Differentiated Alpha:

The Case for International and Why Now Matters

First Quarter 2026

Key Takeaways

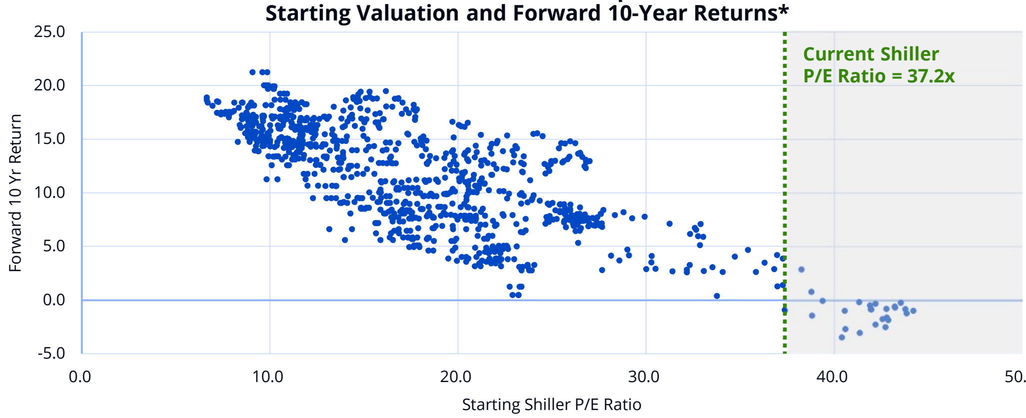
- U.S. Large Cap returns may be constrained given high valuations and narrow leadership.
- U.S. dominance has run long, as market leadership historically rotates in multi-year cycles.
- A weaker U.S. dollar favors international equities and supports relative outperformance.
- International markets offer attractive value, with discounted valuations and improving earnings, representing most global growth.

U.S. Equity Investors at Risk

Elevated starting valuations suggest limited long-term domestic return potential

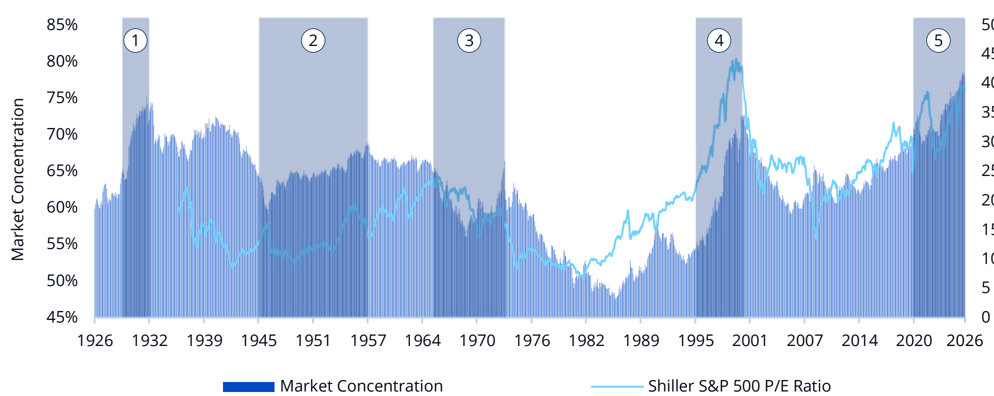
- Current valuations exceed 98% of historical observations
- Average 10-year forward returns have been approximately -0.7%
- Market concentration is at historically high levels

Inverse Relationship: Starting Valuation and Forward 10-Year Returns*



*Source: Morningstar and www.shillerdata.com. Market valuation is represented by the Shiller P/E ratio and is using monthly data from March 1936 to March 2016. Forward 10-year returns are represented by the S&P 500 Index and is using monthly data from March 1946 to March 2016.

