



PCS
ADVISORS

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Why International

April 2024



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 Limit Your Portfolio to the U.S.

	U.S.	Non-U.S.
Countries ¹	1	194
Share of Global Population (%) ²	4.2%	95.8%
Share of Global GDP (%) ^{*3}	15.2%	84.8%
Share of Global Market Cap (%) ⁴	62.6%	37.4%
Listed Stocks ⁴	2,378	6,655

**Adjusted for Purchasing Power Parity.*

Sources: 1) Worldometers.info, as of December 31, 2023. 2) World Population Review, as of December 31, 2023. 3) International Monetary Fund, as of October 31, 2023. 4) MSCI, as of March 31, 2024. Listed U.S. stocks is the number of constituents in the MSCI USA IMI Index. Non-U.S. listed stocks is the number of constituents in the MSCI ACWI ex-U.S. IMI Index. Share of global market cap uses the market capitalizations of the MSCI ACWI ex-U.S. IMI and MSCI USA IMI indices.

96%

of the global population is
outside the U.S.

85%

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

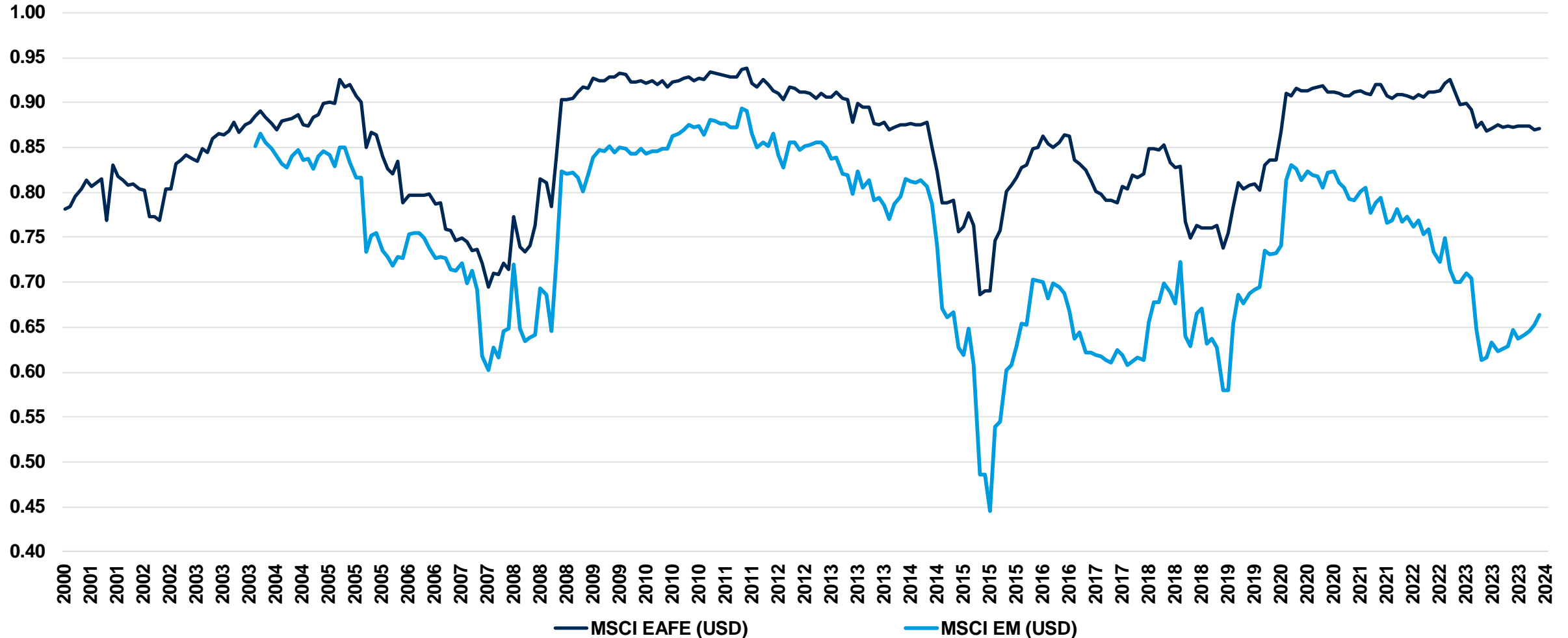
74%

of listed stocks are located
outside the U.S.

Benefits of Diversification



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

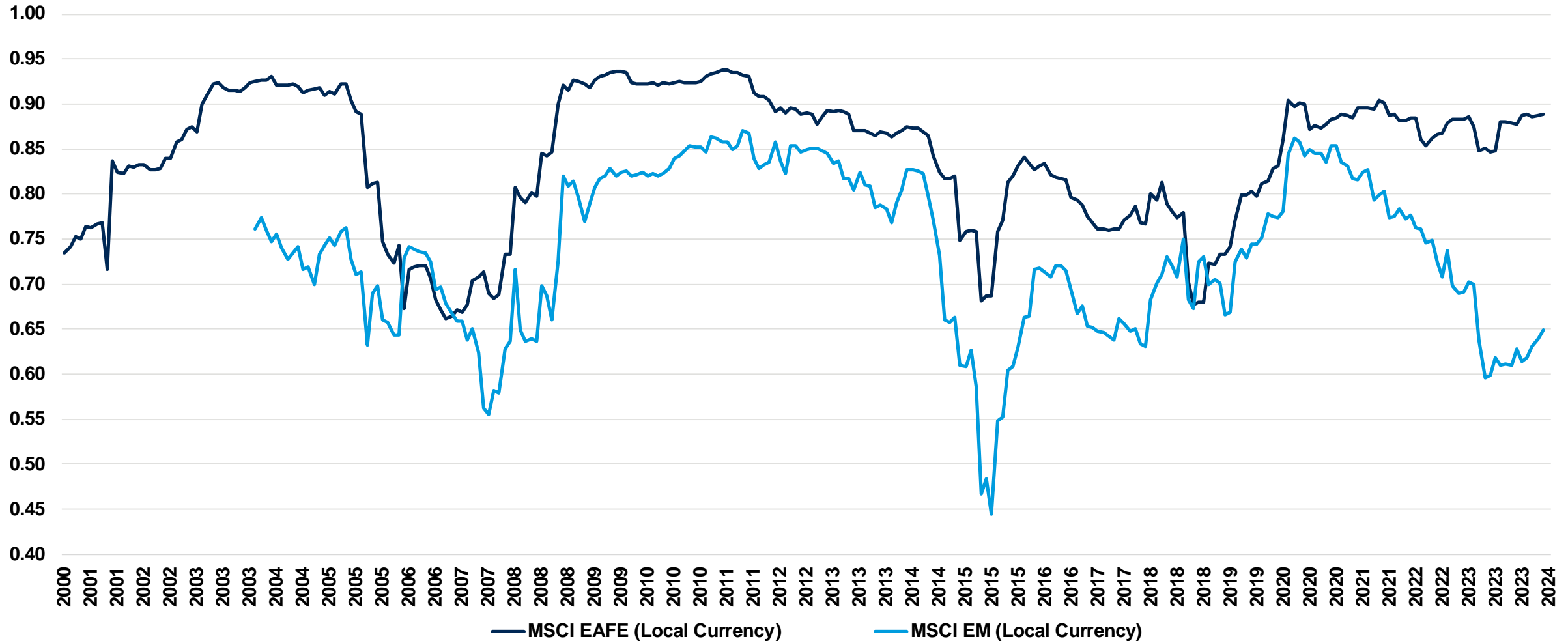


Sources: MSCI, Morningstar, and S&P. Data is from January 1, 1998 through March 31, 2024.

Benefits of Diversification



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



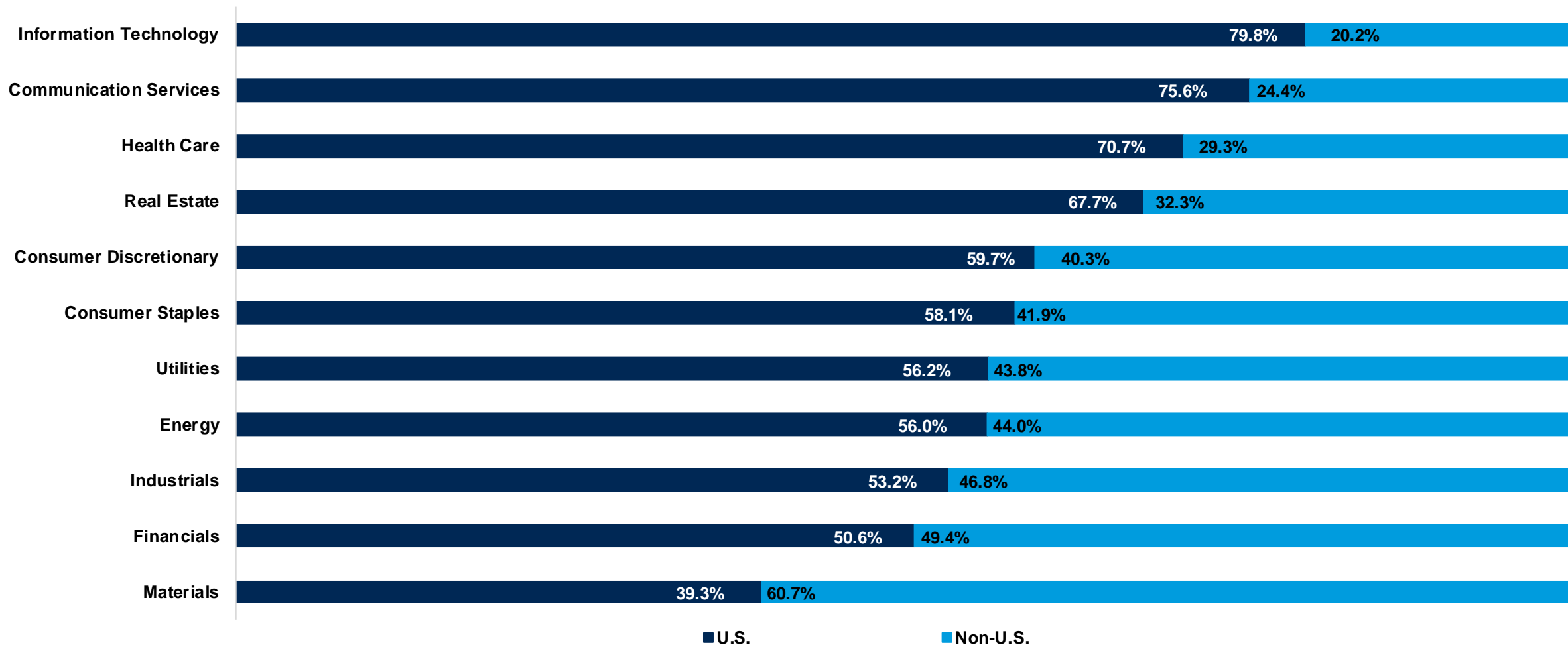
Sources: MSCI, Morningstar, and S&P. Data is from January 1, 1998 through March 31, 2024.



International Exposure Provides Diversification Across Geographies and Sectors

Value & real asset-oriented sectors play a larger role outside the U.S.

