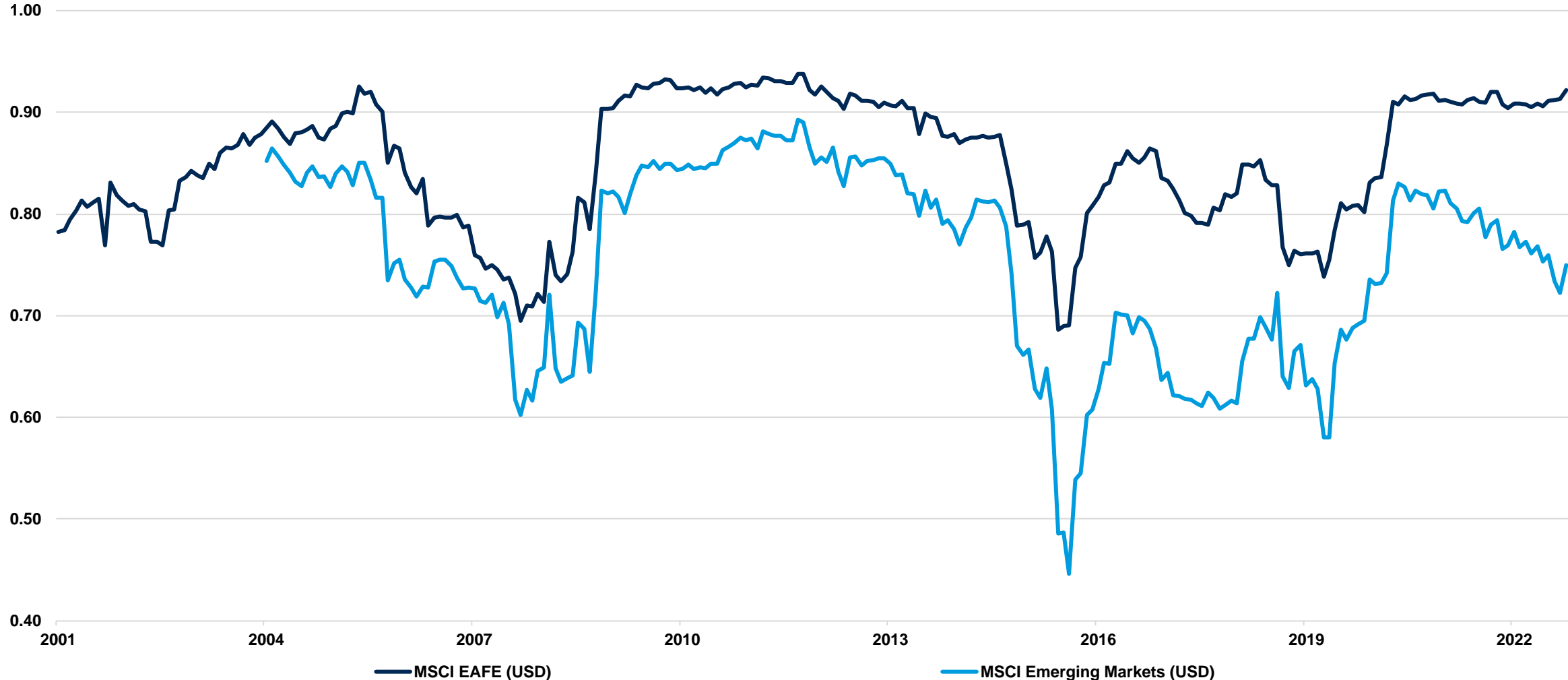
of listed stocks are located outside the U.S.





Benefits of Diversification

Rolling 3-Year Correlations with S&P 500 (USD)

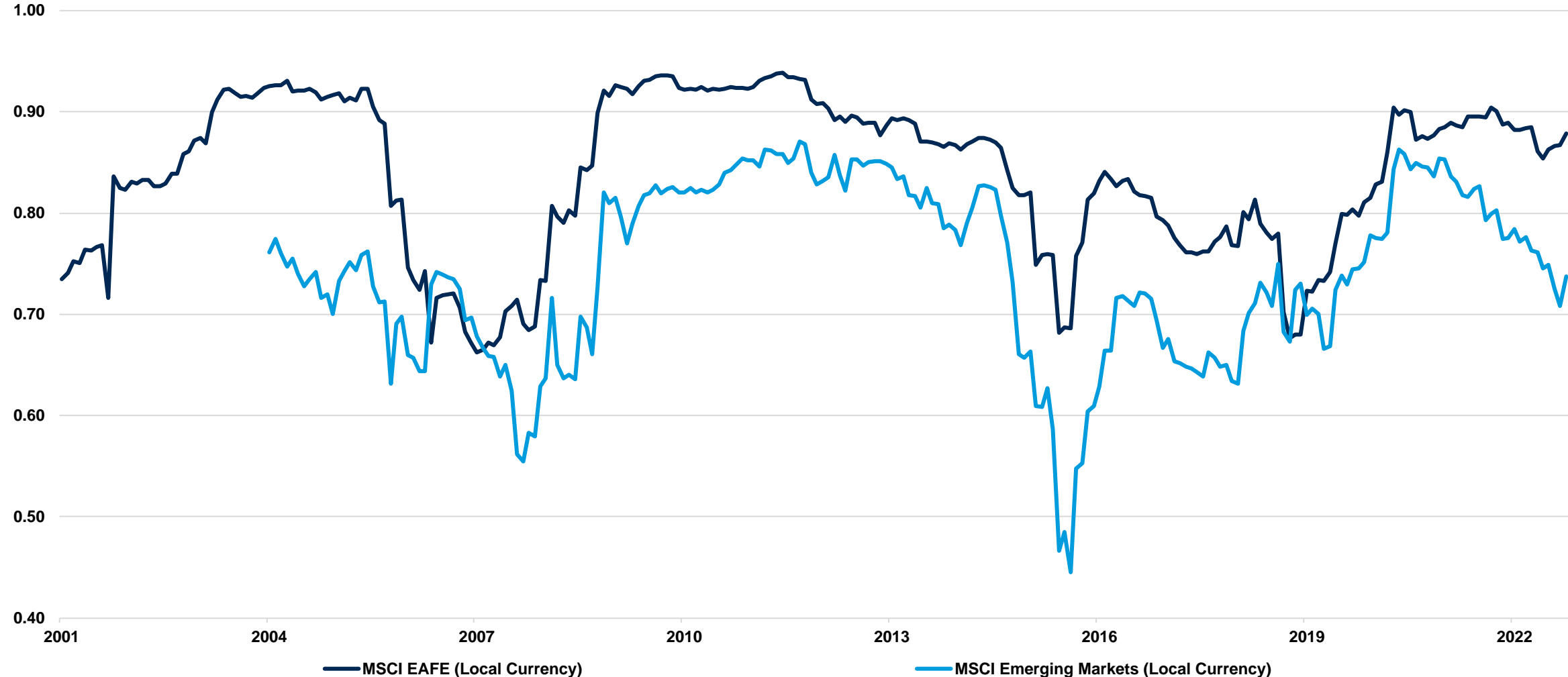


Sources: Morningstar, Fiducient Advisors analysis. From 31 January, 2001 to 31 October, 2022.



