

Differentiated Alpha:

The Case for International and Why Now Matters

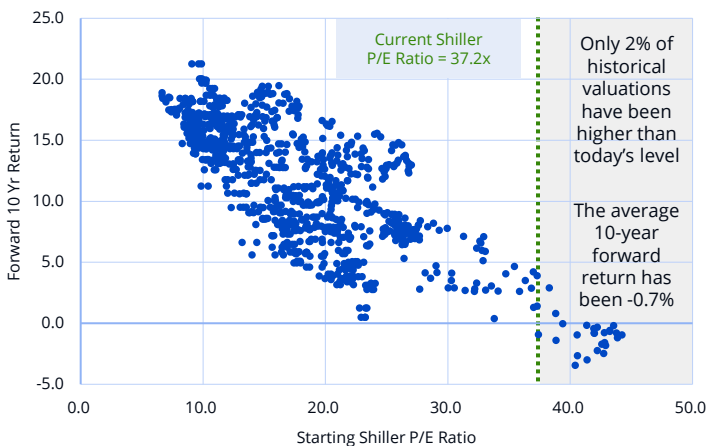
Key Takeaways

- This brochure discusses international investing, which may not be appropriate for all investors. Political, economic, regulatory and social events may react differently in foreign markets and be more difficult for investors to understand. Foreign markets can operate differently and are independent from U.S. markets, and foreign currency exchange rates may change rapidly in comparison to the U.S. dollar.
- High valuations and narrow market leadership suggest lower forward returns for U.S. Large Cap equities. U.S. and international market leadership rotate in multi-year cycles, and U.S. outperformance has extended beyond the historical average. A weaker U.S. dollar (USD) is a significant catalyst for international equity outperformance.
- International equities continue to trade at significant valuation discounts despite meaningful upward revisions to earnings-per-share growth forecasts. Moreover, the majority of global GDP, corporate revenues, and top-performing companies are located outside the U.S.

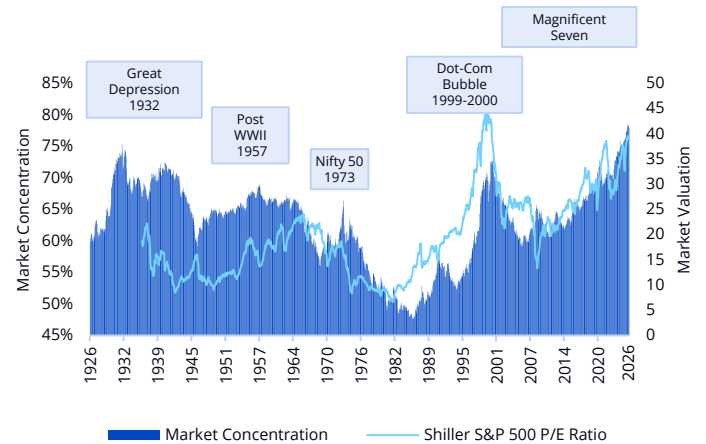
U.S. Equity Investors at Risk

High starting valuations point to weak long-term domestic returns – and market concentration is at historic extremes.