Top 10% of U.S. Companies by Size: Market Concentration From 1926 to 2026**

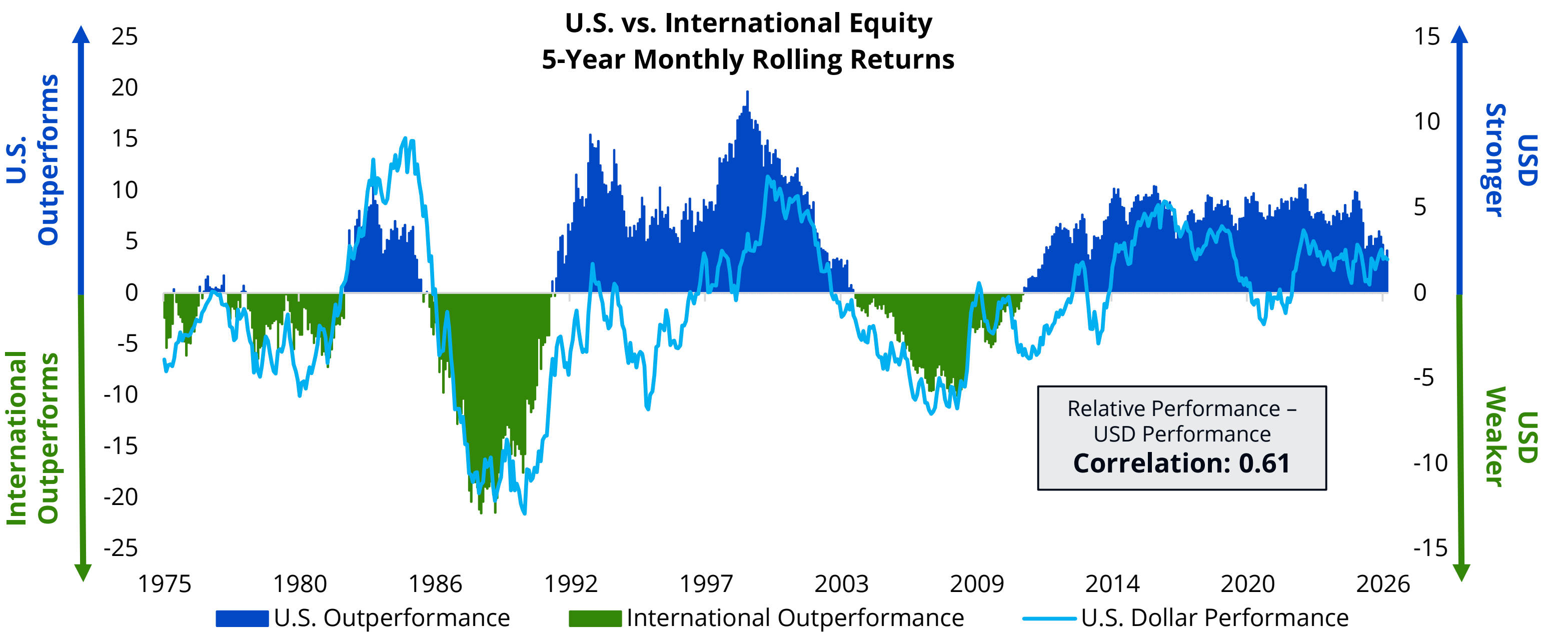


1 = Great Depression (1929-1932)
2 = Post-WWII Expansion (1945-1957)
3 = Nifty Fifty (1965-1973)
4 = Dot-Com Bubble (1995–2000)
5 = “Magnificent Seven” Era (2020–)

**Source: Kenneth French Data Library (portfolios formed on size) and www.shillerdata.com. Market concentration represents the value of the top decile of companies based on size divided by the entire value of the market and is as of February 28, 2026. Market valuation is represented by the Shiller S&P 500 P/E ratio.