Benefits of Diversification

Rolling 3-Year Correlations with S&P 500 (Local Currency)



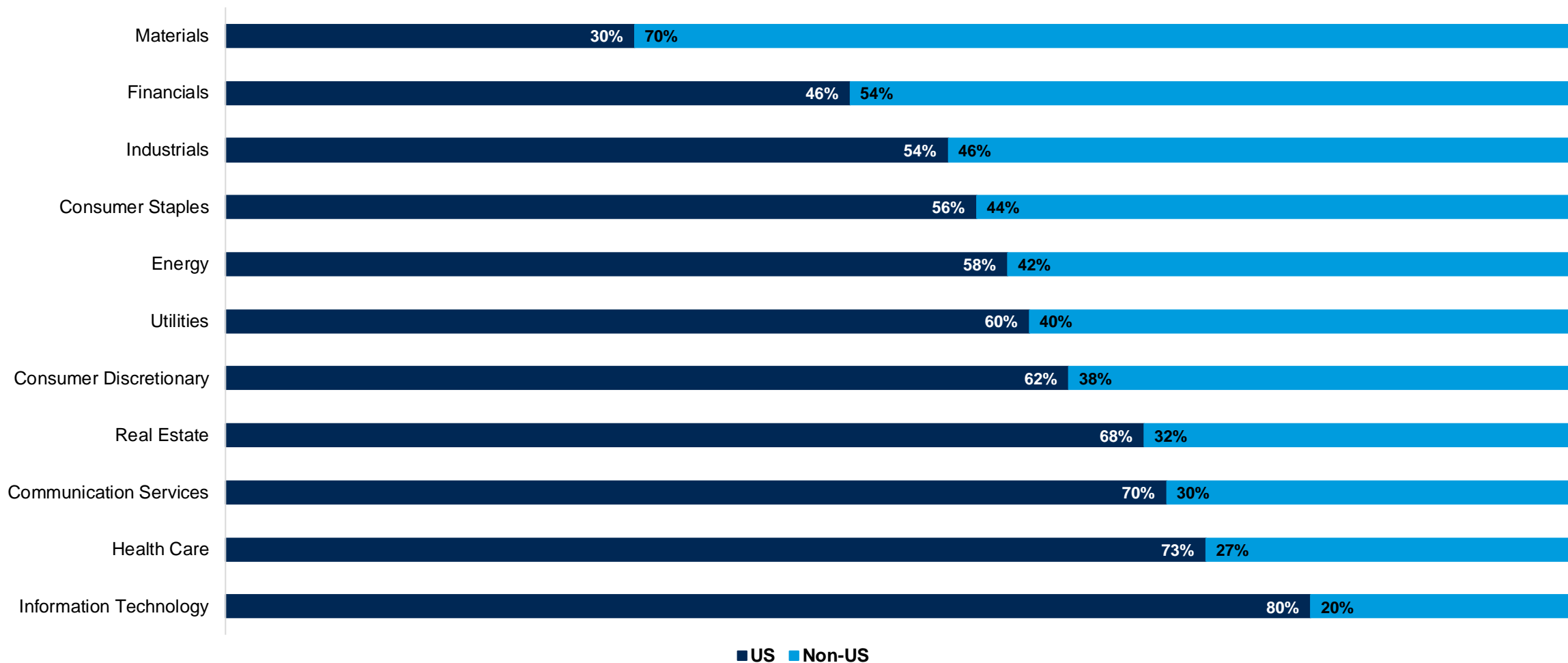
Sources: Morningstar, Fiducient Advisors analysis. From 31 January, 2001 to 31 October, 2022.



Diversify Not Just Regions, But Sectors

Value & real asset-oriented sectors play a larger role outside the US

Geographic breakdown of each MSCI ACWI sector



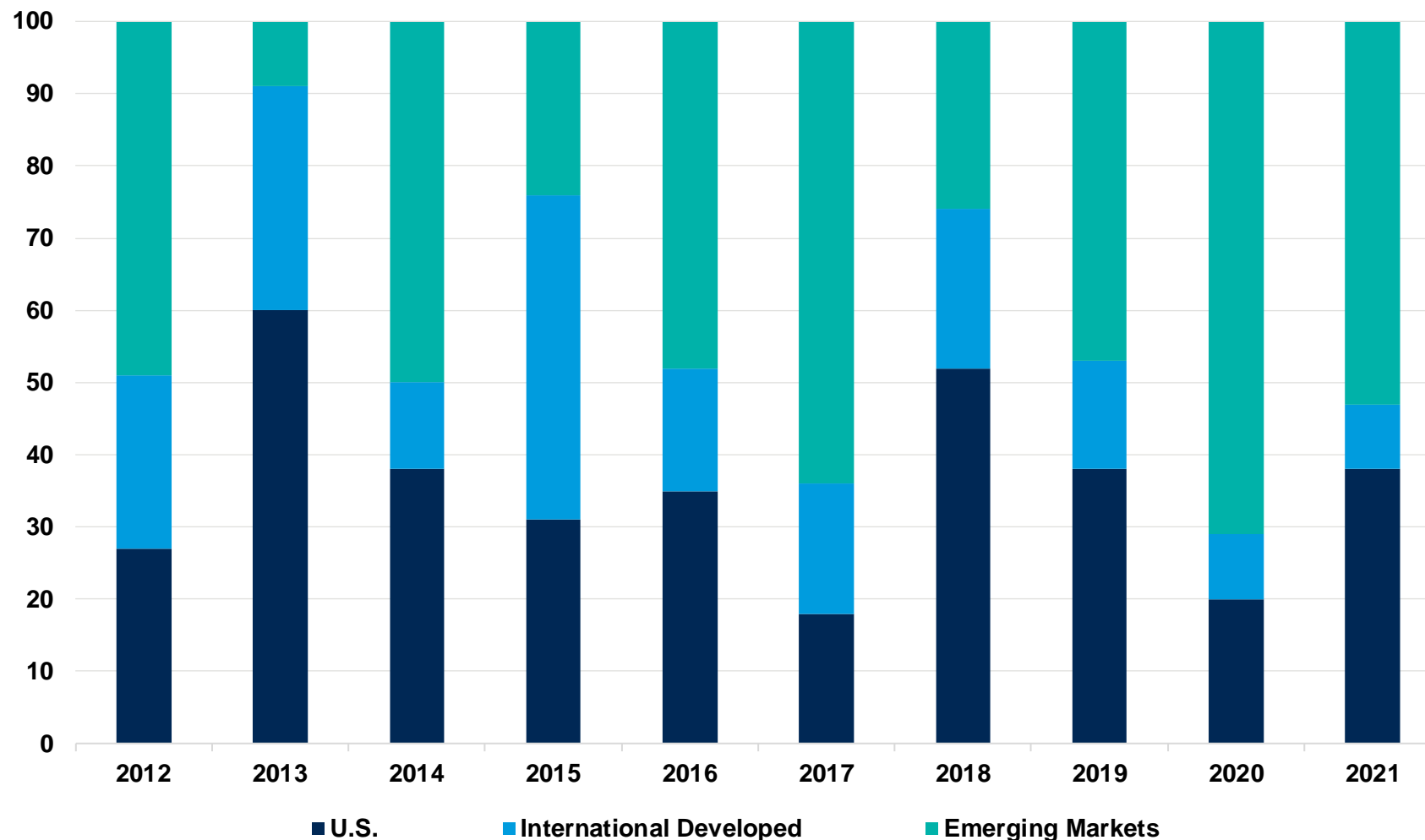
Sources: Morningstar, Fiducient Advisors analysis. As of October 31, 2022.

See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss. Indices cannot be invested in directly.



International Equities Account For Many of the Top Returning Stocks Each Year

Top 100 Returning Stocks Each Year By Location



64%
of the top 100 returning companies
were located outside the US between
2012-2021, on average

40% – 82%
the range of top 100 returning
companies located outside the US over
the same period

Sources: Morningstar, MSCI and Russell. Each year's universe consists of stocks in the MSCI World ex USA Index, MSCI Emerging Markets Index, and Russell 1000 Index as of December 31st of the previous year. Stocks in the Russell 1000 Index are considered U.S. equities; stocks in the MSCI World ex USA Index are considered International Developed equities; stocks in the MSCI Emerging Markets Index are considered Emerging Markets equities. Returns for all stocks are in U.S. Dollars.