**Inverse Relationship:
Starting Valuation and Forward 10-Year Returns¹**



**Top 10% of U.S. Companies by Size:
Market Concentration From 1926 to 2026²**

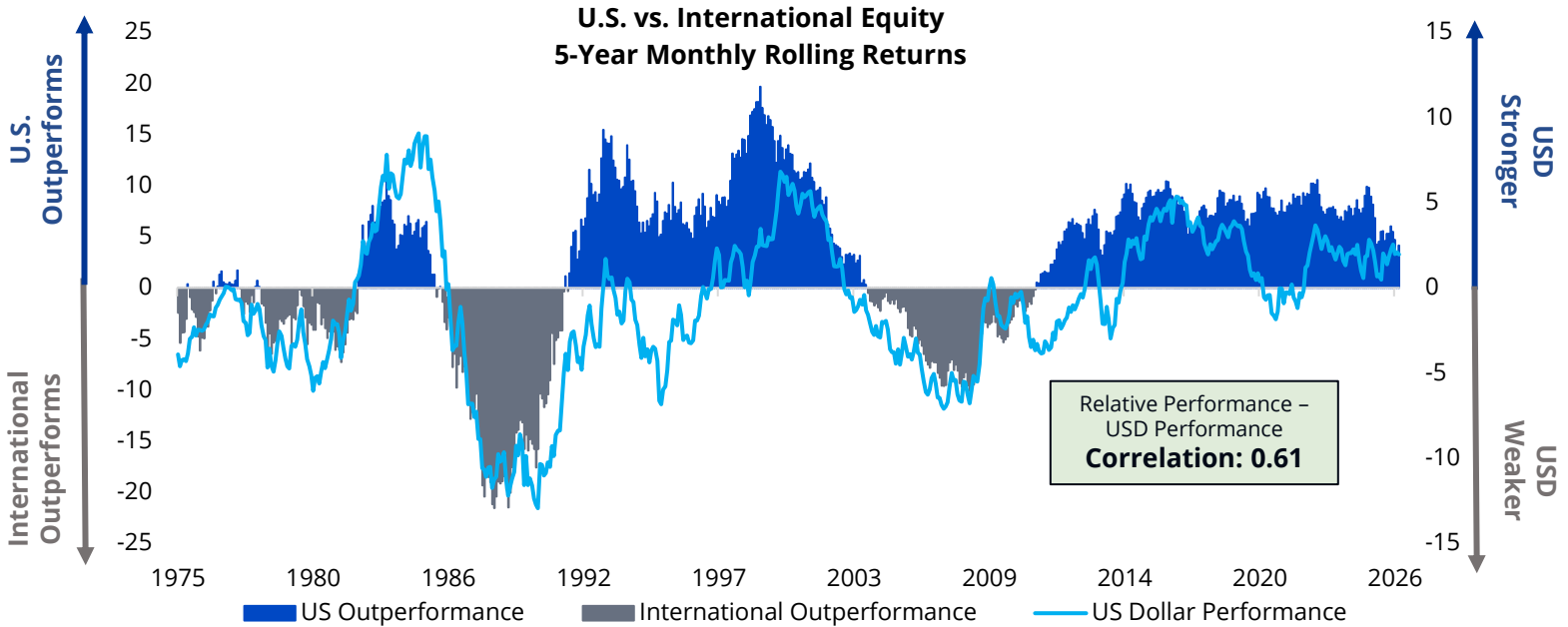


1 Source: Morningstar and www.shillerdata.com. Market valuation is represented by the Shiller P/E ratio and is using monthly data from March 1936 to March 2016. Forward 10-year returns are represented by the S&P 500 Index and is using monthly data from March 1946 to March 2016.