U.S. and International Equities Move in Multi-Year Cycles

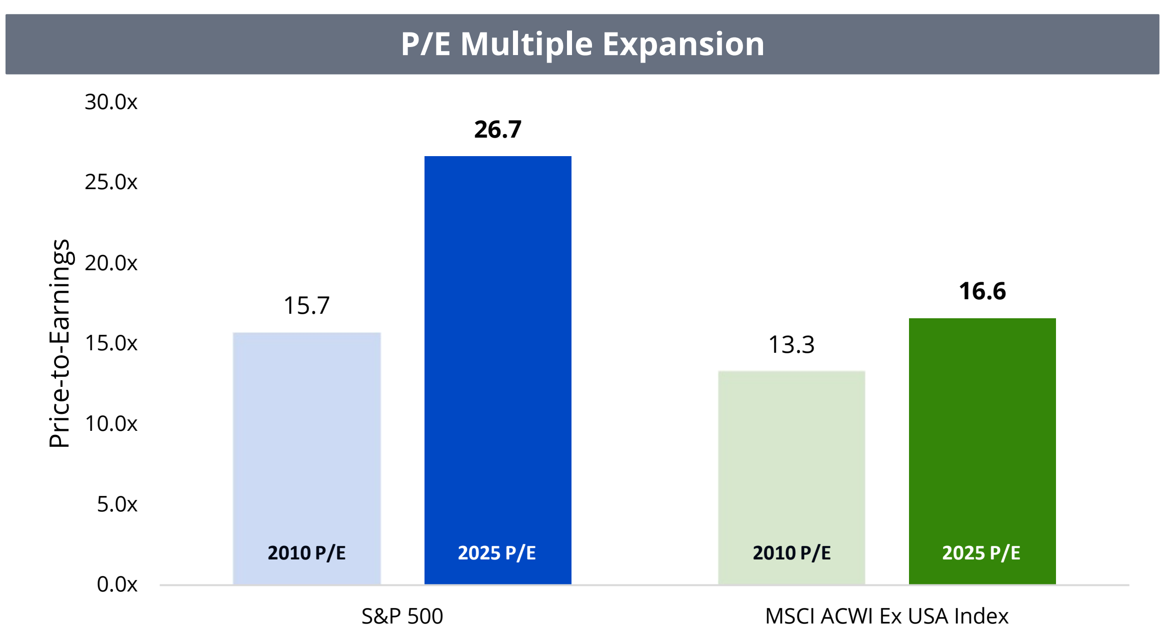
Since 1970, leadership between U.S. and international equities has rotated every eight years on average. U.S. outperformance now exceeds 13 years and closely tracks a dollar cycle nearing its historical peak.



Source: FactSet, S&P 500 Index, MSCI EAFE and MSCI EAFE LCL, March 2026. Chart compares rolling 5-year returns of U.S. equities, Non-U.S. equities and USD.
Past performance is no guarantee of future results.

Multiple Expansion Was a Key Driver of U.S. Outperformance (2010–2025)

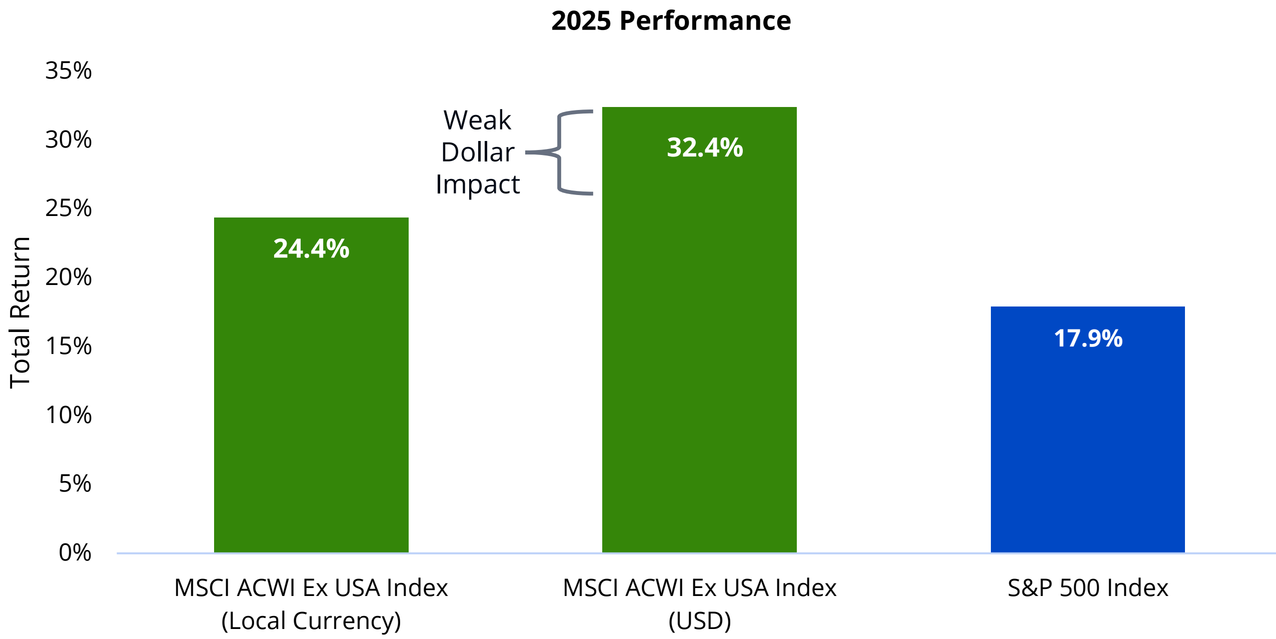
A strong U.S. dollar and multiple expansion drove most U.S. outperformance from 2010–2025, outweighing fundamentals.