Geographic Breakdown of Each MSCI ACWI Sector



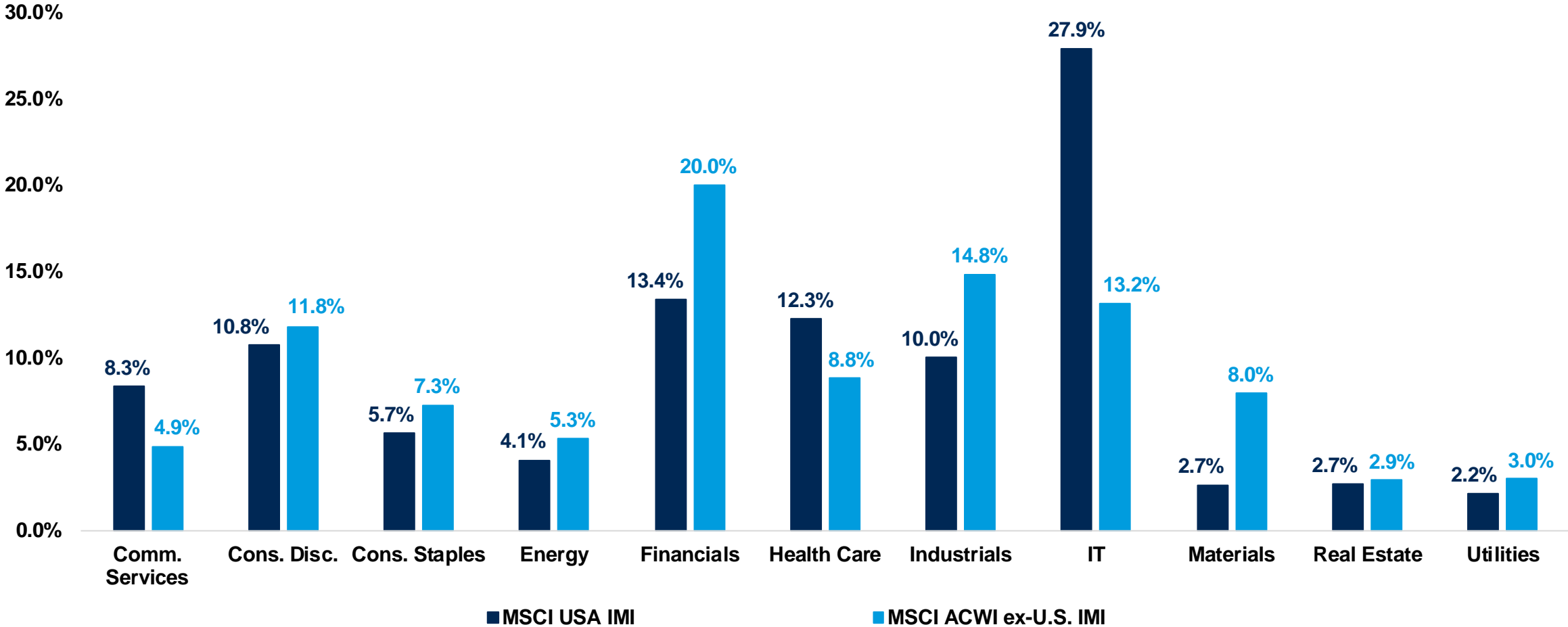
Sources: MSCI, Morningstar, Fiducient Advisors analysis. As of March 31, 2024.

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.



Sector Exposures by Index

Sector Exposures – MSCI ACWI ex-U.S. IMI vs. MSCI USA IMI

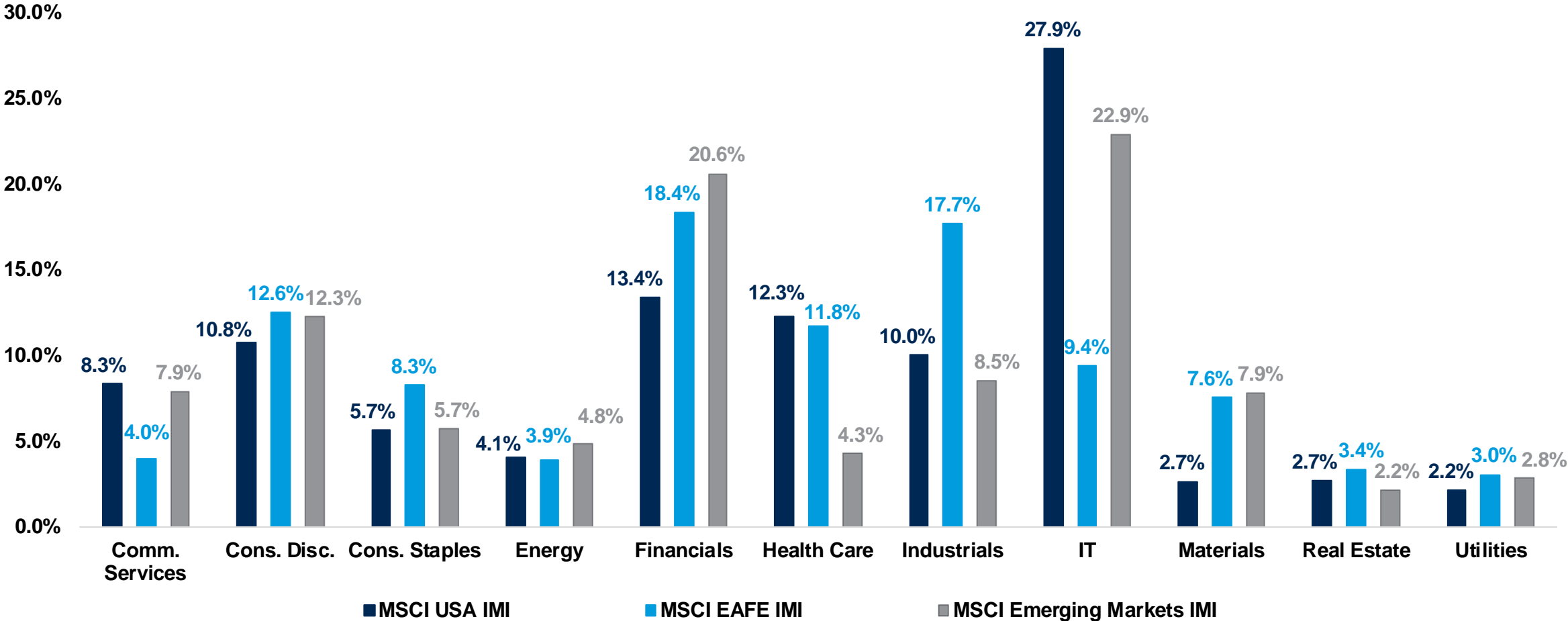


Sources: MSCI and Morningstar. Data as of March 31, 2024.



Sector Exposures by Index

Sector Exposures – MSCI USA IMI vs. MSCI EAFE IMI and MSCI Emerging Markets IMI

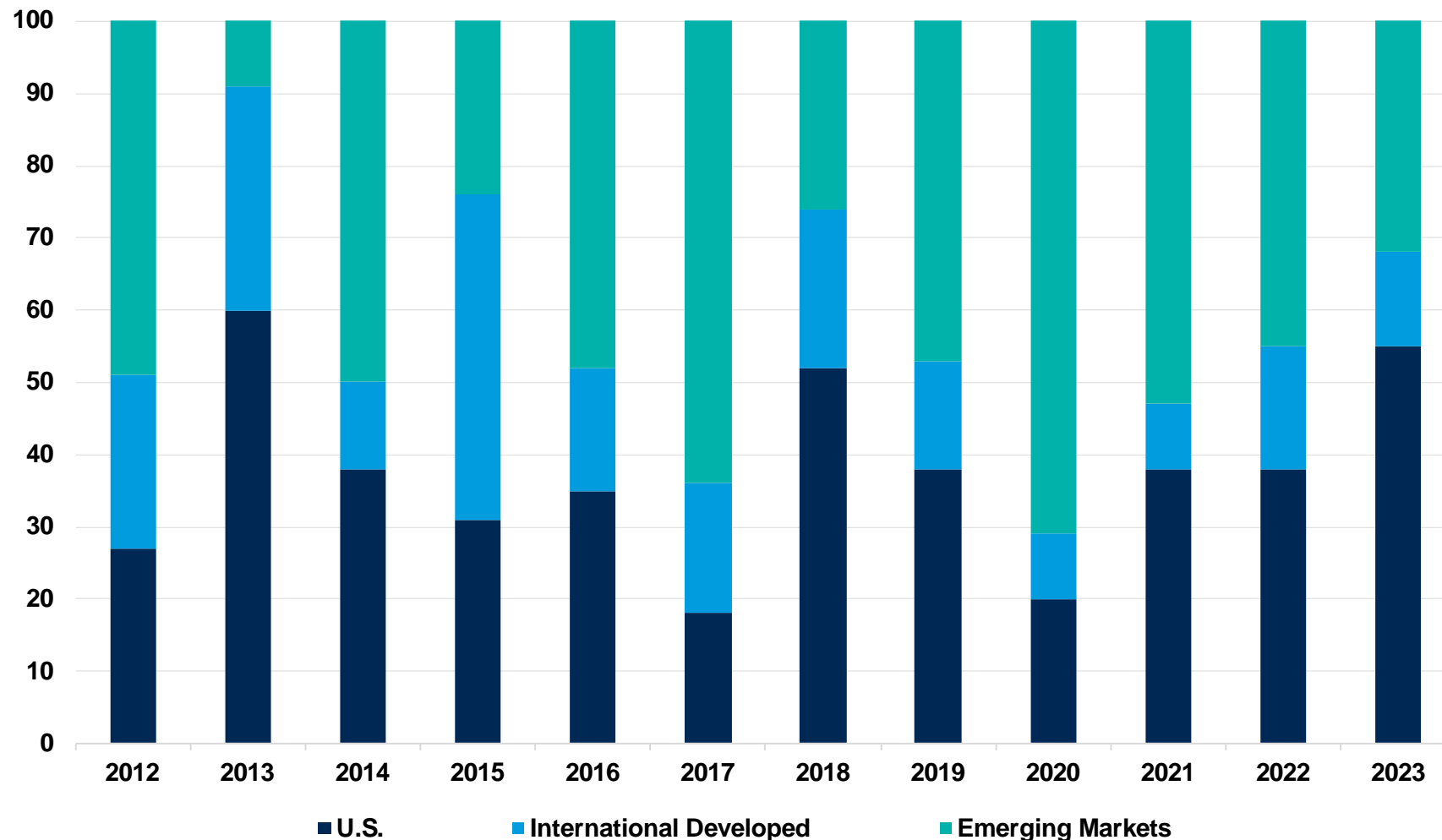


Sources: MSCI and Morningstar. Data as of March 31, 2024.



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

Top 100 Returning Stocks Each Year By Location



62.5%
of the top 100 returning companies
were located outside the U.S. between
2012-2023, on average

40% – 82%
the range of the percentage of the top
100 returning companies located
outside the U.S. over the same period

Sources: Morningstar, MSCI, and Russell. Each year's universe consists of stocks in the MSCI World ex-U.S. 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-U.S. 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.