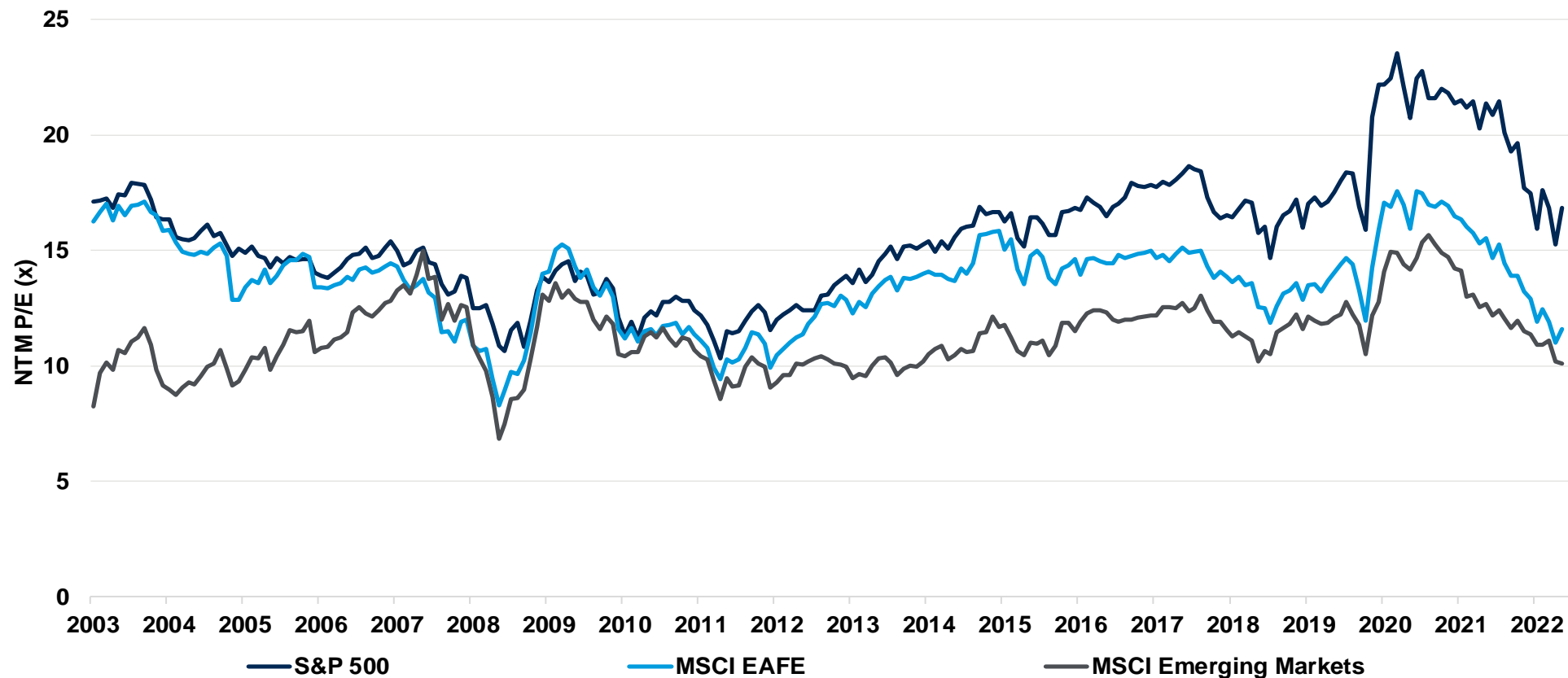
See disclosures for list of indices representing each asset class. Past performance does not indicate future performance and there is a possibility of a loss. Indices cannot be invested in directly.

- **International equities are cheap**
 - Relative to their own history
 - Relative to U.S. equities
- **U.S. equities are expensive**
 - Even relative to their own history

Valuation – Indices by Geography



Historical Forward Price-to-Earnings (P/E) Ratios



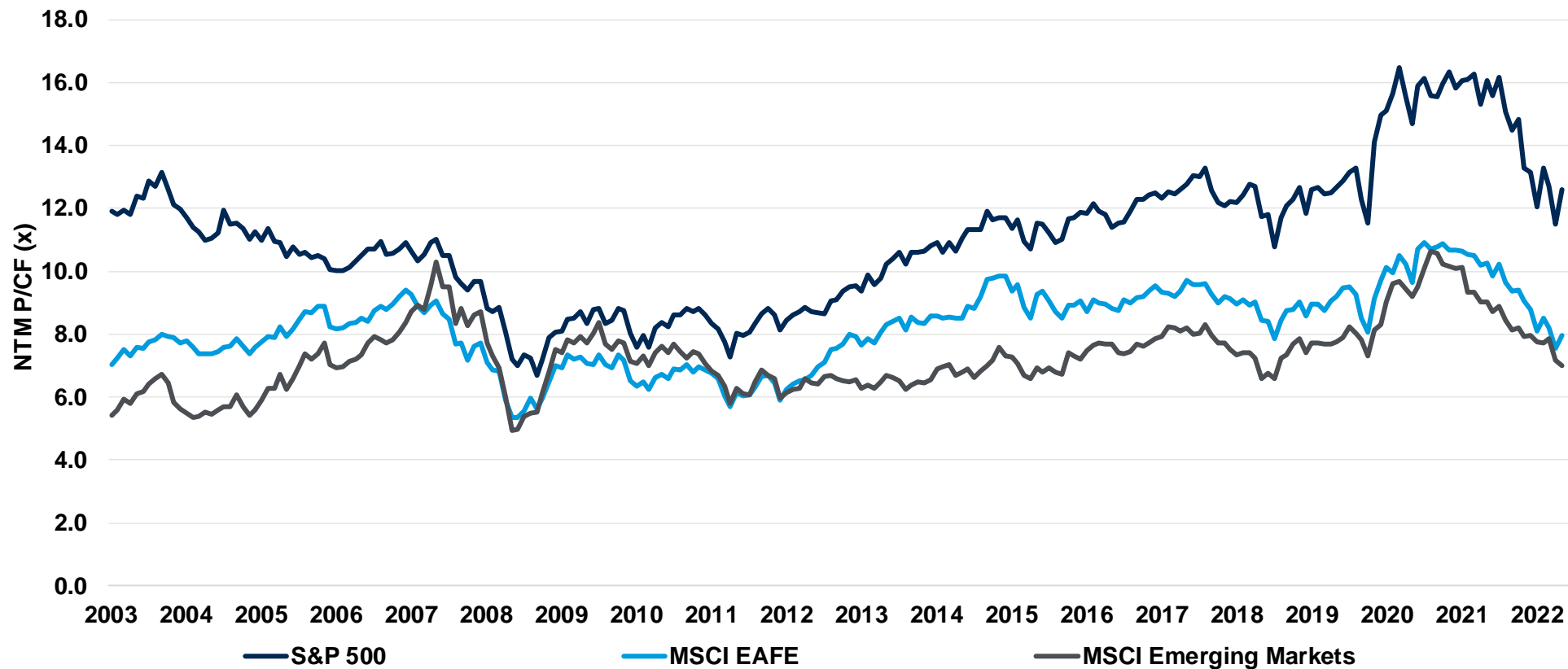
Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500	16.8x	15.7x	69.8%	17.3x
MSCI EAFE	11.6x	13.7x	16.8%	14.3x
MSCI Emerging Markets	10.1x	11.3x	21.5%	11.7x

Sources: FactSet, MSCI & S&P. From June 30, 2003 to October 31, 2022. NTM stands for Next Twelve Months.