Source: FactSet, American Beacon.

2025: U.S. Dollar Weakness Becomes a Tailwind for International Equities

The U.S. dollar fell more than 9% in 2025, its steepest decline since 2017, providing a meaningful tailwind for international equities and supporting global outperformance versus the S&P 500.



Source: FactSet.

Why USD Weakness Could Persist

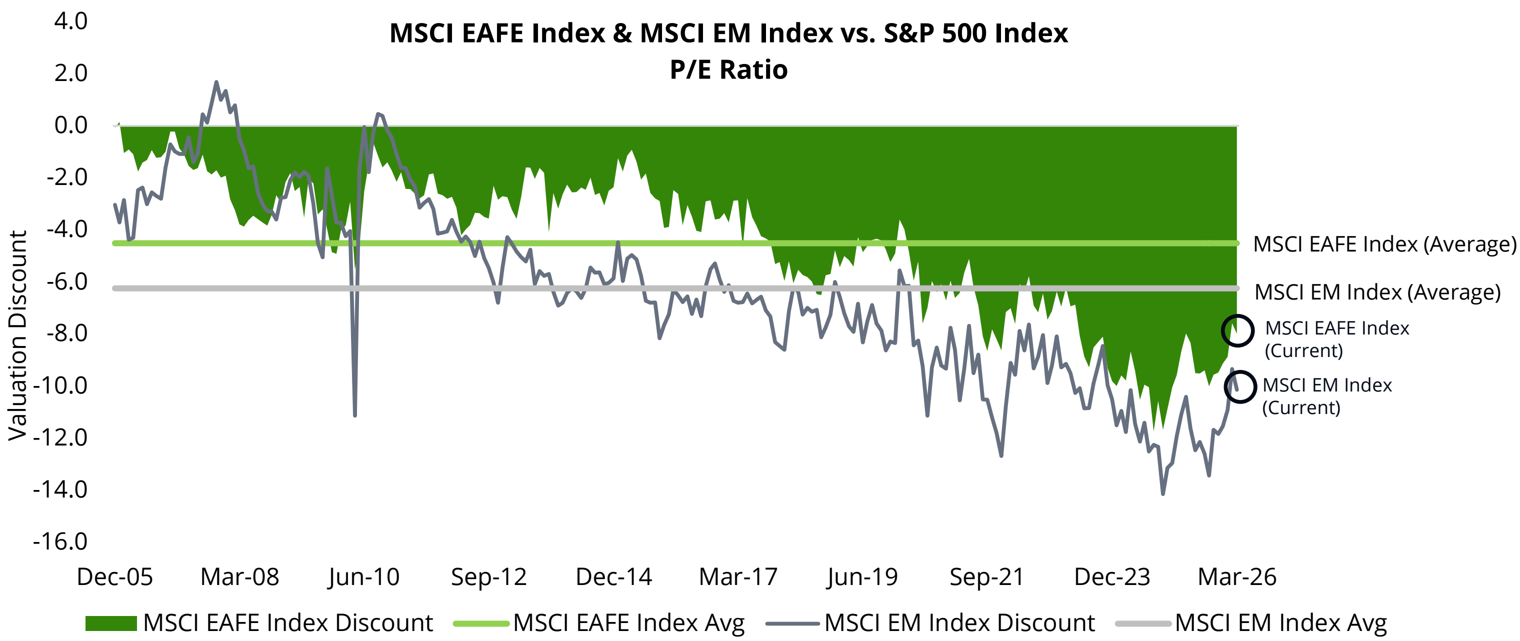
Four forces typically drive U.S. dollar cycles. When they move in tandem, they create momentum that can sustain or reverse trends. Today, these forces point to a prolonged period of dollar weakness.