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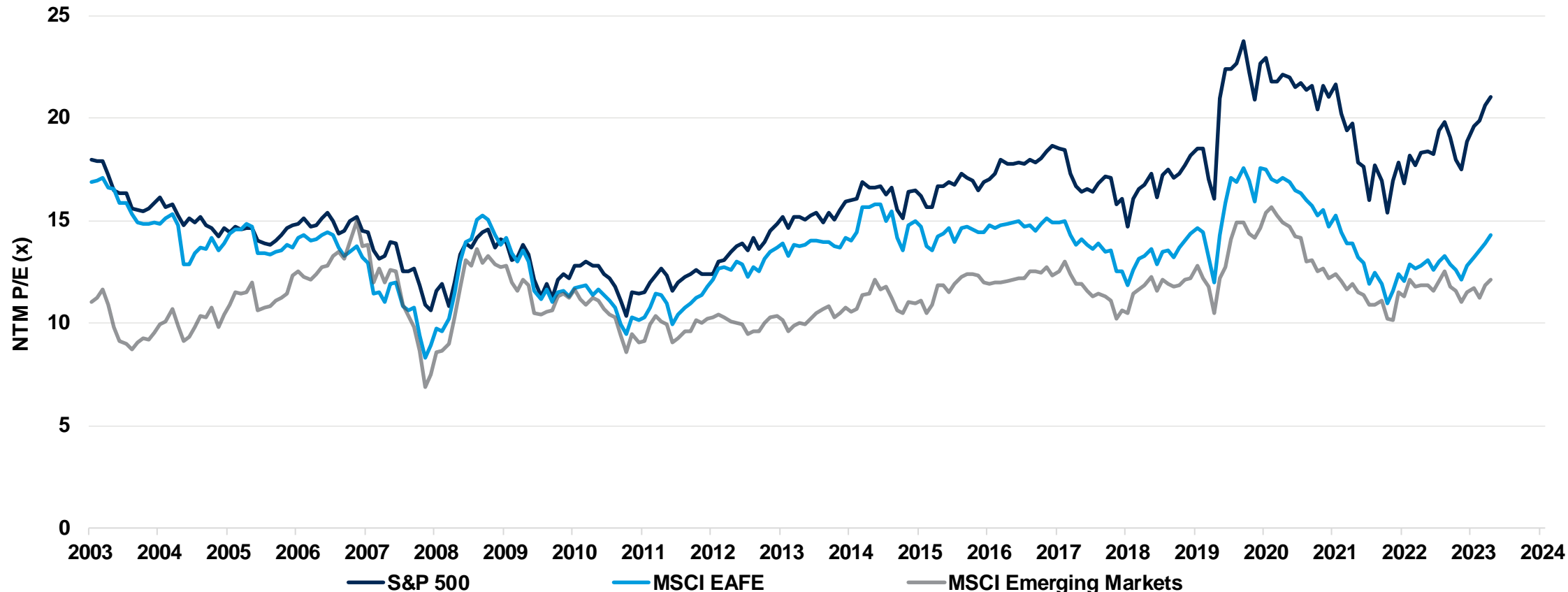
Key Takeaways – Equity Valuations

- **International Equities are cheap relative to U.S. equities**
 - **Valuation premium of U.S. equities relative to international equities is near all time highs**
 - **Based on Relative Forward P/E ratios, U.S. / International Developed: 97.9th percentile**
 - **Based on Relative Forward P/E ratios, U.S. / Emerging Markets: 97.1st percentile**
- **Based on the Forward P/E ratio, U.S. equities are historically expensive relative to their own history**



International Equities Trading at Historically Large Discount to U.S. Equities

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



Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.

Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500	21.1x	15.9x	92.5%	18.0x
MSCI EAFE	14.3x	13.6x	65.4%	14.3x
MSCI Emerging Markets	12.1x	11.4x	72.4%	12.0x

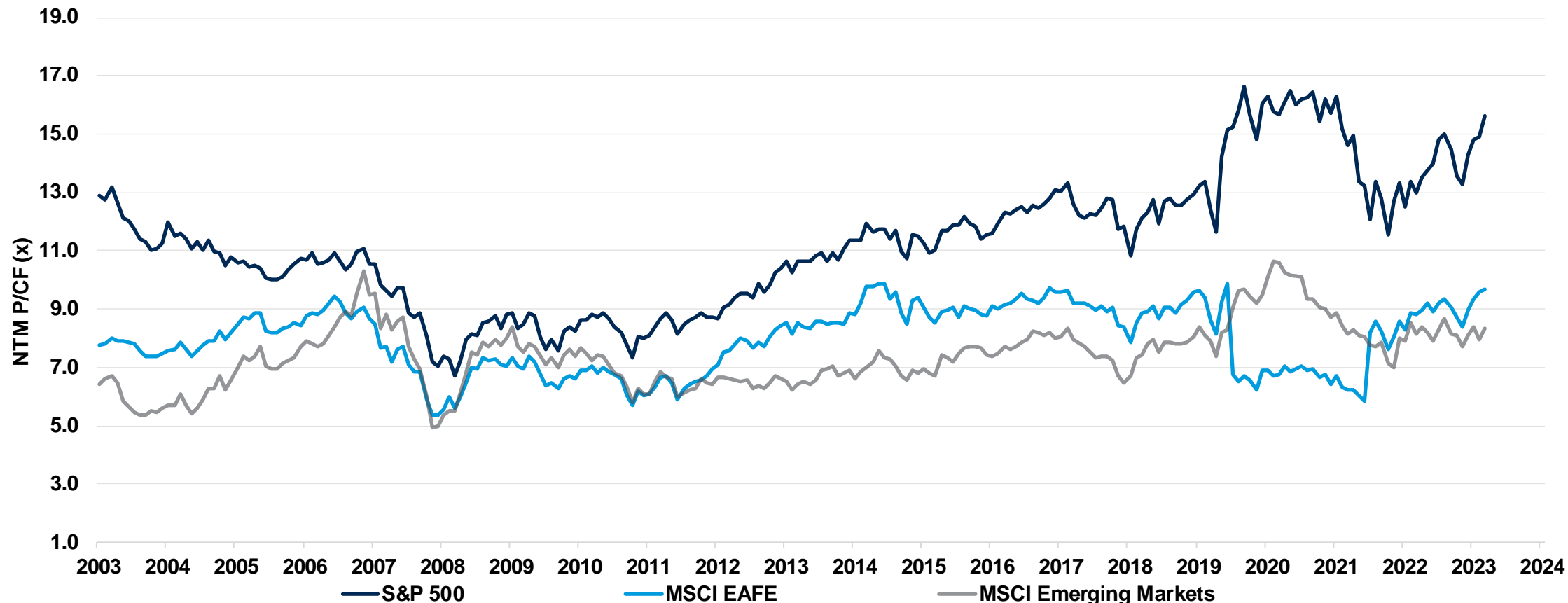
Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.

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International Equities Trading at Historically Large Discount to U.S. Equities

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



Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through February 29, 2024. NTM stands for Next Twelve Months.

Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500	15.6x	11.3x	93.3%	13.0x
MSCI EAFE	9.7x	8.0x	97.4%	8.5x
MSCI Emerging Markets	8.3x	7.4x	83.9%	7.9x

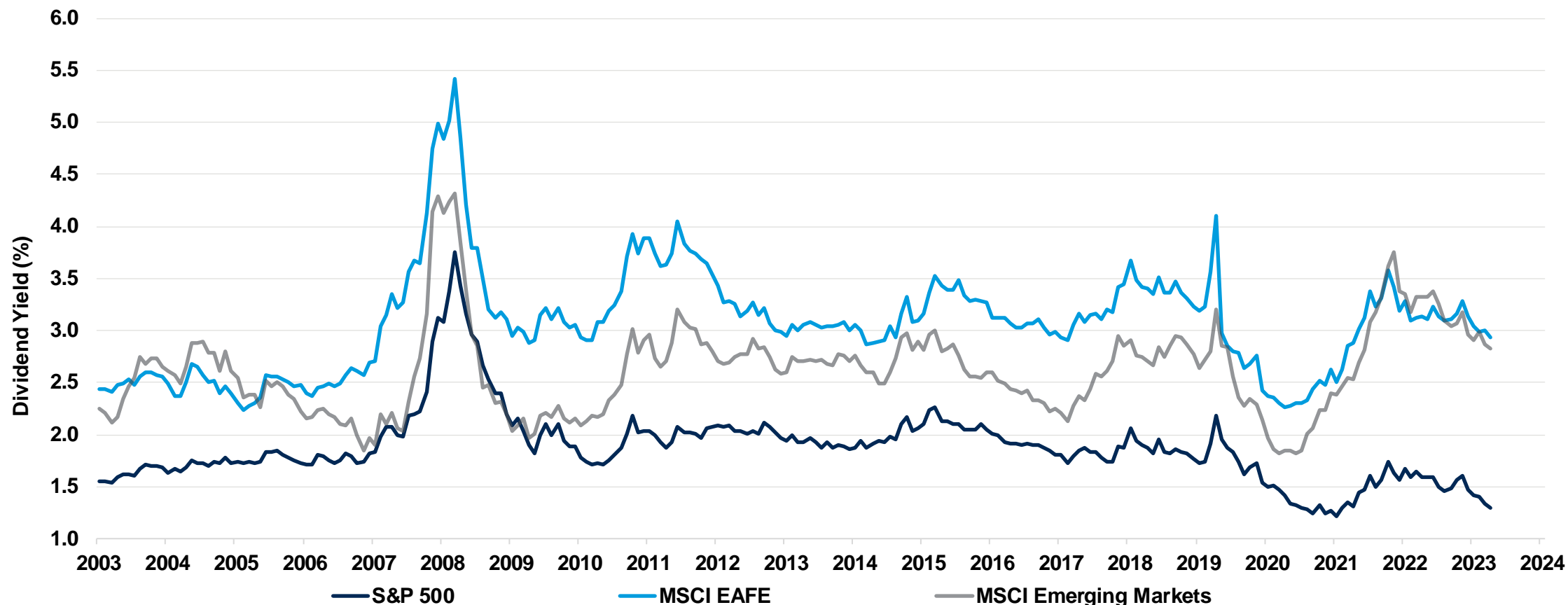
Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through February 29, 2024. NTM stands for Next Twelve Months.

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International Equities Trading at Historically Large Discount to U.S. Equities

Historical Dividend Yields (%)



Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.

Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500	1.30%	1.88%	2.4%	1.76%
MSCI EAFE	2.94%	3.08%	34.1%	3.07%
MSCI Emerging Markets	2.83%	2.62%	74.0%	2.67%

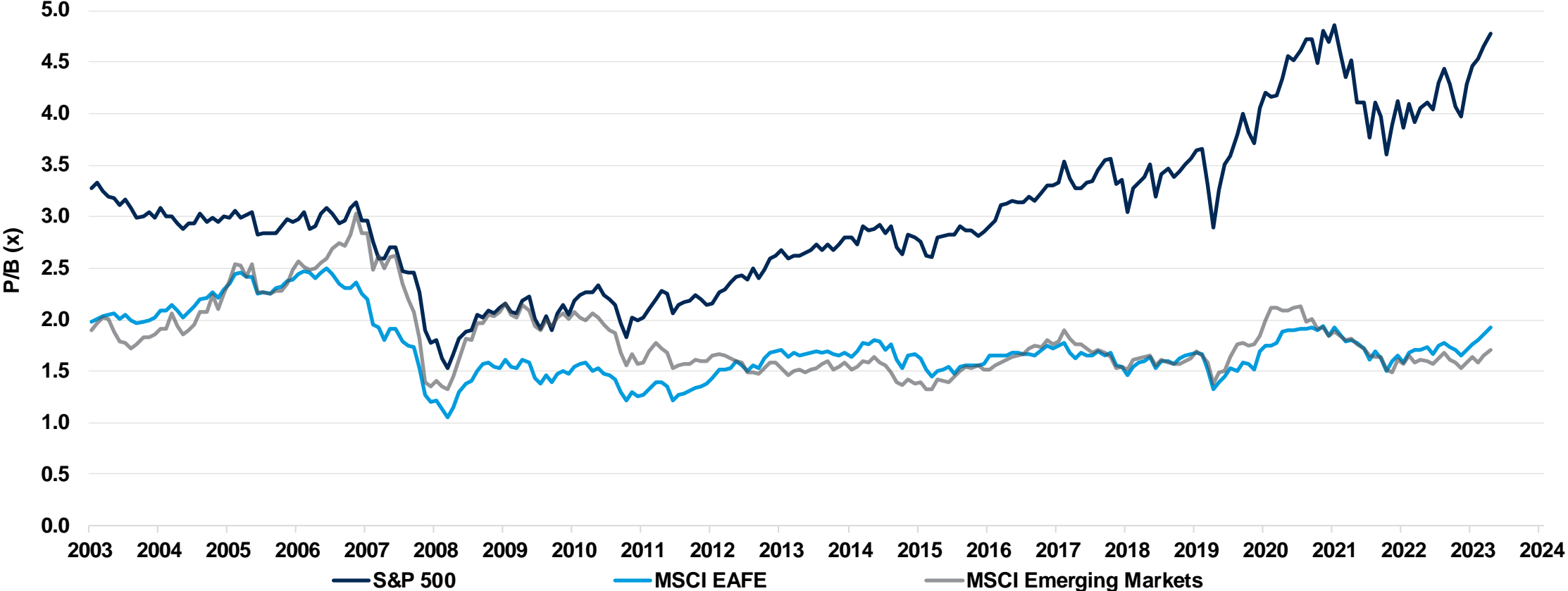
Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024

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International Equities Trading at Historically Large Discount to U.S. Equities

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



Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024.

Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500	4.79x	3.02x	99.1%	3.53x
MSCI EAFE	1.93x	1.73x	77.7%	1.67x
MSCI Emerging Markets	1.71x	1.82x	50.2%	1.65x

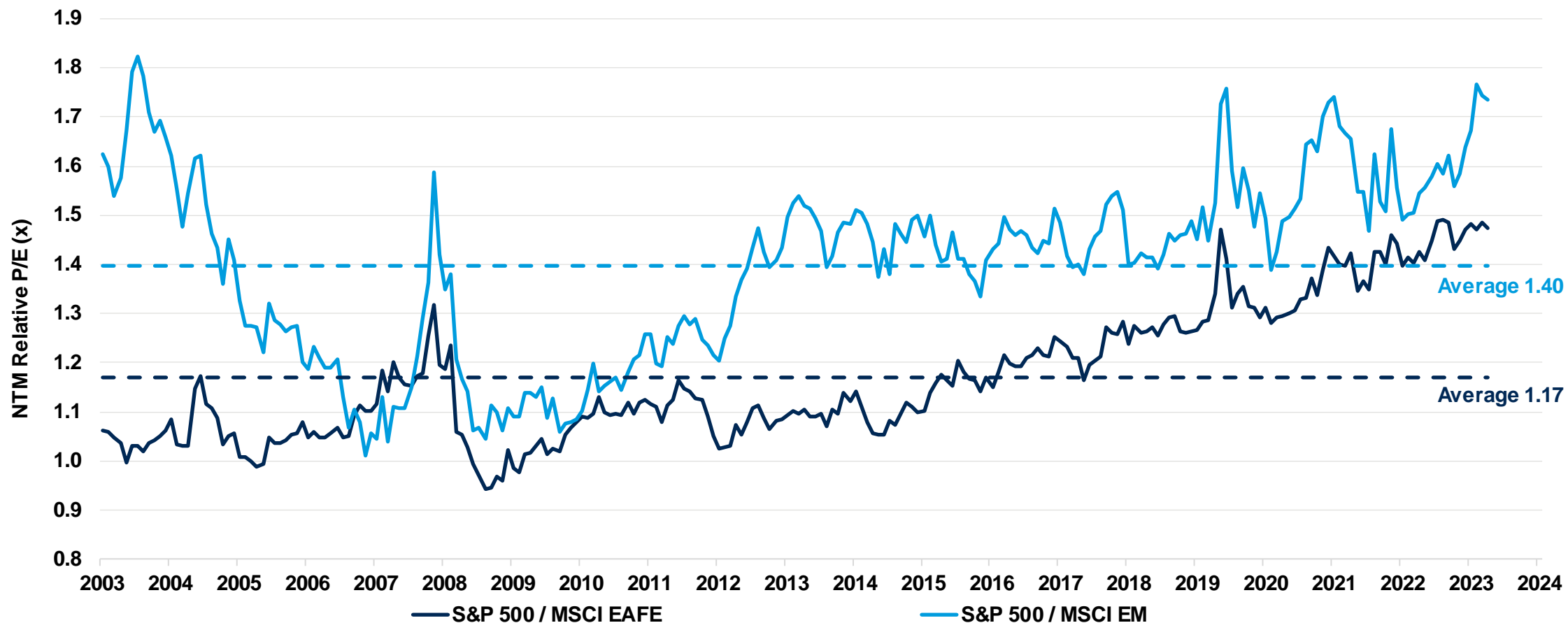
Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024.

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Valuation Premium of U.S. Equities Versus International Near All Time Highs

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



Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.

Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500/MSCI EAFE	1.47x	1.17x	97.9%	1.27x
S&P 500/MSCI EM	1.74x	1.40x	97.1%	1.51x

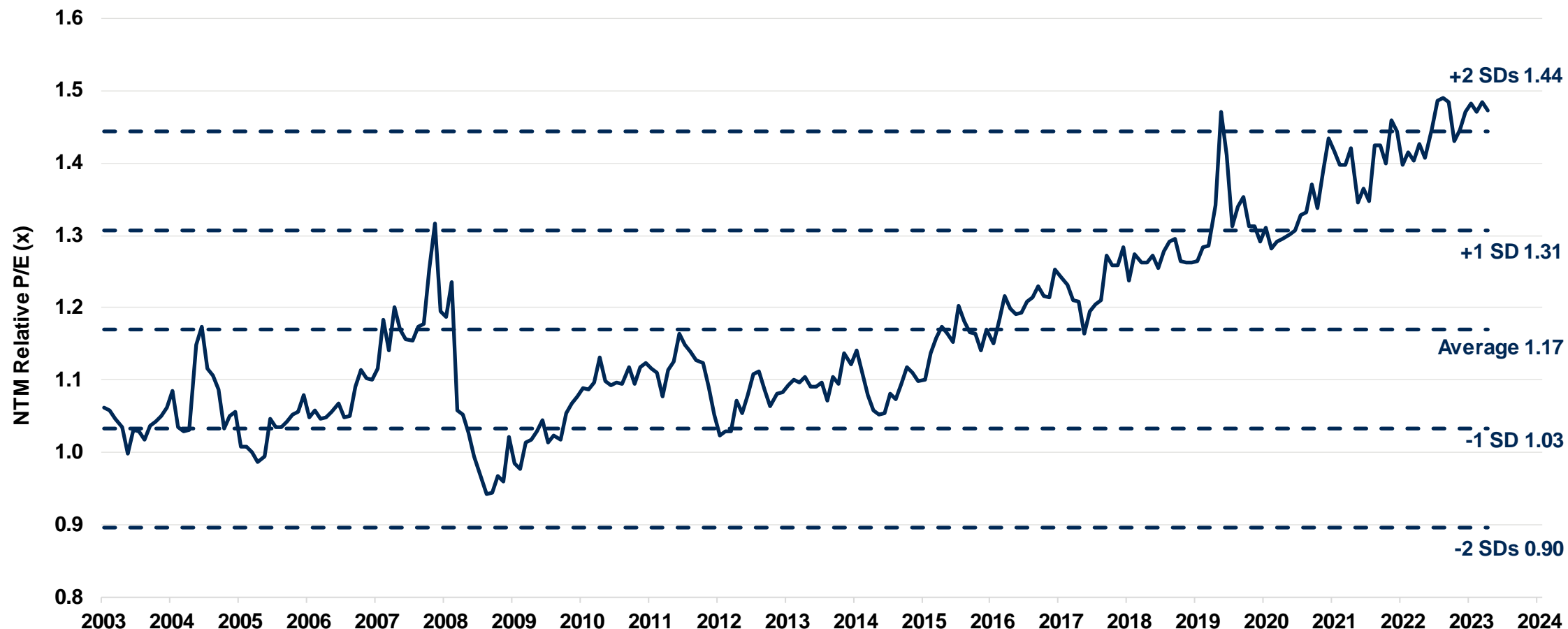
Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.

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Valuation Premium of U.S. Equities Versus International Developed Near All Time Highs

Historical Relative Forward Price-to-Earnings (P/E) Ratio of S&P 500 to MSCI EAFE



Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.