Valuation – Indices by Geography



Historical Forward Price-to-Cash Flow (P/CF) Ratios



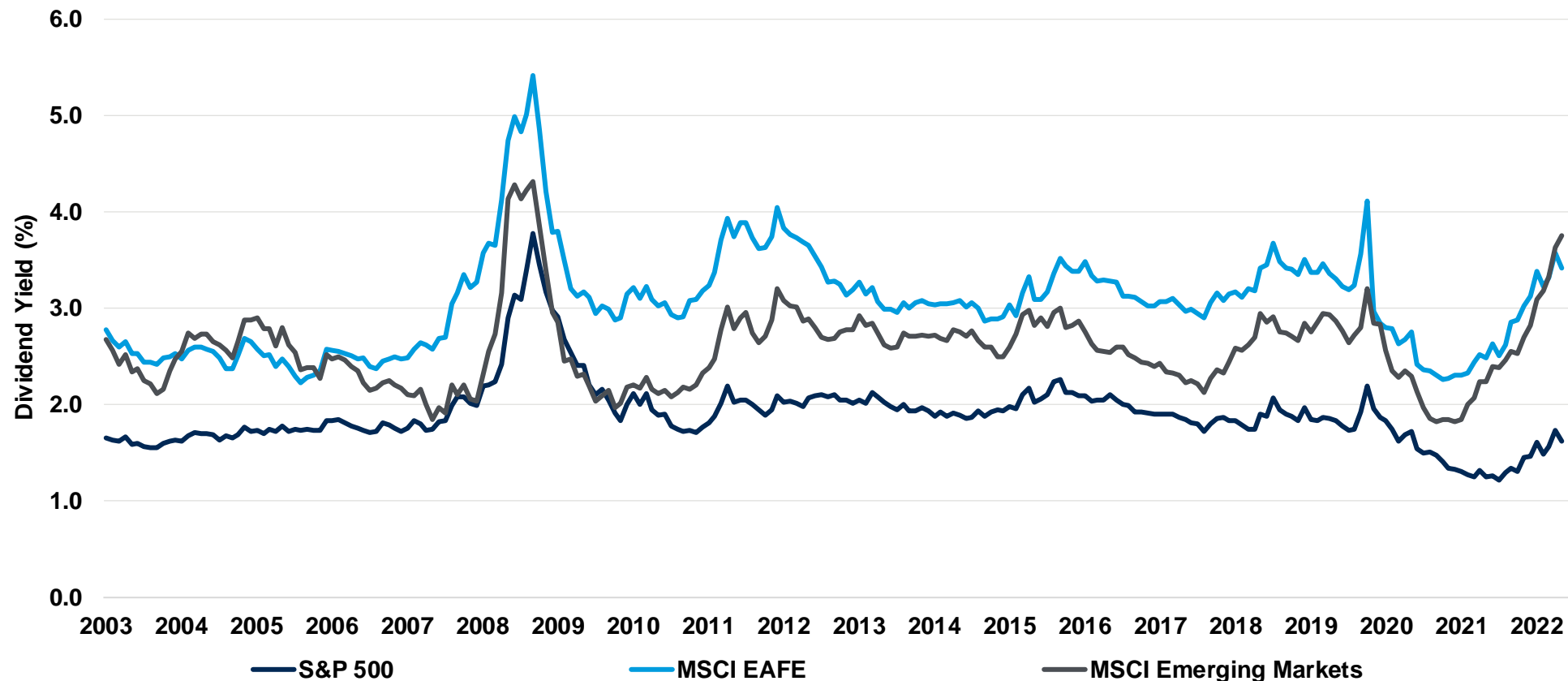
Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500	12.6x	11.1x	80.6%	12.4x
MSCI EAFE	8.0x	8.2x	41.3%	9.1x
MSCI Emerging Markets	7.0x	7.3x	41.3%	7.7x

Sources: FactSet, MSCI & S&P. From June 30, 2003 to October 31, 2022. NTM stands for Next Twelve Months.

Valuation – Indices by Geography



Historical Dividend Yields



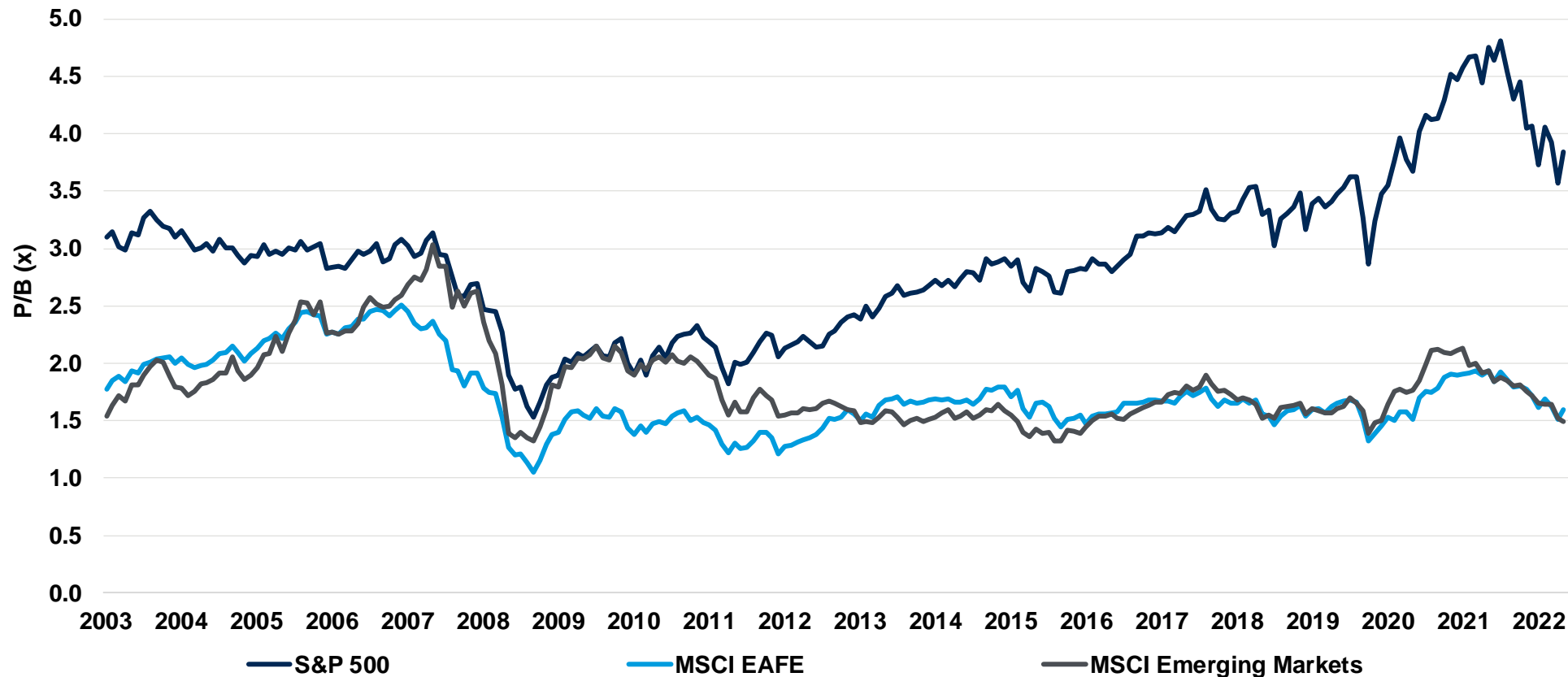
Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500	1.62%	1.90%	13.3%	1.83%
MSCI EAFE	3.42%	3.06%	81.4%	3.07%
MSCI Emerging Markets	3.75%	2.58%	97.4%	2.61%

Sources: FactSet, MSCI & S&P. From June 30, 2003 to October 31, 2022.

Valuation – Indices by Geography



Historical Price-to-Book (P/B) Ratios



Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500	3.84x	2.92x	90.5%	3.25x
MSCI EAFE	1.59x	1.73x	37.0%	1.65x
MSCI Emerging Markets	1.49x	1.83x	9.4%	1.64x

Sources: FactSet, MSCI & S&P. From June 30, 2003 to October 31, 2022.