#	Forces	Significance	Rationale Supporting a Weaker USD
1	Geopolitics	Global Trust Influences USD Demand	• Ongoing U.S. trade tensions strain confidence and reduce trade in USD • Global central banks are shifting reserves away from USD to mitigate risk • Robust growth and coordination abroad can erode U.S. dominance
2	Interest Rate Differentials	Global Interest Rate Spreads Impact USD Demand	• Lower U.S. interest rates are narrowing the previous U.S. yield advantage • Tariff-driven stagflation fundamentally lowers U.S. real returns • Increasing U.S. debt reduces demand for U.S. Treasury bonds
3	Investment Flows	Money Flows Affect USD Demand	• Overexposure to U.S. assets may trigger rebalancing and diversification • Cheaper international valuations may drive capital away from the U.S. • Emerging markets and commodities may regain investor interest
4	Foreign Exchange Adjustments	USD Valuation vs. Fundamentals	• The historically overvalued USD is at increased risk of correction • Large fiscal and trade deficits place downward pressure on the USD • Coordinated global actions to limit USD strength reduce demand

Sources: Ninety One Asset Management, American Beacon Advisors.

Valuation: International Equities Trade at Record Discounts

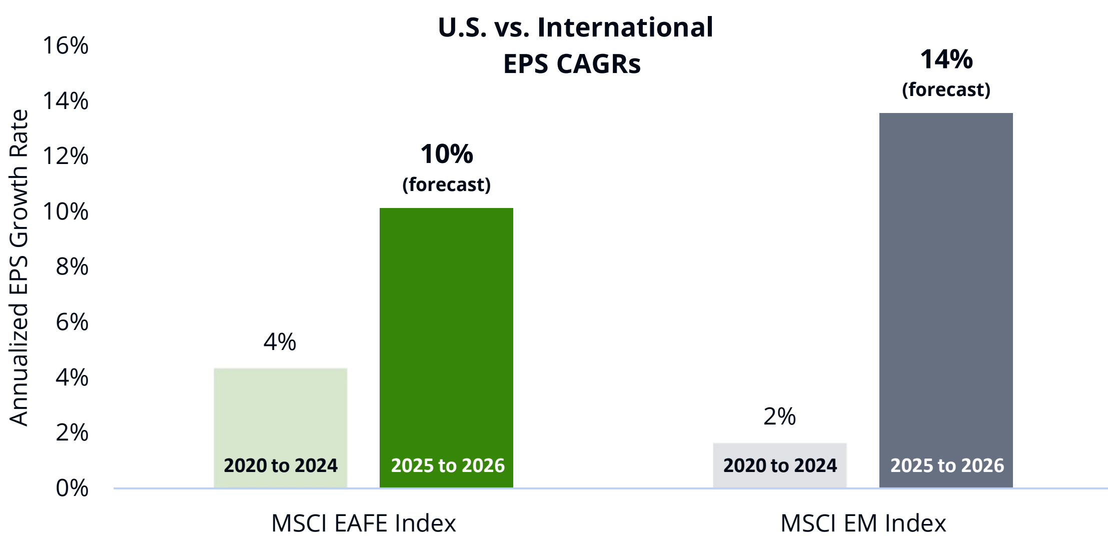
Developed international and emerging market equities are trading at significant discounts to U.S. equities, well below their 20-year average valuation levels.



Source: FactSet, March 2026.

Growth: International EPS Forecasts Signal Near-Term Acceleration

Earnings forecasts for international equities are improving, supporting a more optimistic near-term outlook.