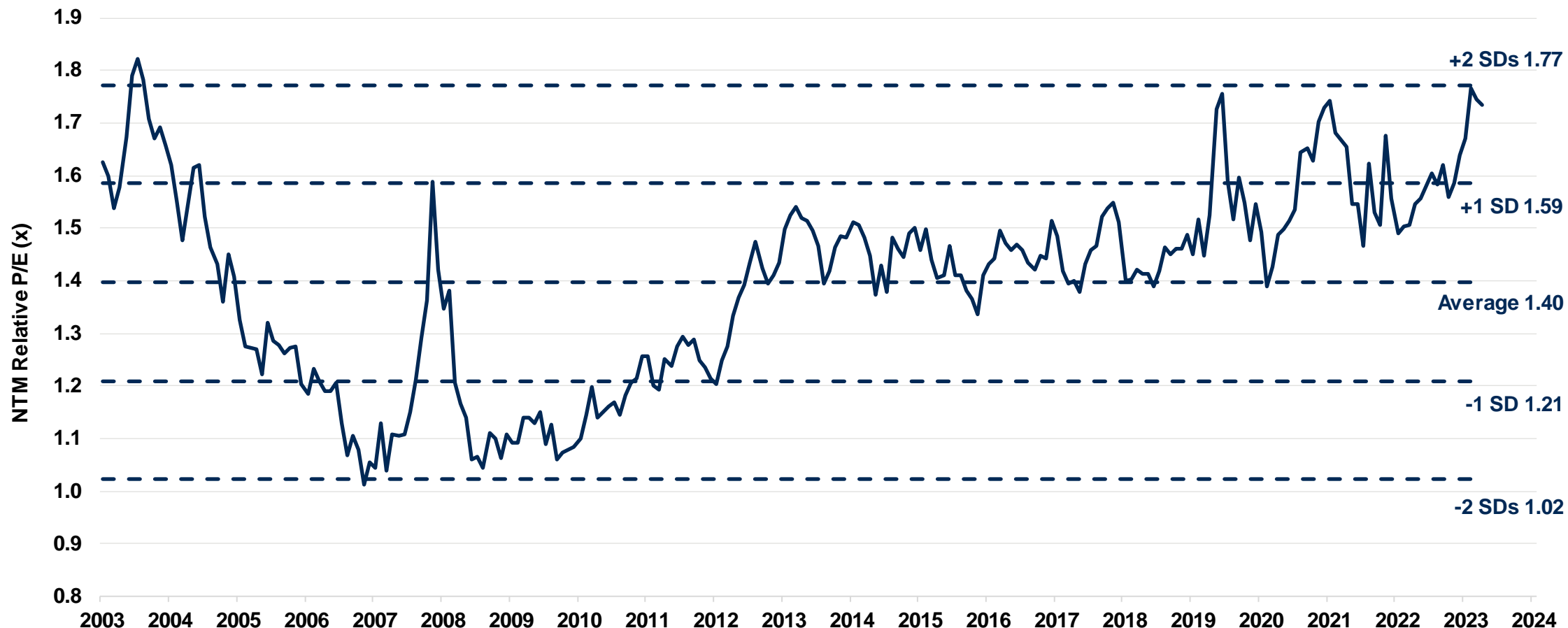
Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500/MSCI EAFE	1.47x	1.17x	97.9%	1.27x

Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.



Valuation Premium of U.S. Equities Versus Emerging Markets Near All Time Highs

Historical Relative Forward Price-to-Earnings (P/E) Ratio of S&P 500 to MSCI EM



Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.

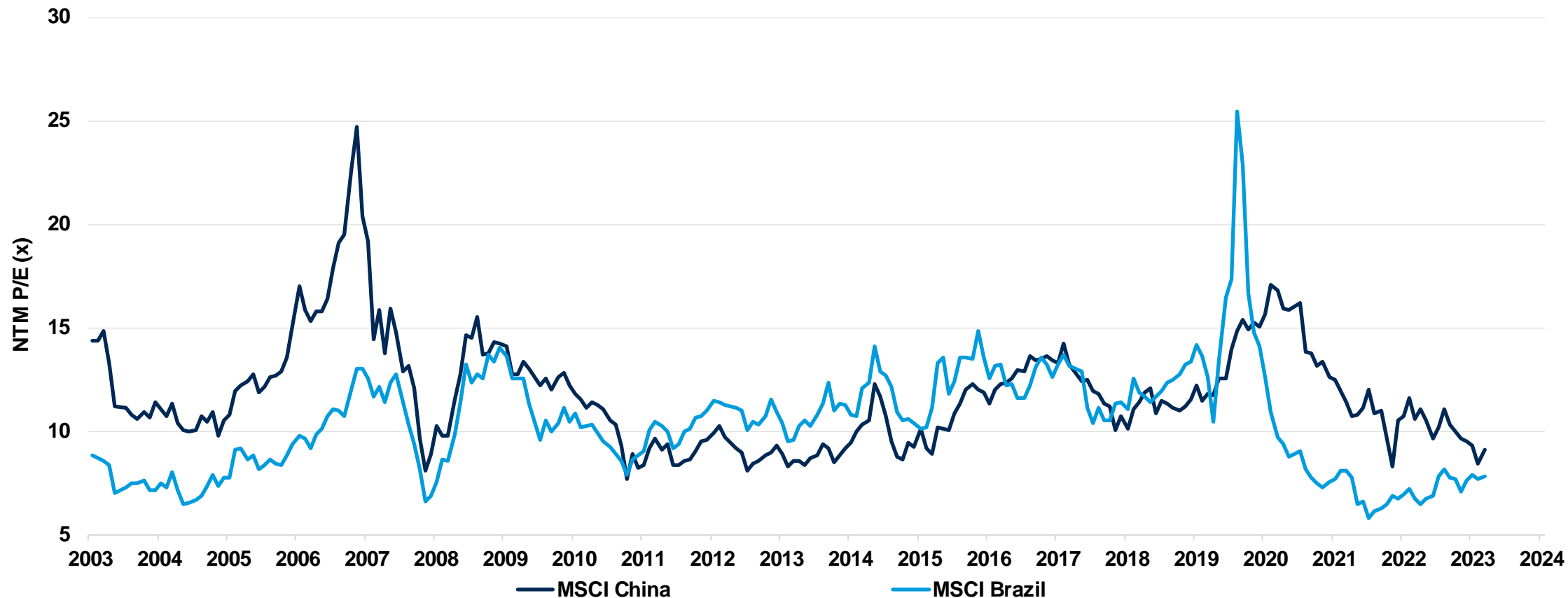
Index	Current	Average	Current Percentile Rank	10-Year Average
S&P 500/MSCI EM	1.74x	1.40x	97.1%	1.51x

Sources: FactSet, MSCI, & S&P. Data is from December 31, 2003 through March 31, 2024. NTM stands for Next Twelve Months.

Chinese and Brazilian Equities Look Cheap Relative to Own History



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



Sources: FactSet and MSCI. Data is from December 31, 2003 through February 29, 2024. NTM stands for Next Twelve Months.

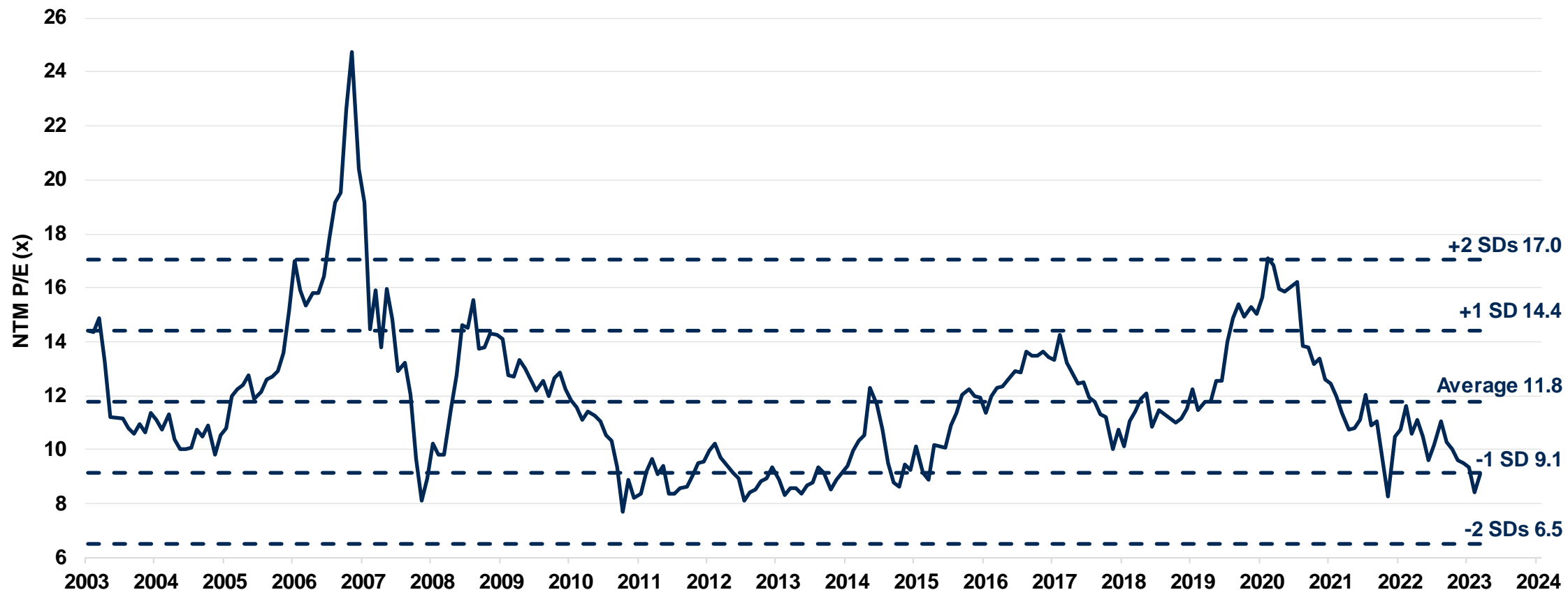
Index	Current	Average	Current Percentile Rank	10-Year Average
MSCI China Index	9.1x	11.8x	13.5%	11.5x
MSCI Brazil Index	7.8x	10.4x	19.4%	11.0x

Sources: FactSet and MSCI. Data is from December 31, 2003 through February 29, 2024. NTM stands for Next Twelve Months.

Chinese Equities Look Cheap Relative to Their Historical Valuation



Historical Forward Price-to-Earnings (P/E) Ratio of MSCI China Index



Sources: FactSet and MSCI. Data is from December 31, 2003 through February 29, 2024. NTM stands for Next Twelve Months.

Index	Current	Average	Current Percentile Rank	10-Year Average
MSCI China	9.1x	11.8x	13.5%	11.5x

Sources: FactSet and MSCI. Data is from December 31, 2003 through February 29, 2024. NTM stands for Next Twelve Months.

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 U.S. Dollar strength has boosted U.S. equities**
- **The U.S. Dollar looks expensive against most major currencies on a historical basis**



Relative Performance Tends to Go In Long Cycles

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

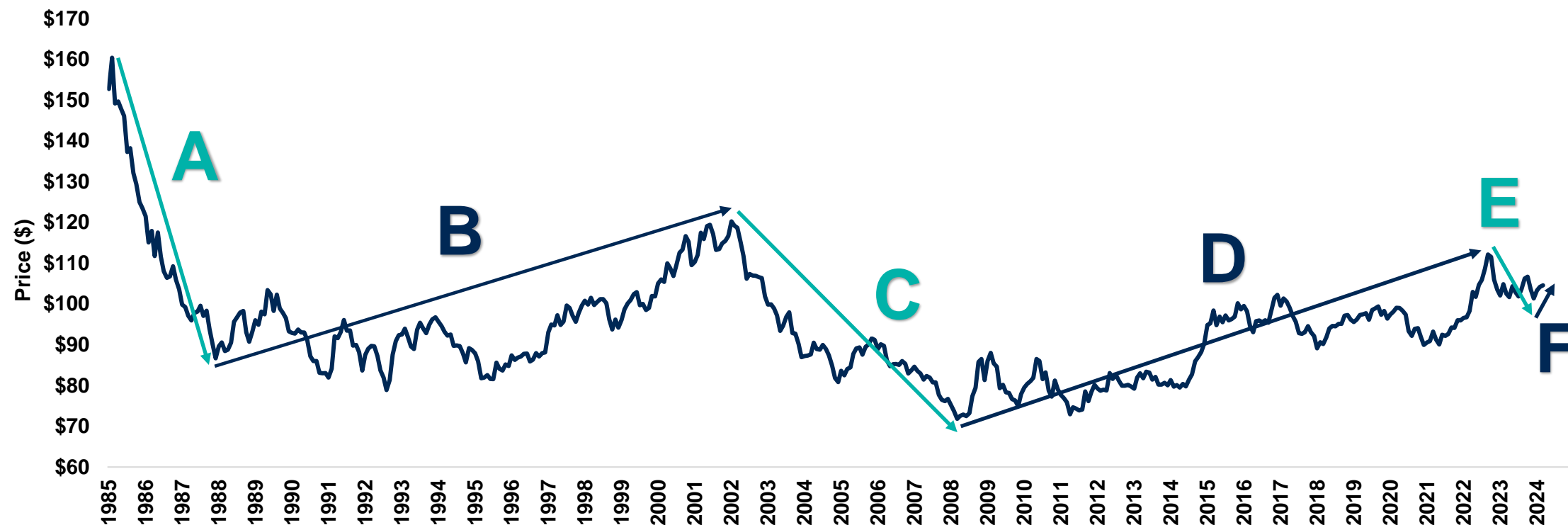


Sources: Morningstar, MSCI, and S&P. From February 01, 1970 through March 31, 2024 (the first trailing 5-year period ends January 31, 1975).