2 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

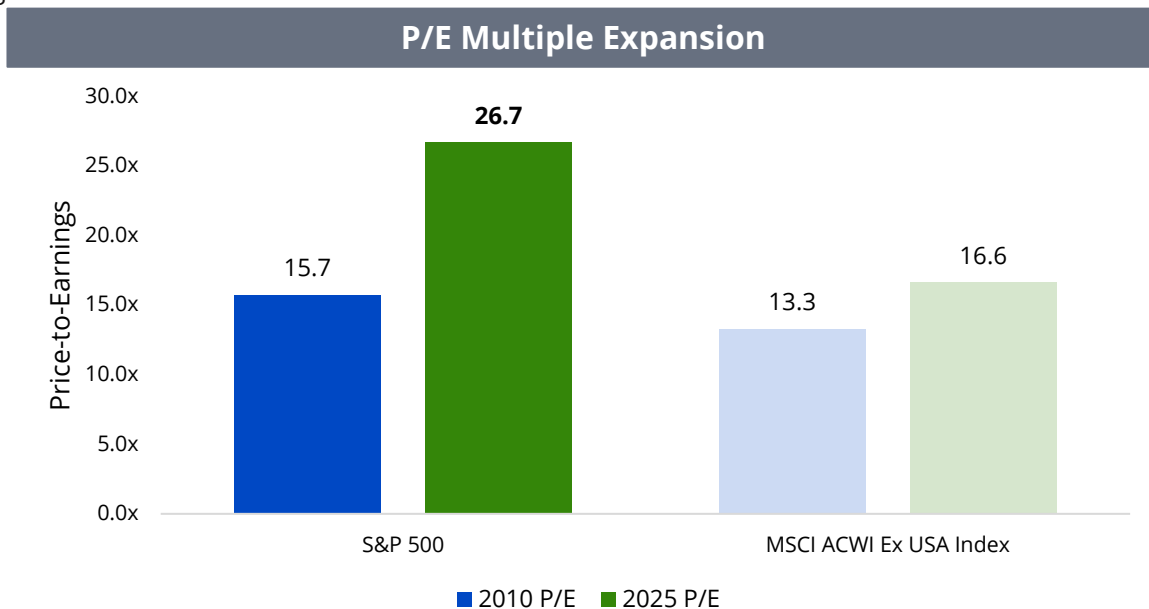
Since 1970, outperformance cycles between U.S. and international equities has lasted an average of **eight years**. To date, U.S. outperformance has stretched well beyond **13 years**. Moreover, relative **performance is highly correlated** with **USD** performance. Dollar cycles last 18 years on average; the **current cycle is in its 15th year**.



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 Significant Driver of U.S. Outperformance in 2010-2025

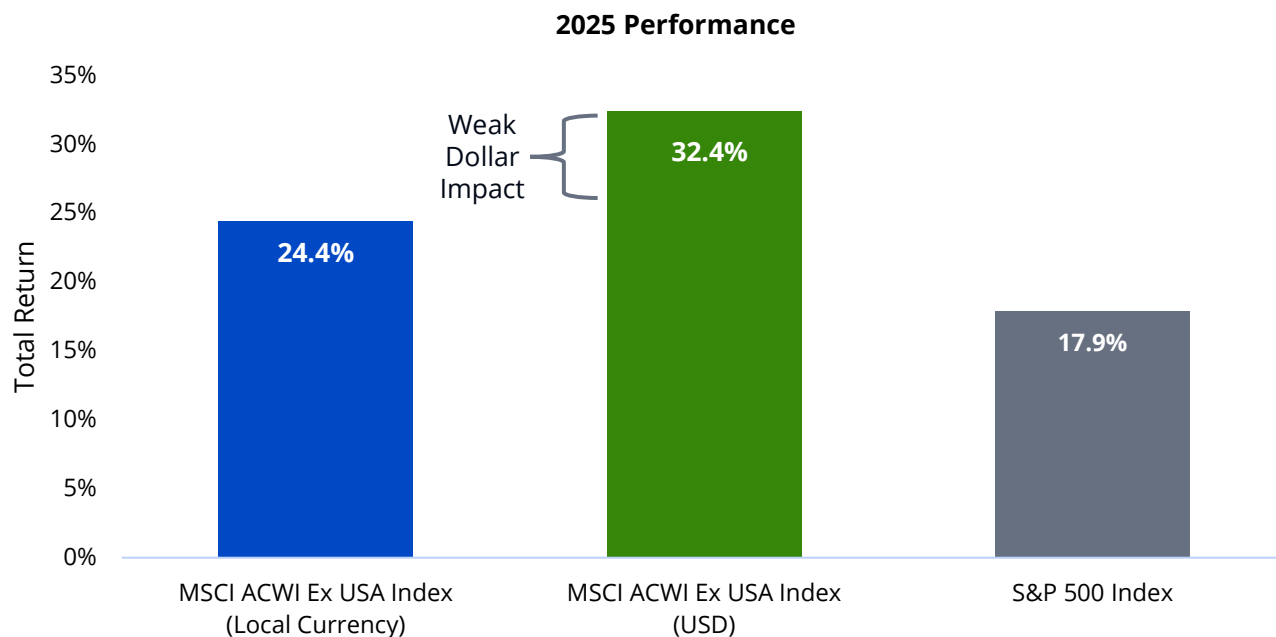
A strong USD and multiple expansions have been the key drivers of U.S. outperformance from 2010 to 2025; significantly outweighing contributions from fundamental sources of return.