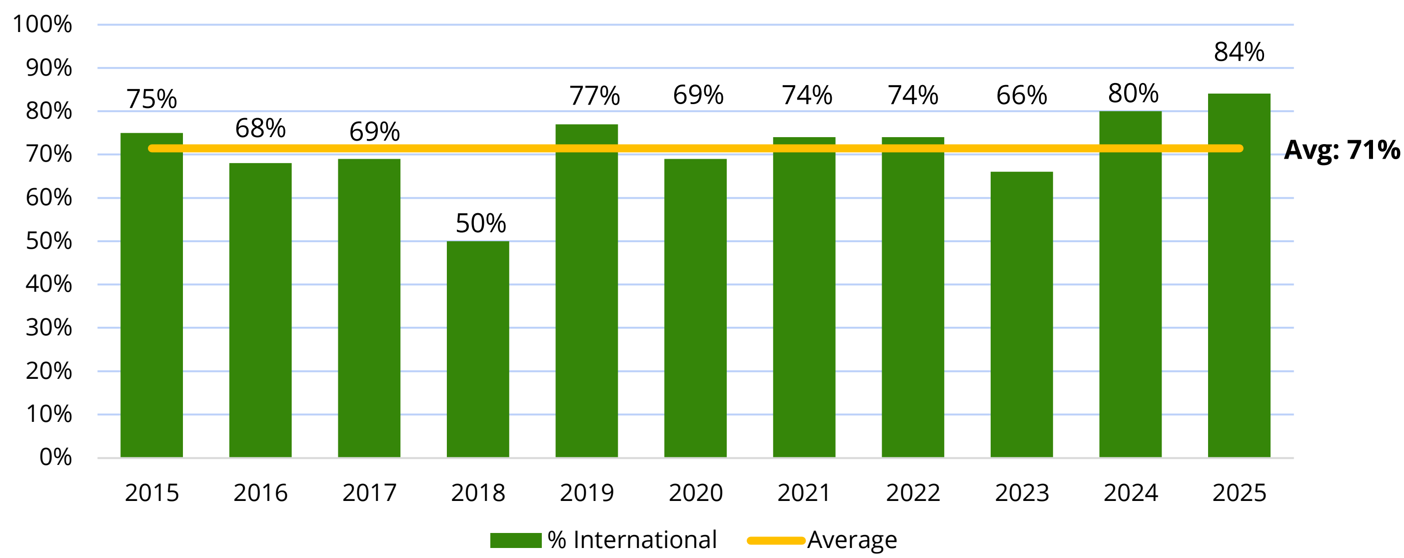


Sources: American Beacon Advisors; Lazard Asset Management. Annualized EPS CAGRs (Compound Annual Growth Rate).

Consider Expanding Your Opportunity Set Beyond U.S. Borders

Non-U.S. companies account for most of the world's top 100 global performers each year.

% of Top 100 Performing Global Companies Based Outside the U.S.

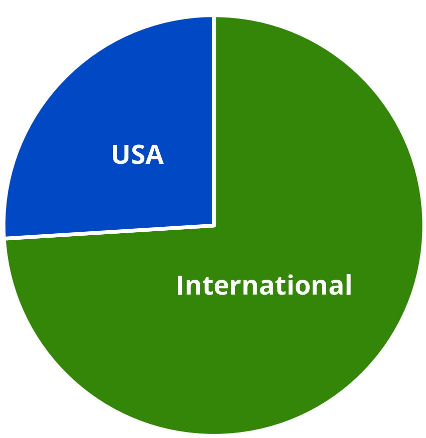


Source: FactSet; American Beacon Advisors.

Gain Access to Global GDP and Revenues

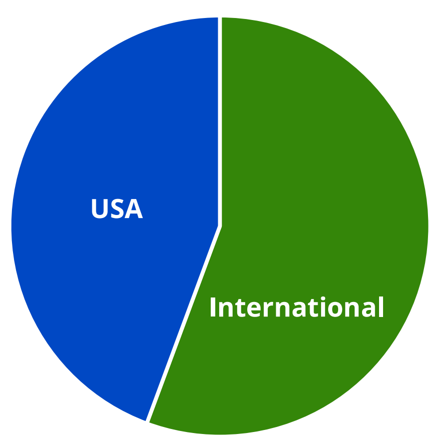
Most global economic activity and corporate revenue is generated outside the U.S. International investing expands access to growth and innovation not fully represented in U.S. markets.