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So Goes Currency, Goes Relative Return

U.S. Dollar Index (DXY) Performance



Sources: FactSet, Morningstar, MSCI, S&P, and Intercontinental Exchange, Inc. Data is from January 31, 1985 through March 31, 2024.

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%
E	10/1/2022	12/31/2023	-9.6%	35.8%	38.7%
F	1/1/2024	3/31/2024	3.2%	10.6%	5.8%

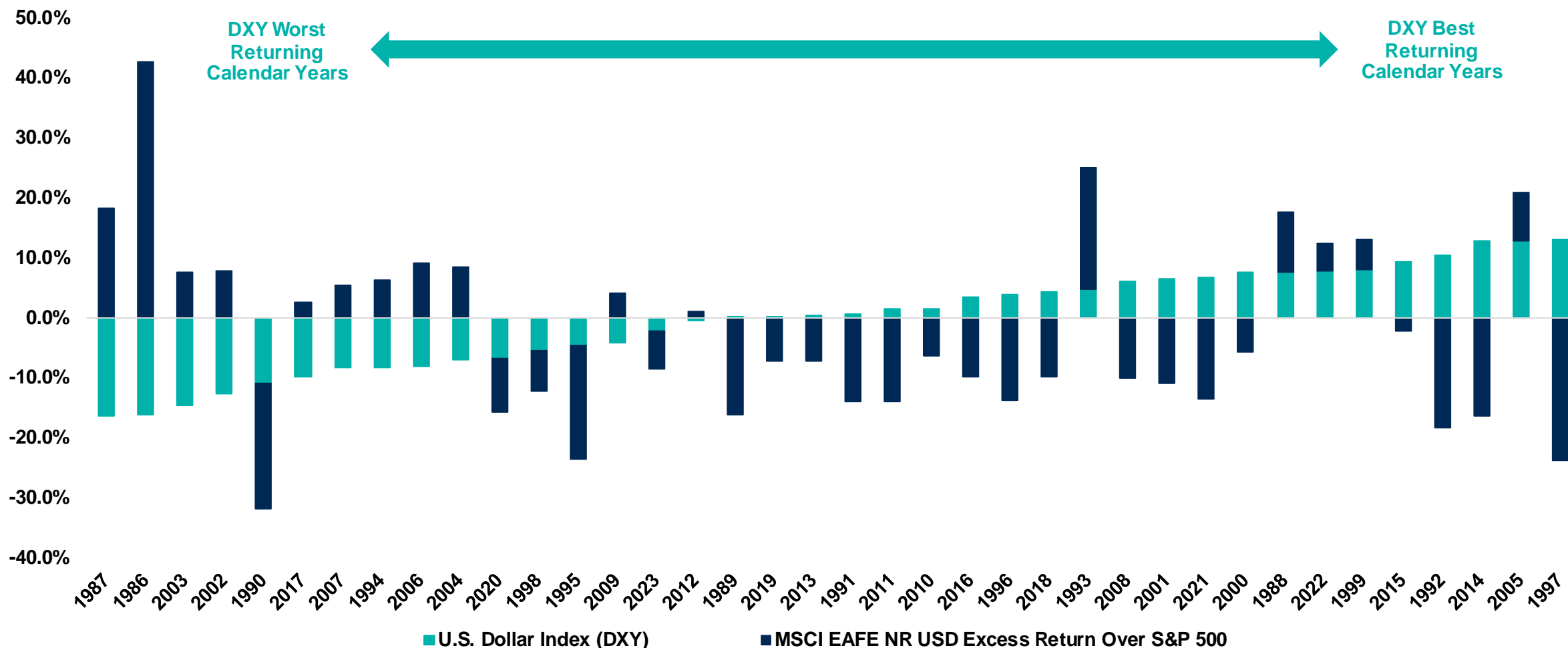
Sources: FactSet, Morningstar, MSCI, S&P, and Intercontinental Exchange, Inc. Data is from January 31, 1985 through March 31, 2024.

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U.S. Dollar Performance is a Major Driver of Annual Relative Returns

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

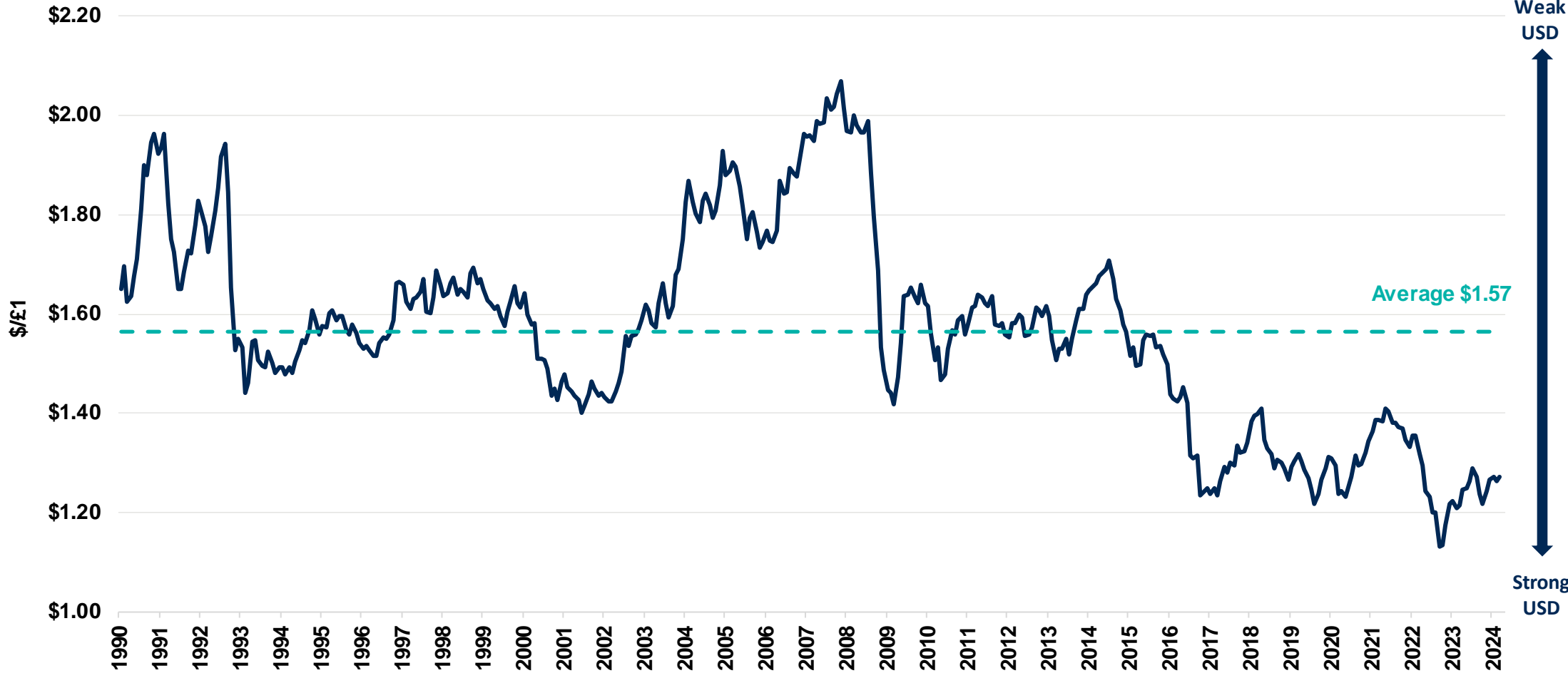


Sources: FactSet, Morningstar, MSCI, S&P, and Intercontinental Exchange, Inc. Data is from January 1, 1986 through December 31, 2023.



U.S. Dollar Remains Strong Relative to UK Pound

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

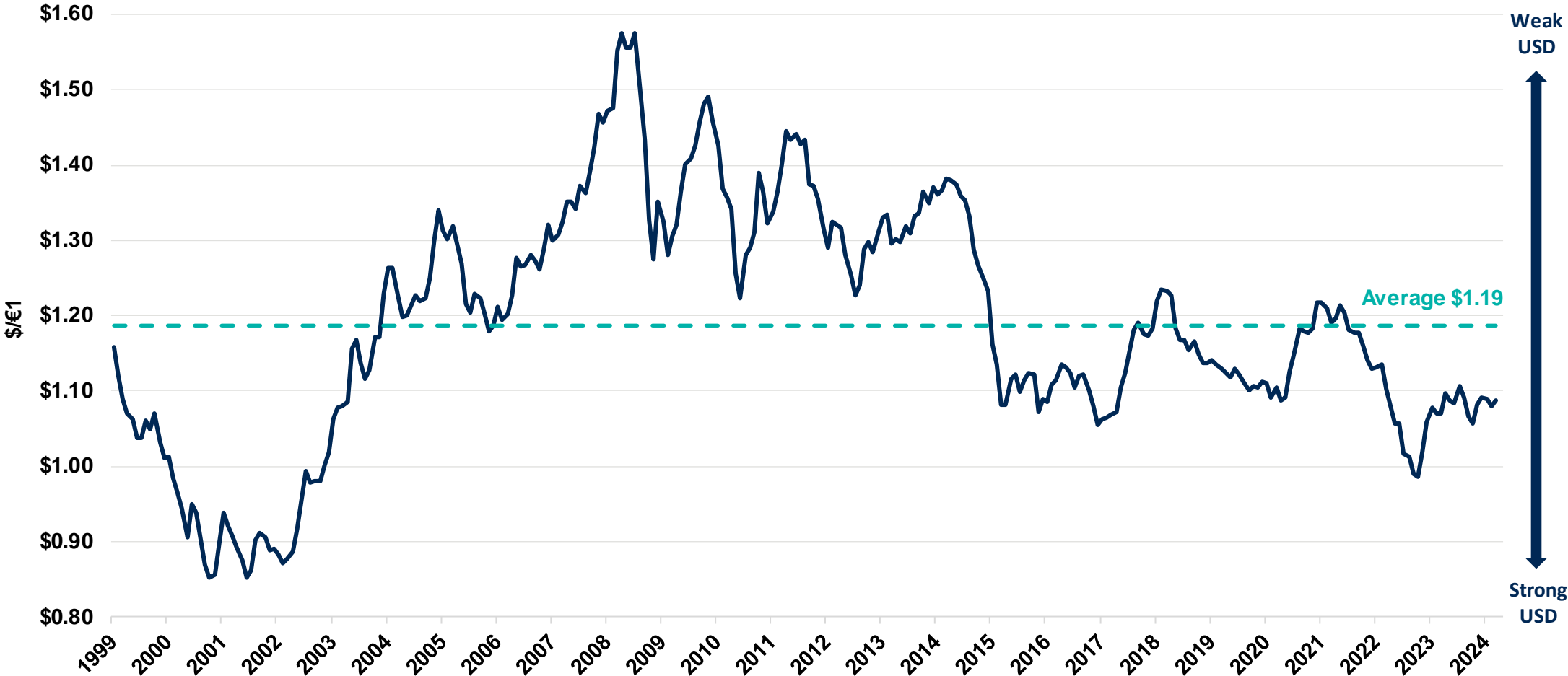


Sources: Factset and Board of Governors of the Federal Reserve System, FRED Economic Data, St. Louis Fed. Monthly spot rate values are averages of the daily values during that month. From January 01, 1990 through March 31, 2024.