Source: FactSet, American Beacon.

2025: USD Weakness Is Becoming a Tailwind for International Equities

The U.S. dollar fell more than 9% in 2025, its steepest annual decline since 2017, creating a meaningful tailwind for international equities. Year-to-date, continued USD weakness has helped global markets outperform the S&P 500.



Source: FactSet.

Why USD Weakness Could Persist

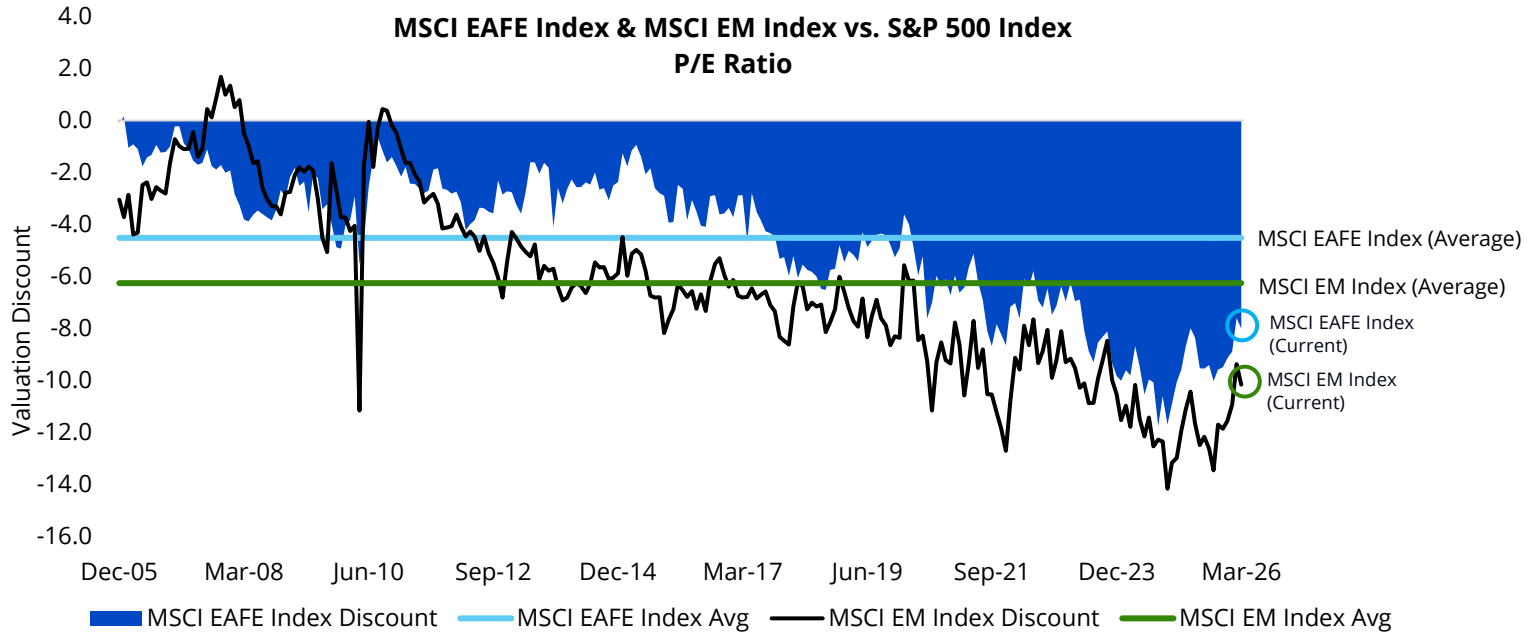
Four forces typically drive USD cycles. When moving in tandem, these forces create powerful momentum that can maintain or reverse USD trends. Today, those forces currently suggest a cycle of continued USD weakness.

| # | Forces | Significance | Rationale Supporting a Weaker USD |
|---|------------------------------|--|--|
| 1 | Geopolitics | Global Trust Influences USD Demand | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 | <ul style="list-style-type: none"> 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 Trading at Record Discounts