% Global GDP



International represents
74%
of Global GDP

% Global Revenue



International represents
56%
of Global Revenues

Sources: FactSet; World Bank (2024); American Beacon Advisors; FactSet.

Past performance is no guarantee of future results.

Investing in **foreign markets** may involve heightened risk due to currency fluctuations and economic and political risks.

Alpha: A measure of performance on a risk-adjusted basis. Alpha takes the volatility (price risk) of a fund and compares its risk-adjusted performance to a benchmark index. The excess return of the fund relative to the return of the benchmark is a fund's alpha.

Annualized Return: The annualized return is the geometric mean of the returns with respect to one year.

Compound Annual Growth Rate (CAGR): Required for an investment to grow from its beginning balance to its ending balance, assuming the profits were reinvested at the end of each period of the investment's lifespan.

Correlation: A statistical measure of how two securities move in relation to each other.

Earnings Per Share (EPS): A financial metric for company profitability.

Gross Domestic Product (GDP): The total market value of all final goods and services produced in a country during a specific time period; it is a key indicator of a country's economic health.

Magnificent Seven: This is a term for seven of the most dominant and influential technology-focused companies in the U.S. stock market, known for their substantial market capitalization and rapid growth. The stocks that make up the Magnificent Seven are: Alphabet (GOOGL, GOOG): Parent company of Google and YouTube, focused on search, advertising, and cloud computing. Amazon (AMZN): E-commerce giant with a dominant cloud computing platform (AWS) and streaming services (Prime). Apple (AAPL): A leader in consumer electronics (iPhone, iPad, Mac) and services (Apple Music, App Store). Meta Platforms (META): The social media behemoth that owns Facebook, Instagram, and WhatsApp, and is investing heavily in the metaverse. Microsoft (MSFT): A major software provider, cloud computing leader (Azure), and owner of LinkedIn and Xbox. Nvidia (NVDA): A key player in the artificial intelligence (AI) boom due to its dominance in graphics processing units (GPUs) essential for AI and data centers. Tesla (TSLA): The leading manufacturer of electric vehicles (EVs) and a key player in renewable energy solutions.

Nifty 50 (NSEI): In the United States, the term Nifty 50 was an informal designation for a group of roughly 50 large-cap stocks on the New York Stock Exchange in the 1960s and 1970s that were widely regarded as solid buy and hold growth stocks, or "blue-chip" stocks.

Non-U.S. Domiciled: Any company or entity whose primary base of operations is not in the United States.

Price-to-Earnings Ratio ("P/E Ratio"): Current share price of a stock divided by its earnings per share.

Shiller P/E Ratio (CAPE ratio): A valuation measure that uses real *earnings per share (EPS)* over a 10-year period to smooth out fluctuations in corporate profits that occur over different periods of a business cycle.

Valuation: The process of determining the value of an asset or company. Stock analysts determine the value of a company based on current and future earnings, the market value of the company's assets and the balance sheet. A company with a high price-to-earnings ratio is said to have a high valuation or be highly valued. Bond analysts determine the value of a bond based on projections of future interest rates, and they use their valuation to determine whether a bond should be bought or sold at its current price.

Yield: The annual return on an investment, expressed as a percentage of the price. For stocks, yield is the annual dividend divided by the purchase price, also known as a dividend yield. For bonds, it is the coupon rate divided by the market price, called current yield.

The MSCI® ACWI ex-USA Index is a market capitalization-weighted index designed to measure the investable equity market performance in developed and emerging markets, excluding the United States.

The MSCI® EAFE Index is a market capitalization weighted index of international stock performance composed of equities from developed markets excluding the U.S. and Canada.

The MSCI® Emerging Markets Index is a market capitalization weighted index of companies that are representative of the market structure of developing countries in Latin America, Asia, Eastern Europe, the Middle East and Africa.

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