U.S. Dollar Remains Strong Relative to Euro

Cost of €1 (Euro) in U.S. Dollars

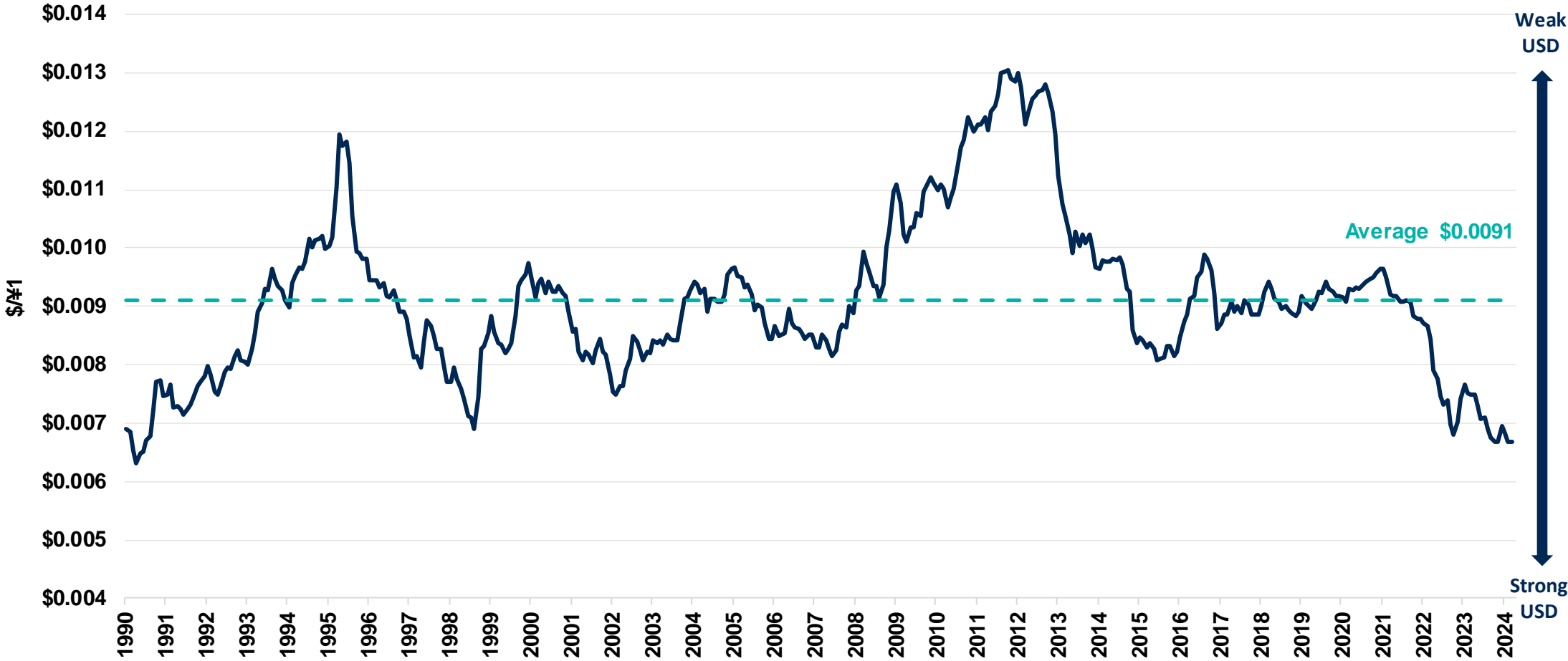


Sources: Factset and Board of Governors of the Federal Reserve System, FRED Economic Data, St. Louis Fed. Monthly spot rate values are averages of the daily values during that month. From January 01, 1999 through March 31, 2024.



U.S. Dollar Remains Strong Relative to Japanese Yen

Cost of ¥1 (Yen) in U.S. Dollars

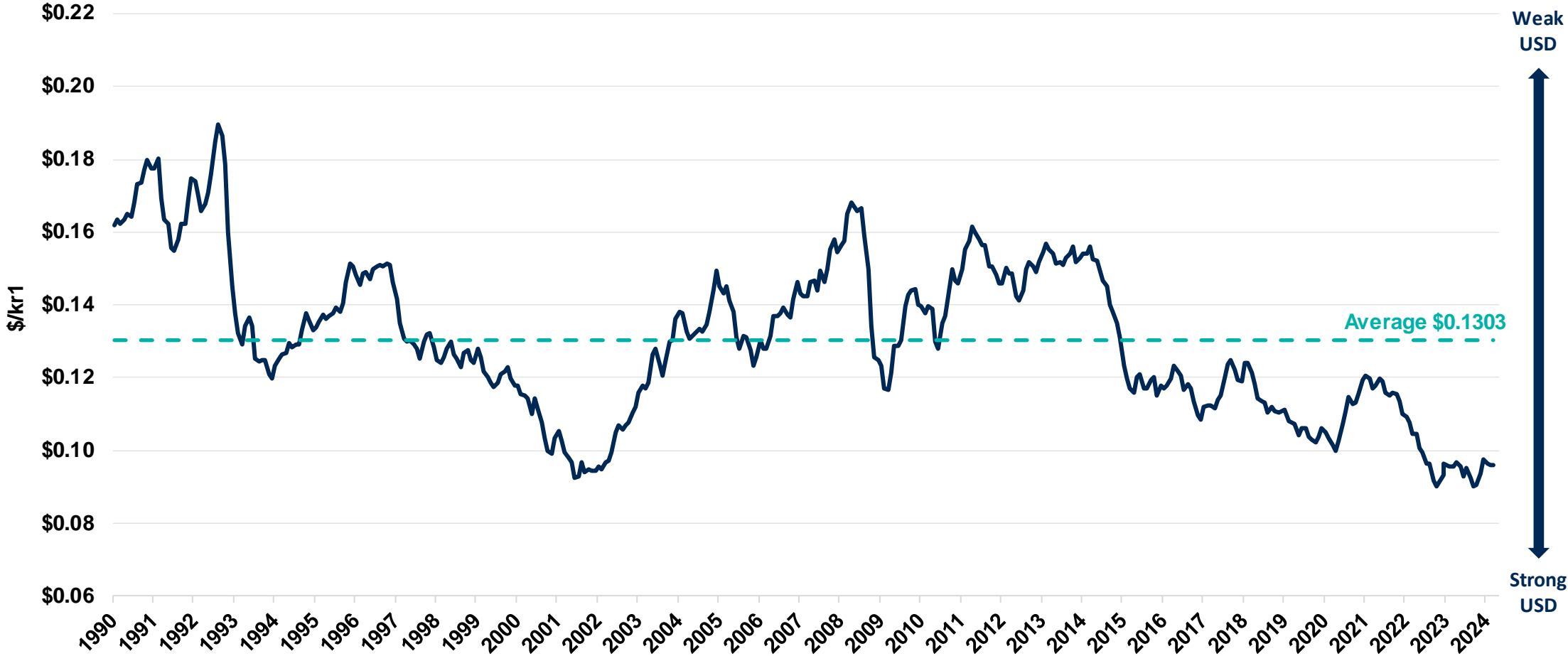


Sources: Factset and Board of Governors of the Federal Reserve System, FRED Economic Data, St. Louis Fed. Monthly spot rate values are averages of the daily values during that month. From January 01, 1990 through March 31, 2024.



U.S. Dollar Remains Strong Relative to Swedish Krona

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



Sources: Factset and 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 through March 31, 2024.