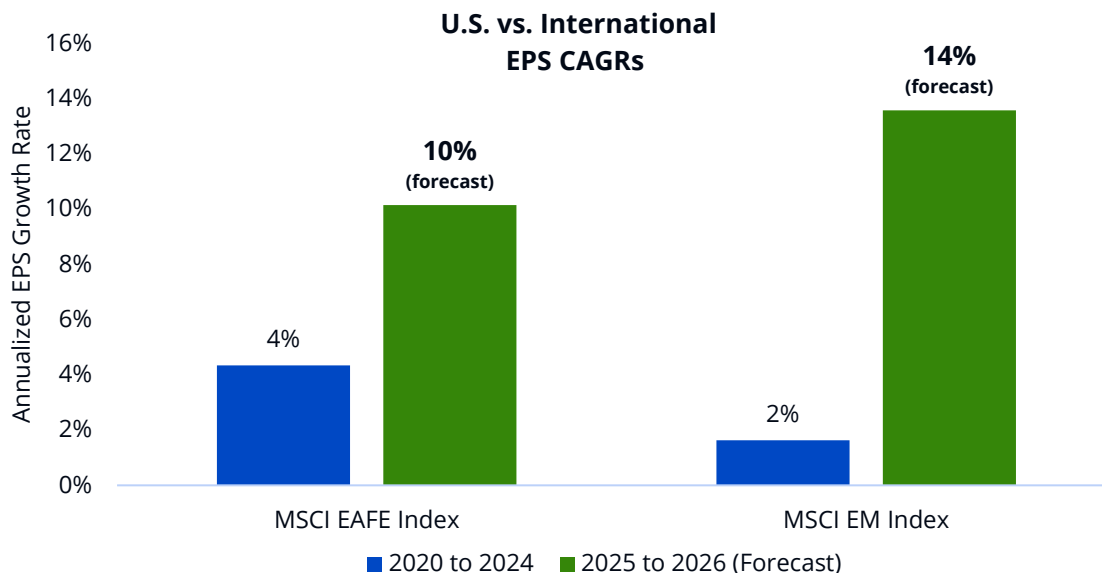
Developed international and emerging market equities are trading at significant discounts relative to U.S. equities, well below their 20-year average valuation levels.



Source: FactSet, March 2026.

Growth: International EPS Growth Forecasts Could Accelerate Near-Term Growth

Earnings forecasts for international equities show **substantial improvements**, reinforcing a more optimistic, near-term outlook.

