

Overweight Global ex US Equities/Underweight US Equities

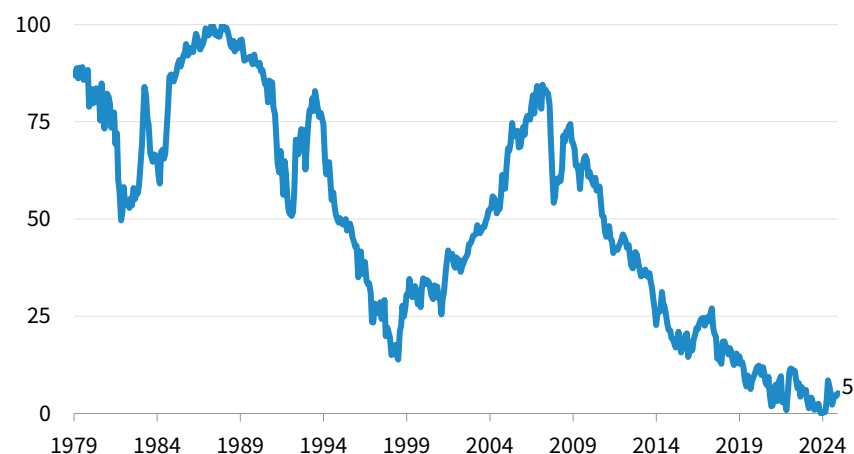
Recommended since May 31, 2025

Investment thesis: We expect global ex US equities will outperform US equities as economic growth in the United States slows relative to elsewhere and the US dollar weakens. Relative valuations for global ex US equities remain very low, while relative momentum has more room to run as demonstrated in past episodes of USD weakness, thus allowing for higher upside potential.

Key support 1: Global ex US equities have historically outperformed US equities in weak dollar cycles as non-US currencies rallied against the dollar. While they have lagged US equities for most of the past decade amid continued USD strength, they are outperforming so far in 2025 as the dollar weakened. We expect the dollar to continue to weaken over our tactical horizon as US tariffs and the lagged impact of tight monetary policy result in US economic growth slowing relative to elsewhere. US policy uncertainty may also continue to weigh on the demand for US assets and place downward pressure on the dollar.

Relative CAPCE: MSCI ACWI ex US/MSCI US

December 31, 1979 – November 30, 2025 • Percentile (%)

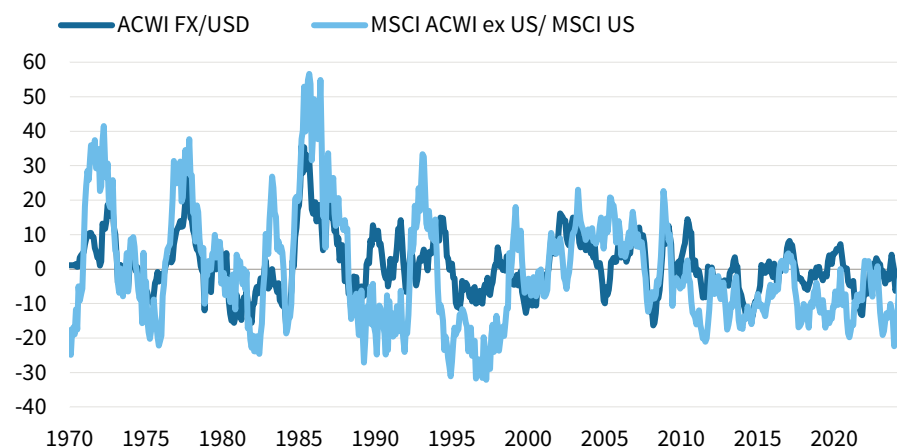


Key support 2: Valuations for both US equities and the US dollar have run up and remain near all-time highs. In contrast, relative valuations for global ex US equities and currencies remain low, which should help to mitigate some downside risks. Relative equity and currency momentum also has more room to run as demonstrated by past weak dollar cycles, such as between 1971–78, 1985–95, and 2002–11, implying further upside potential remains.

Key risks: US tariffs and increased policy uncertainty may weigh on the growth of non-US economies, although continued monetary and fiscal policy easing should help to provide some support. Global ex-US equities are also underweight technology, which drove recent US equity outperformance amid stronger earnings growth. Nevertheless, elevated equity valuations for these sectors imply they are more vulnerable to downside shocks, particularly in the face of slowing global growth.

Relative 12-month momentum

December 31, 1970 – November 30, 2025 • Percent (%)



Sources: MSCI Inc. and Thomson Reuters Datastream. MSCI data provided "as is" without any express or implied warranties.

Note: MSCI ACWI valuations prior to November 30, 1995, and MSCI ACWI performance prior to December 31, 1987, are proxied by the MSCI World ex US Index.