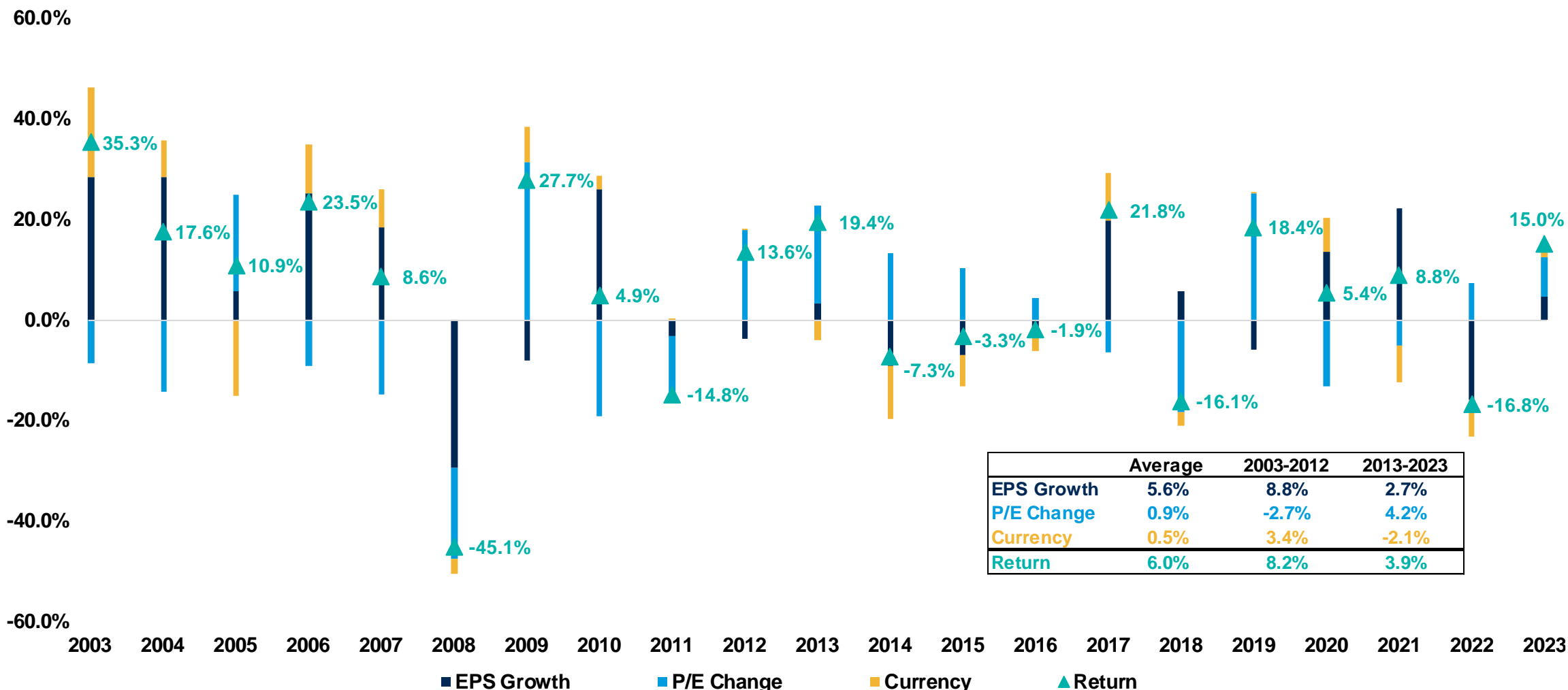
Key Takeaways – Fundamentals

- **Historically, earnings growth has been the primary driver of returns**
- **Consensus earnings per share, cash flow per share, and free cash flow per share growth projections over the next three years are highest for emerging markets**
- **International developed markets are projected to generate mid-to high-single digit annual earnings per share growth over the next three years and high-single digit annual growth in free cash flow per share over the same time**

The Power of Earnings Growth



MSCI EAFE – Price Returns Decomposition



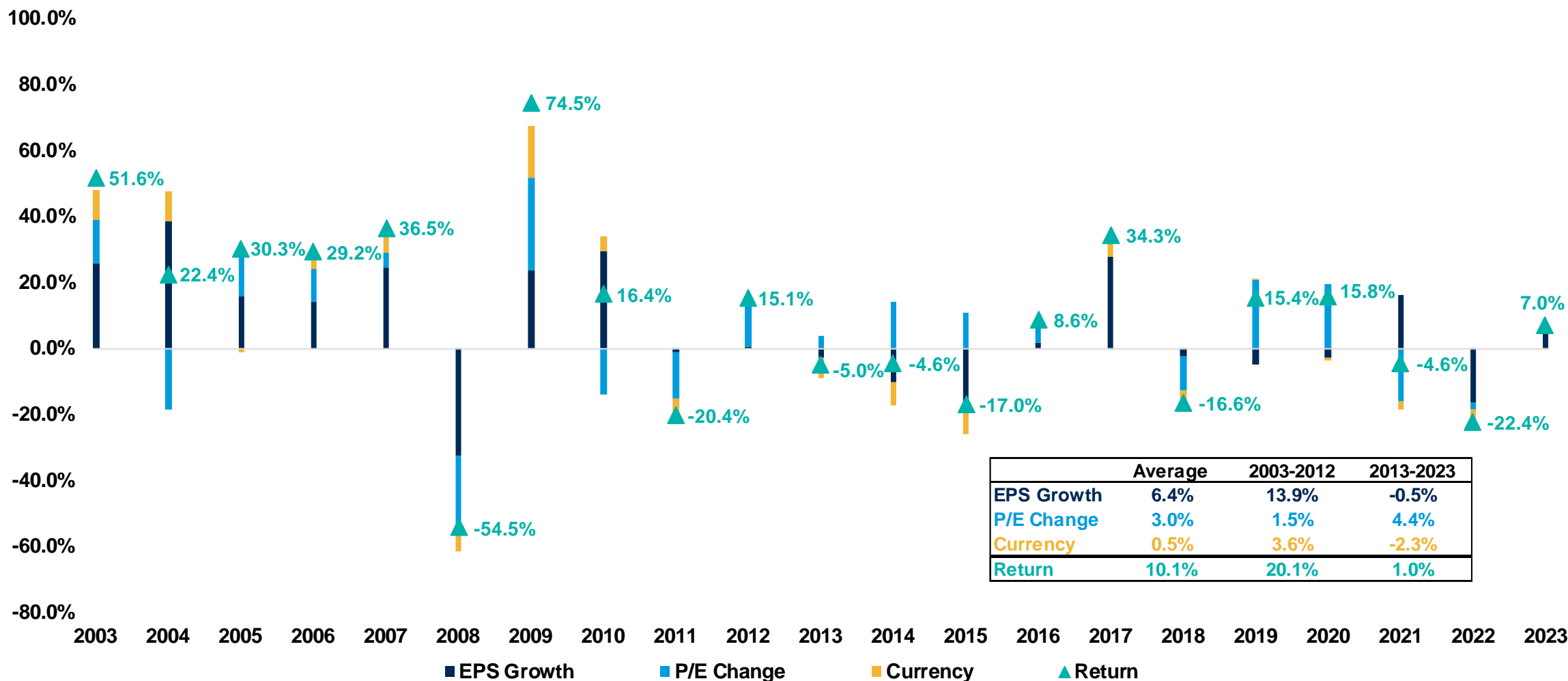
Sources: FactSet, MSCI, Fiducient Advisors analysis. Data is from December 31, 2002 through December 31, 2023. EPS Growth and P/E Change are calculated using consensus estimates for EPS over the next twelve months.

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The Power of Earnings Growth



MSCI Emerging Markets – Price Returns Decomposition



Sources: FactSet, MSCI, Fiducient Advisors analysis. Data is from December 31, 2002 through December 31, 2023. EPS Growth and P/E Change are calculated using consensus estimates for EPS over the next twelve months.

Earnings Growth – The Primary Driver of Stock Prices – Historical and Forecast



	2003 – 2010		2011 – 2023	
	EPS Growth	Total Return	EPS Growth	Total Return
S&P 500	96.3%	67.6%	144.2%	388.5%
MSCI EAFE (NR USD)	170.7%	113.6%	40.6%	92.4%
MSCI Emerging Markets (NR USD)	262.9%	378.3%	-10.4%	22.2%

Sources: MSCI, S&P, and FactSet. Data is from January 1, 2003 through December 31, 2023.

Index	Projected Sales Per Share Growth				Projected Earnings Per Share Growth			
	2024	2025	2026	3-Year*	2024	2025	2026	3-Year*
MSCI EAFE	0.5%	3.1%	2.5%	2.0%	5.7%	9.3%	8.8%	7.9%
MSCI EM	5.8%	8.0%	5.0%	6.2%	17.4%	15.1%	12.7%	15.1%
S&P 500	4.9%	5.8%	11.4%	7.3%	11.0%	13.6%	13.0%	12.5%

Index	Projected Cash Flow Per Share Growth				Projected Free Cash Flow Per Share Growth			
	2024	2025	2026	3-Year*	2024	2025	2026	3-Year*
MSCI EAFE	5.9%	7.2%	7.2%	6.7%	5.3%	14.0%	10.7%	9.9%
MSCI EM	9.2%	14.7%	19.2%	14.3%	23.1%	27.8%	18.5%	23.1%
S&P 500	12.0%	13.5%	15.3%	13.6%	14.4%	15.5%	11.8%	13.9%

*Annualized growth rate.

Sources: FactSet, MSCI, & S&P. As of March 31, 2024. Projections reflect consensus estimates.

Disclosures

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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.



Disclosures – Index & Benchmark Definitions

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 approximately 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** is a market-cap-weighted index which consists of the largest 1,000 companies in the Russell 3000 Index.
- **MSCI ACWI (All Country World Index) Index** is an equity index which captures large and mid cap representation across 23 Developed Markets countries and 24 Emerging Markets countries. The index covers approximately 85% of the global investable equity opportunity set.
- **MSCI ACWI (All Country World Index) IMI Index** is an equity index which captures large, mid and small cap representation across 23 Developed Markets Countries and 24 Emerging Markets countries. The index covers approximately 99% of the global equity investment opportunity set.
- **MSCI ACWI (All Country World Index) ex USA Index** is an equity index which 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 United States.
- **MSCI ACWI (All Country World Index) ex USA IMI Index** is an equity index which captures large, mid and small cap representation across Developed Markets, excluding the United States, and Emerging Markets countries around the world. The index covers approximately 99% of the global equity opportunity set outside the United States.
- **MSCI Brazil Index** is an equity index which captures large and mid cap segments of the Brazilian market. The index covers approximately 85% of the Brazilian equity universe.
- **MSCI China Index** is an equity index which captures large and mid cap representation across China A shares, H shares, B shares, Red chips, P chips and foreign listings (e.g. ADRs). The index covers approximately 85% of this China equity universe. Currently, the index includes Large Cap A and Mid Cap A shares represented at 20% of their free float-adjusted market capitalization.
- **MSCI EAFE Index** is an equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the United States and Canada. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
- **MSCI EAFE IMI Index** is an equity index which captures large, mid and small cap representation across Developed Markets countries around the world, excluding the United States and Canada. The index covers approximately 99% of the free float-adjusted market capitalization in each country.
- **MSCI Emerging Markets Index** is an equity index which 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.
- **MSCI Emerging Markets IMI Index** is an equity index which captures large, mid and small cap representation across Emerging Markets countries. The index covers approximately 99% of the free float-adjusted market capitalization in each country.
- **MSCI USA Index** is an equity index which captures large and mid cap segments of the U.S. market. The index covers approximately 85% of the free float-adjusted market capitalization in the United States.
- **MSCI USA IMI Index** is an equity index which captures large, mid and small cap segments of the U.S. market. The index covers approximately 99% of the free float-adjusted market capitalization in the United States.
- **MSCI World ex USA Index** is an equity index which captures large and mid cap representation across Developed Markets countries around the world, excluding the United States. The index covers approximately 85% of the free float-adjusted market capitalization in each country.
- **MSCI World ex USA IMI Index** is an equity index which captures large, mid and small cap representation across Developed Markets countries around the world, excluding the United States. The index covers approximately 99% of the free float-adjusted market capitalization in each country.



Disclosures – Index & Benchmark Definitions

Currencies

- **ICE U.S. Dollar Index** tracks the strength of the U.S. Dollar against a basket of major currencies. The following six currencies are used to calculate the index: Euro, Japanese Yen, UK Pound, Canadian Dollar, Swedish Krona, and Swiss Franc.
- **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.

Additional Information

- Equity sector returns are calculated by S&P, Russell, and MSCI for domestic and international markets, respectively. S&P and MSCI sector definitions correspond to the GICS® classification (Global Industry Classification System); Russell uses its own sector and industry classifications.
- MSCI country indices are free float-adjusted market capitalization indices that are designed to measure equity market performance of approximately 85% of the market capitalization in each specific country. MSCI country IMI indices are free float-adjusted market capitalization indices that are designed to measure equity market performance of approximately 99% of the market capitalization in each specific country.
- Currency returns are calculated using FactSet’s historical spot rates and are calculated using the U.S. dollar as the base currency.