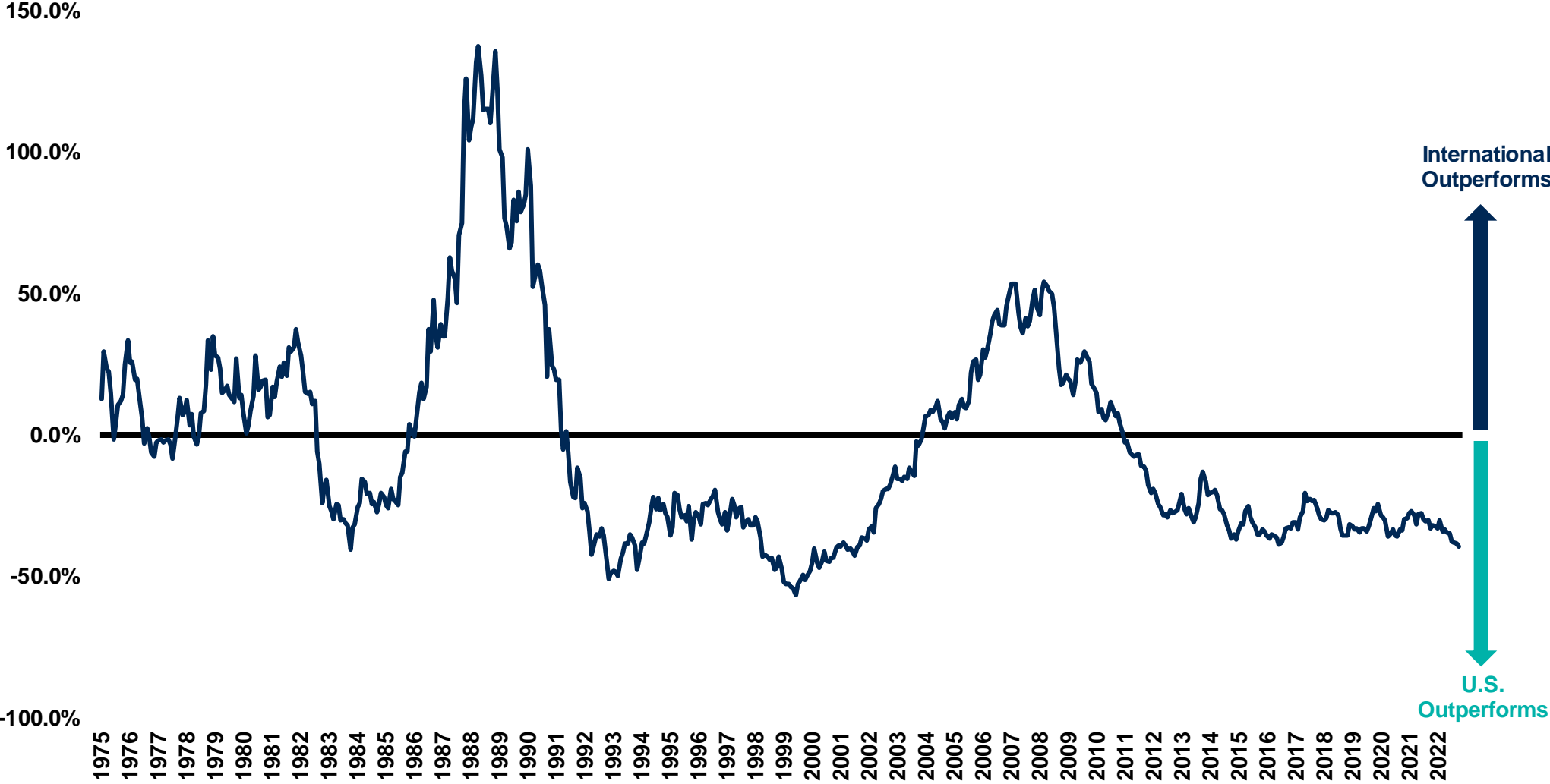
Key Takeaways – Performance Cycles and Currency Impact

- **Relative performance of international and U.S. equities tends to experience long cycles where one outperforms the other**
- **Currency returns are a major driver of relative performance**
- **Recent Dollar strength has boosted U.S. equities**
- **The U.S. Dollar looks expensive against most major currencies on a historical basis**



Relative Performance – International vs. U.S. Equities

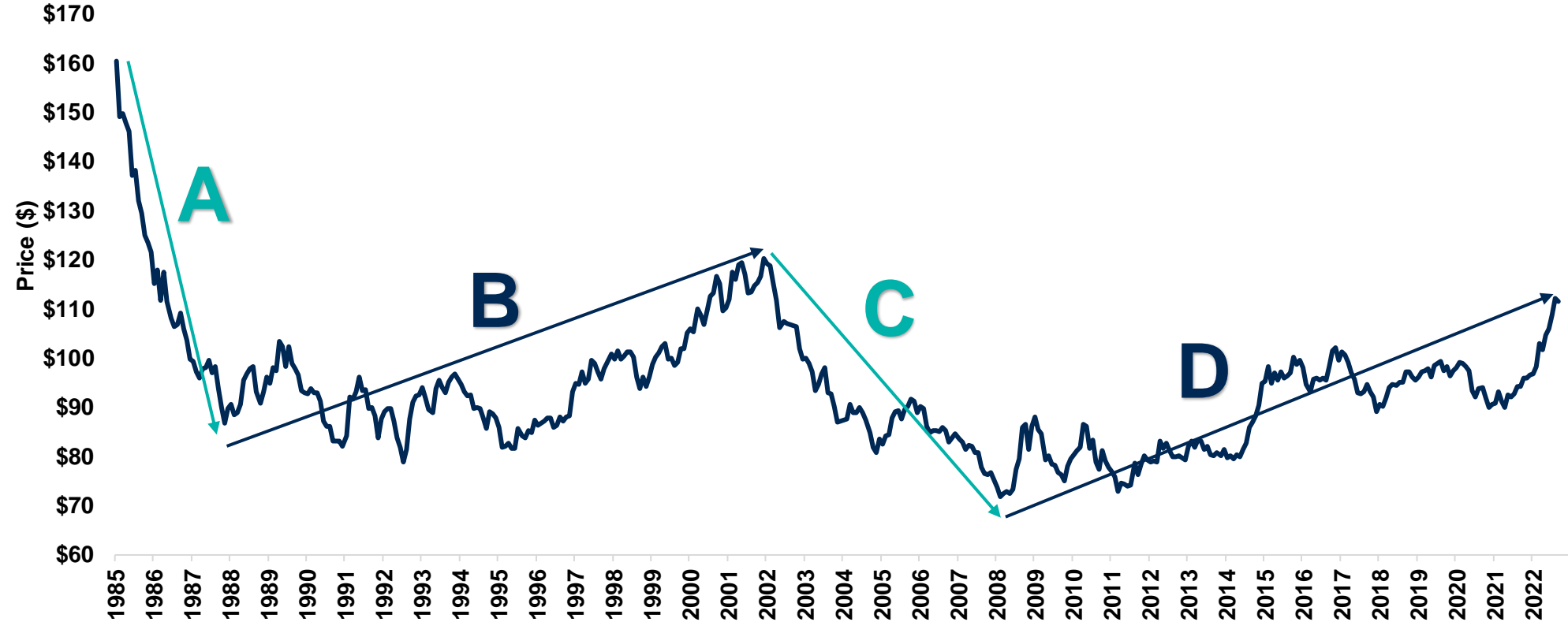
MSCI EAFE Trailing 5-Year Cumulative Geometric Excess Return over S&P 500



Sources: Morningstar, MSCI & S&P. From February 01, 1970 to October 31, 2022 (the first trailing 5-year period ends January 31, 1975).



U.S. Dollar Index (DXY) Performance



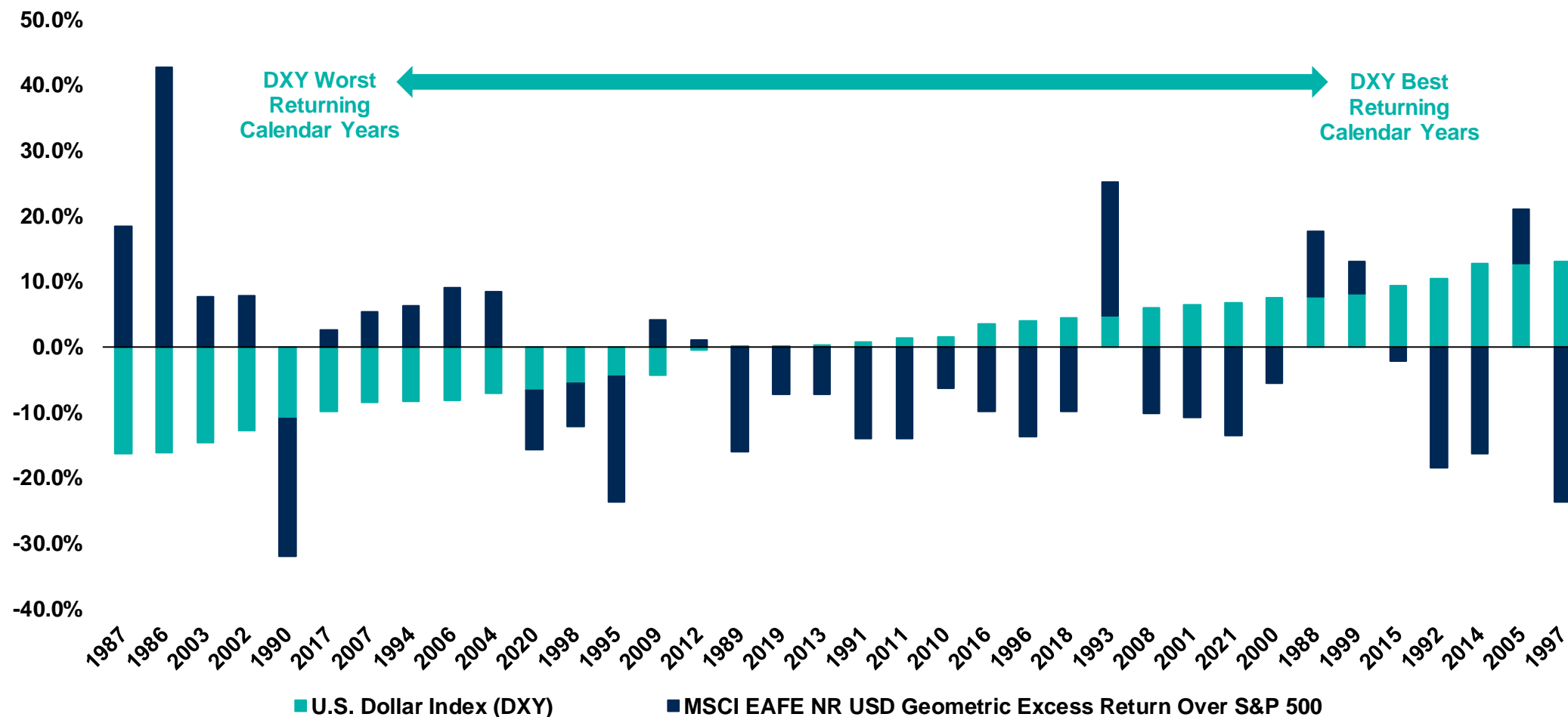
Period	Start Date	End Date	DXY Return	S&P 500 Total Return	MSCI EAFE Net USD Return
A	3/1/1985	12/31/1987	-46.0%	50.8%	224.5%
B	1/1/1988	1/31/2002	38.8%	545.7%	78.3%
C	2/1/2002	3/31/2008	-40.3%	30.9%	114.9%
D	4/1/2008	9/30/2022	56.1%	264.1%	22.4%

Sources: FactSet, Morningstar, MSCI & S&P. From February 28, 1985 to October 31, 2022. Month-end data is used for each index.



Currency Impact – U.S. Dollar Performance and International Equity Relative Performance

Annual EAFE Excess Returns Over S&P 500 and U.S. Dollar Index (DXY) Returns

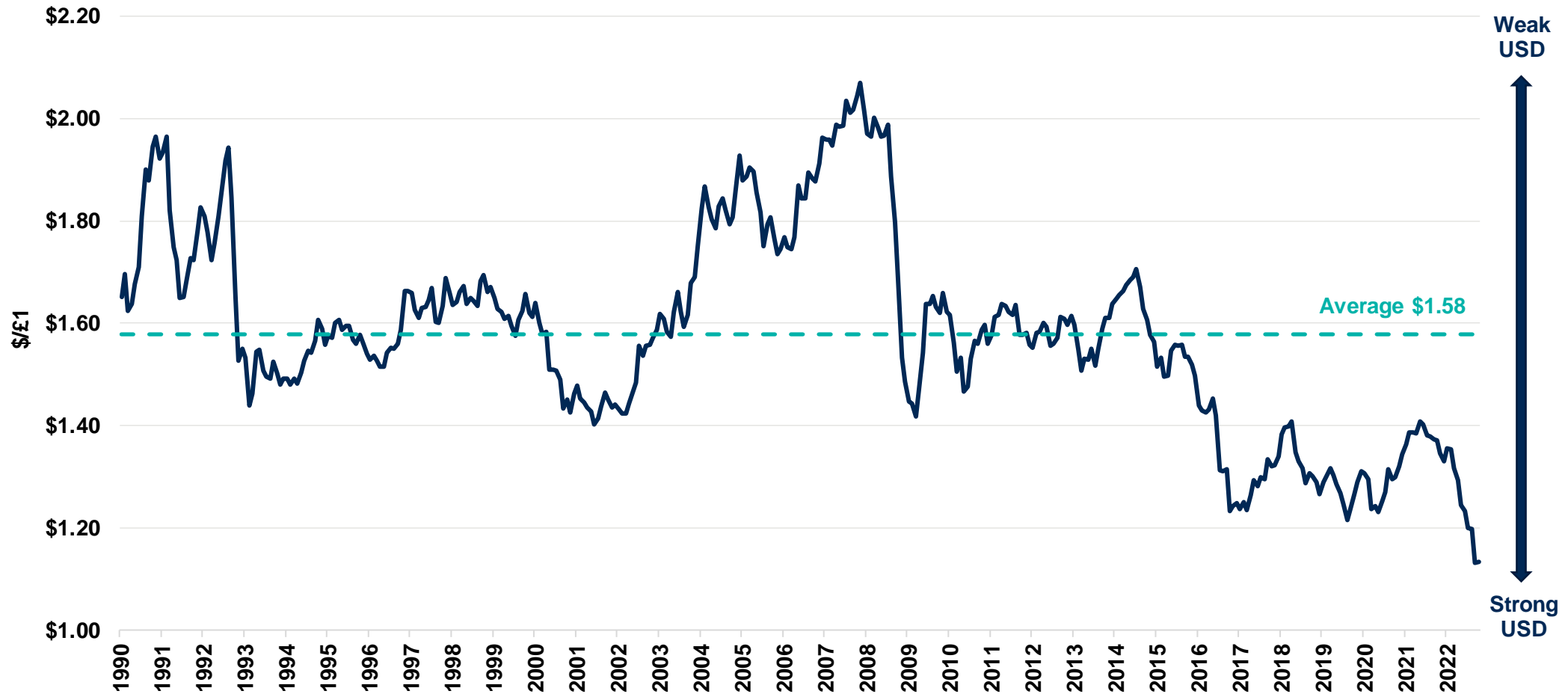


Sources: FactSet, Morningstar, MSCI & S&P. From January 01, 1986 to December 31, 2021.

Historical FX Rates – U.S. Dollar and U.K. Pound



Cost of £1 (U.K. Pound) in U.S. Dollars

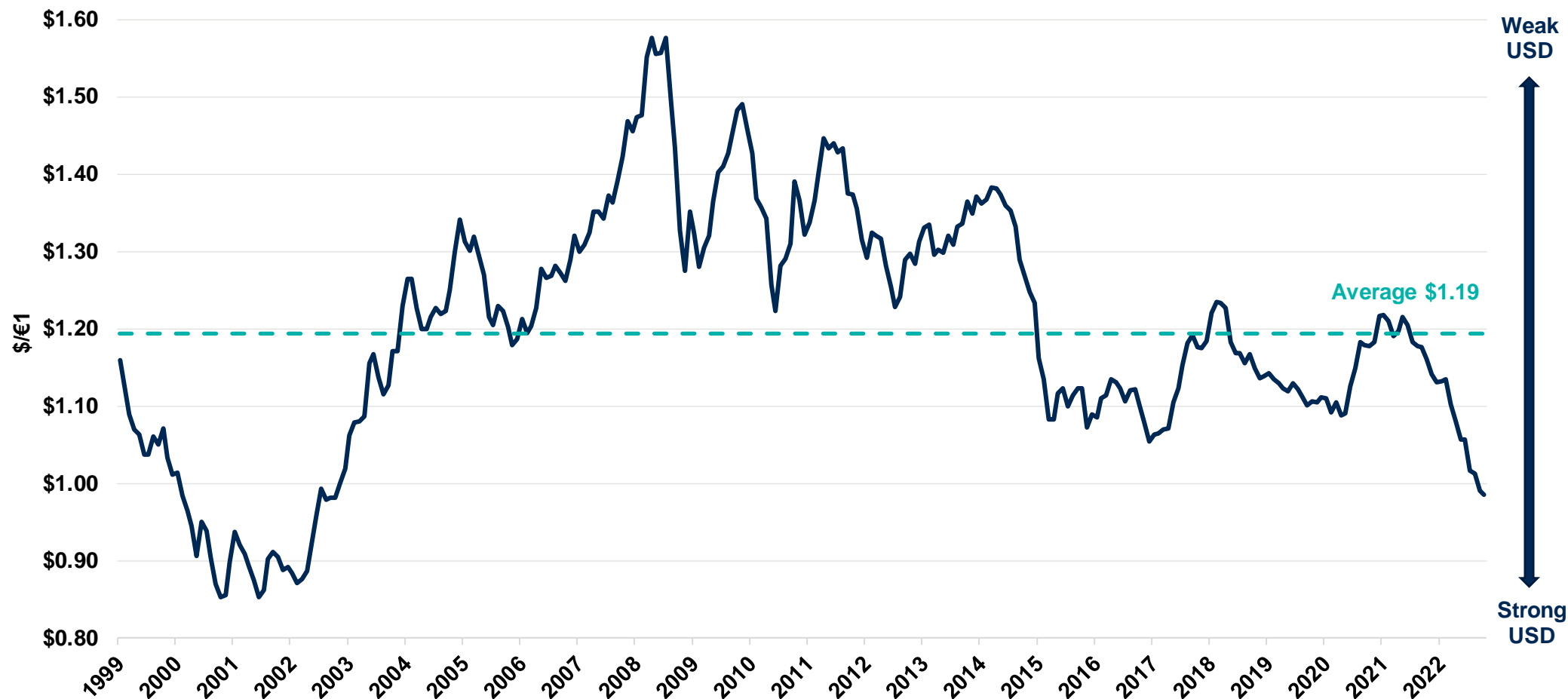


Source: Board of Governors of the Federal Reserve System, FRED Economic Data, St. Louis Fed. Monthly spot rate values are averages of the daily values during that month. From January 01, 1990 to October 01, 2022.



Historical FX Rates – U.S. Dollar and Euro

Cost of €1 (Euro) in U.S. Dollars

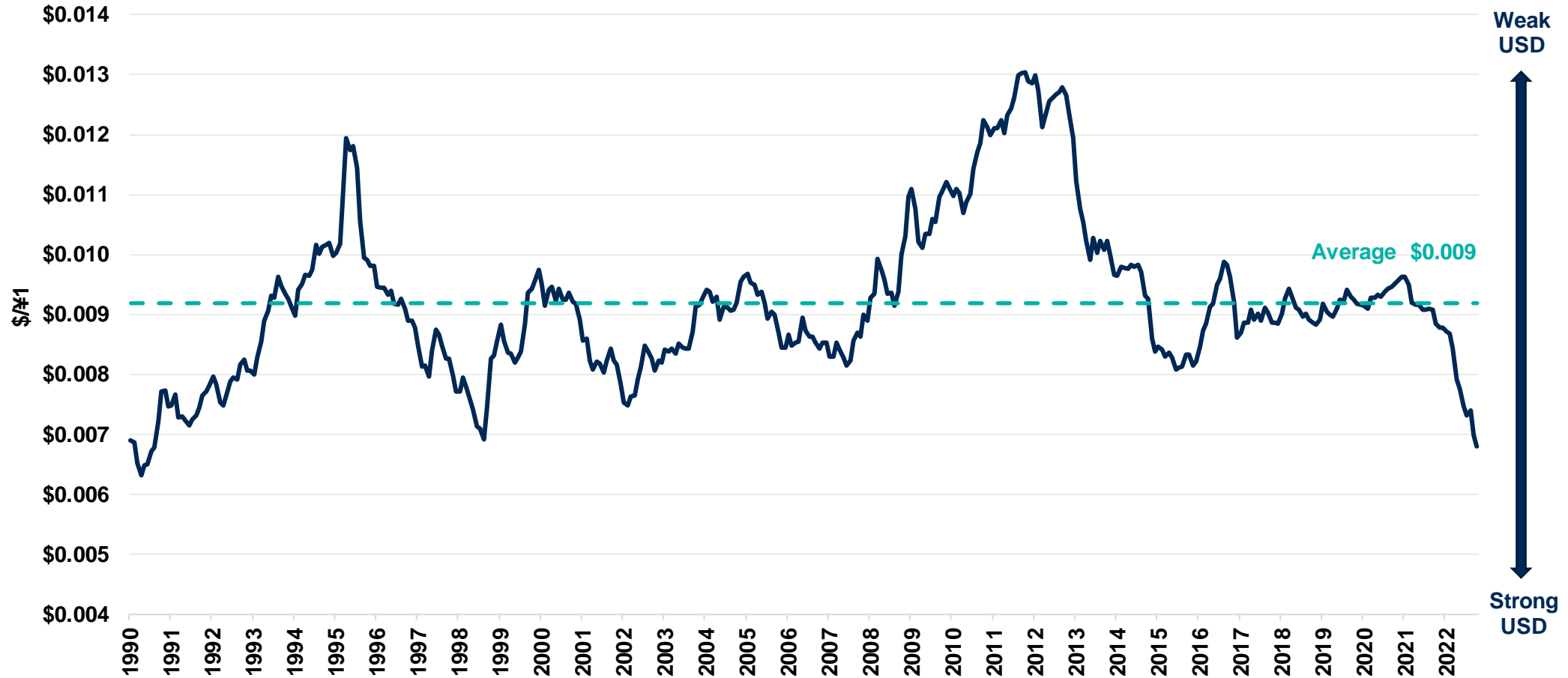


Source: Board of Governors of the Federal Reserve System, FRED Economic Data, St. Louis Fed. Monthly spot rate values are averages of the daily values during that month. From January 01, 1999 to October 01, 2022.

Historical FX Rates – U.S. Dollar and Japanese Yen



Cost of ¥1 (Yen) in U.S. Dollars

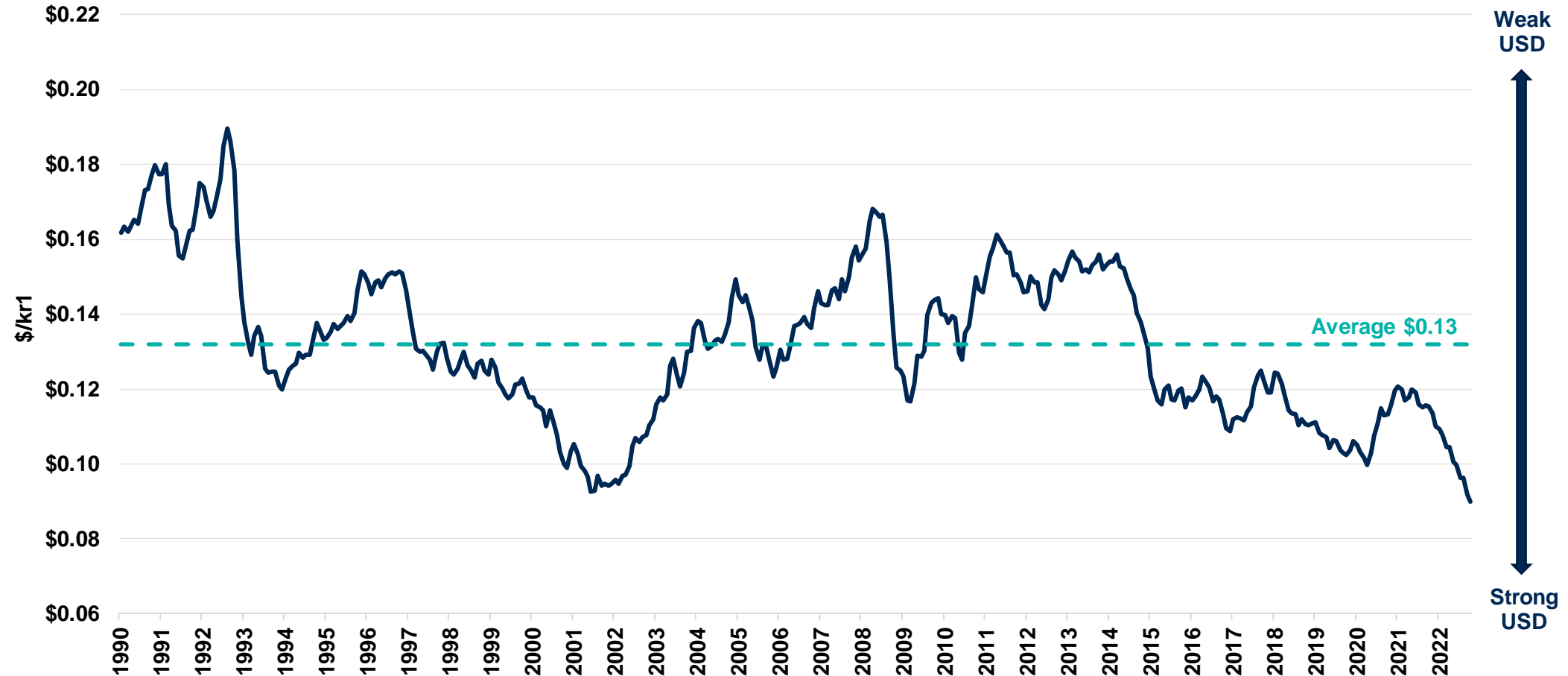


Source: Board of Governors of the Federal Reserve System, FRED Economic Data, St. Louis Fed. Monthly spot rate values are averages of the daily values during that month. From January 01, 1990 to October 01, 2022.

Historical FX Rates – U.S. Dollar and Swedish Krona



Cost of kr1 (Swedish Krona) in U.S. Dollars



Source: Board of Governors of the Federal Reserve System, FRED Economic Data, St. Louis Fed. Monthly spot rate values are averages of the daily values during that month. From January 01, 1990 to October 01, 2022.

- **U.S. Dollar strength has negatively impacted the earnings growth of international companies since 2011**
- **While recent earnings growth for international companies has disappointed, analysts project a similar pattern of revenue and earnings growth to U.S. companies in coming years**





The Power of Earnings Growth

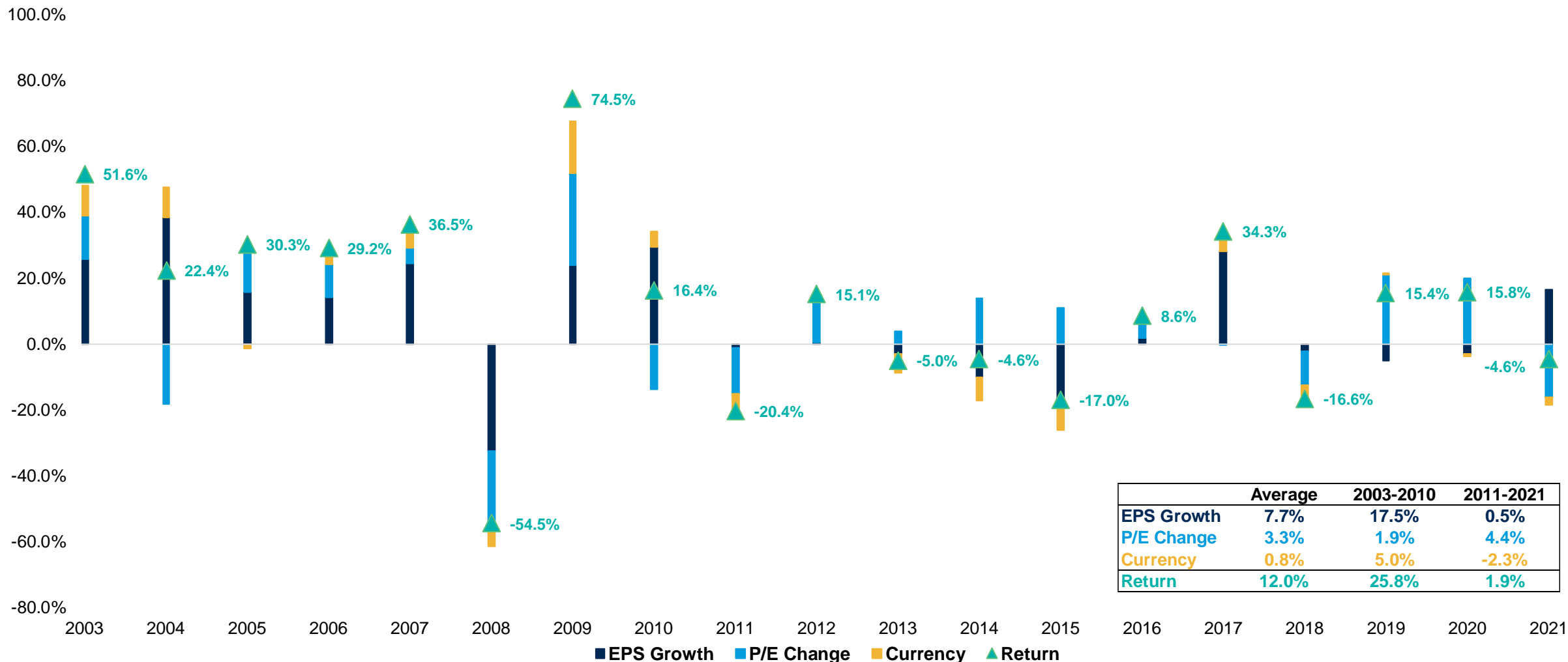
MSCI EAFE - Returns Decomposition



Sources: FactSet, Fiducient Advisors analysis. From 31 December, 2002 to 31 December, 2021.

The Power of Earnings Growth

MSCI Emerging Markets - Returns Decomposition



Sources: FactSet, Fiducient Advisors analysis. From 31 December, 2002 to 31 December, 2021.

Future Growth



Index	Projected Revenue Growth			Projected Earnings Growth		
	Next Twelve Months	Second Twelve Months	Forward Two Year	Next Twelve Months	Second Twelve Months	Forward Two Year
MSCI EAFE	5.9%	1.9%	7.9%	15.1%	5.3%	21.2%
MSCI EM	0.1%	7.0%	7.1%	5.6%	12.9%	19.2%
S&P 500	2.8%	4.8%	7.7%	12.0%	9.2%	22.4%

Sources: FactSet, MSCI & S&P. As of November 30, 2022. Projections reflect consensus estimates.

International equities have similar forecasts for revenue and earnings growth at more attractive valuations than U.S. equities



Disclosures and Index Definitions

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When referencing asset class returns or statistics, the following indices are used to represent those asset classes, unless otherwise noted. Each index is unmanaged, and investors can not actually invest directly into an index:

Equity

- **The S&P 500 Index** is a capitalization-weighted index designed to measure performance of the broad domestic economy through changes in the aggregate market value of 500 stocks representing all major industries.
- **Russell 3000 Index** is a market-cap-weighted index which consists of roughly 3,000 of the largest companies in the U.S. as determined by market capitalization. It represents nearly 98% of the investable U.S. equity market.
- **Russell 1000 Index** consists of the largest 1000 companies in the Russell 3000 Index.
- **MSCI World ex USA Index** captures large and mid-cap representation across Developed Markets countries (excluding the United States). The index covers approximately 85% of the global equity opportunity set outside the USA.
- **MSCI ACWI (All Country World Index) Index** captures large and mid-cap representation across 23 Developed Markets countries and 24 Emerging Markets countries. The index covers approximately 85% of the global equity opportunity set outside the USA.
- **MSCI ACWI (All Country World Index) ex USA Index** captures large and mid-cap representation across Developed Markets countries (excluding the United States) and Emerging Markets countries. The index covers approximately 85% of the global equity opportunity set outside the USA.
- **MSCI EAFE Index** is an equity index which captures large and mid-cap representation across Developed Markets countries around the world, excluding the U.S. and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
- **MSCI Emerging Markets Index** captures large and mid-cap representation across Emerging Markets countries. The index covers approximately 85% of the free-float adjusted market capitalization in each country.

Currencies

- **The U.S. Dollar** is the currency of the United States of America (“the U.S.”) and is issued by the United States Federal Reserve.
- **The U.K. Pound** is the currency of the United Kingdom (“the U.K.”) and is issued by the Bank of England.
- **The Euro** is the currency of the European Union (“the E.U.”) and is issued by the European Central Bank.
- **The Yen** is the currency of Japan and is issued by the Bank of Japan.
- **The Swedish Krona** is the currency of the Kingdom of Sweden and is issued by the Sveriges Riskbank, the central bank of Sweden.



Disclosures – Material Risks & Limitations

Domestic Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to, changes to underlying company conditions, sector or industry factors, or other macro events. These may happen quickly and unpredictably.

International Equity can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to, changes to underlying company conditions, sector or industry impacts, or other macro events. These may happen quickly and unpredictably. International equity allocations may also be impacted by currency and/or country specific risks which may result in lower liquidity in some markets.

Currencies can be volatile. The rise or fall in prices take place for a number of reasons including, but not limited to, changes in interest rates, underlying macroeconomic conditions in the economy, or other macro events. These may happen quickly and unpredictably.