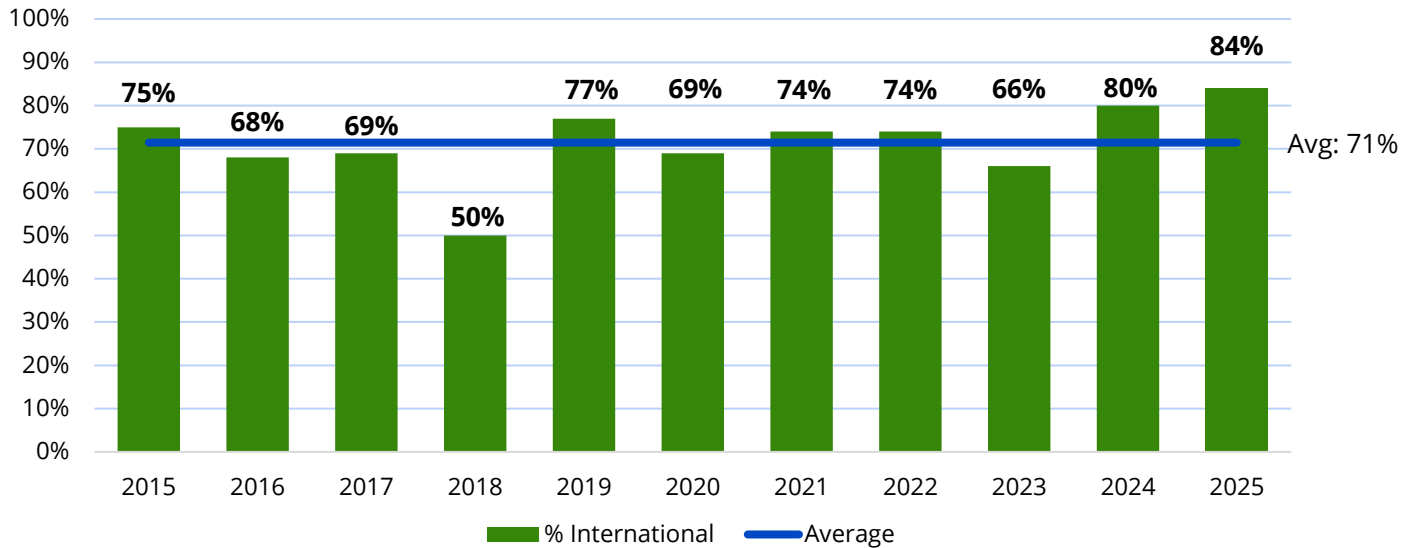


Sources: American Beacon Advisors; Lazard Asset Management. Annualized EPS CAGRs.

Consider Expanding Your Opportunity Set Beyond U.S. Borders

Non-U.S.-domiciled companies make up most of the Top 100 global performers each year.

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

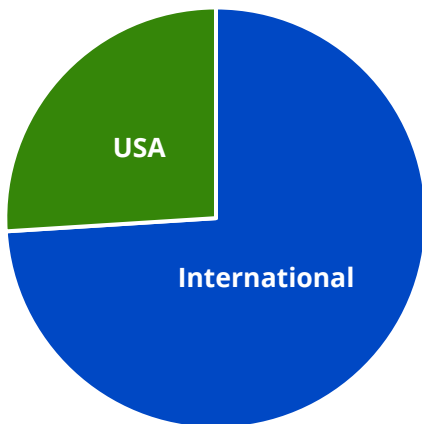


Source: FactSet; American Beacon Advisors.

Gain Access to Global GDP and Revenues

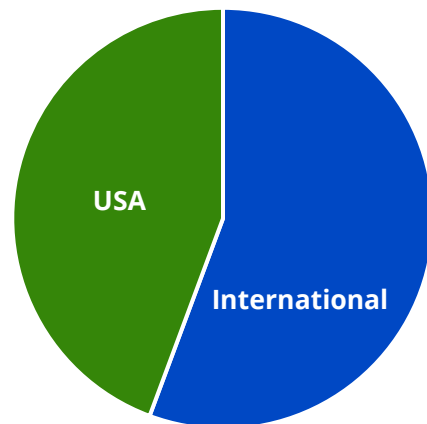
Most global economic activity and corporate revenues are generated outside the U.S. Investing internationally adds access to growth and innovation trends not fully represented in U.S. markets.

% 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.

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.

Certain information contained herein (the "Information") is sourced from/copyright of MSCI Inc., MSCI ESG Research LLC, or their affiliates ("MSCI"), or information providers (together the "MSCI Parties") and may have been used to calculate scores, signals, or other indicators. The Information is for internal use only and may not be reproduced or disseminated in whole or part without prior written permission. The Information may not be used for, nor does it constitute, an offer to buy or sell, or a promotion or recommendation of, any security, financial instrument or product, trading strategy, or index, nor should it be taken as an indication or guarantee of any future performance. Some funds may be based on or linked to MSCI indexes, and MSCI may be compensated based on the fund's assets under management or other measures. MSCI has established an information barrier between index research and certain Information. None of the Information in and of itself can be used to determine which securities to buy or sell or when to buy or sell them. The Information is provided "as is" and the user assumes the entire risk of any use it may make or permit to be made of the Information. No MSCI Party warrants or guarantees the originality, accuracy and/or completeness of the Information and each expressly disclaims all express or implied warranties. No MSCI Party shall have any liability for any errors or omissions in connection with any Information herein, or any liability for any direct, indirect, special, punitive, consequential or any other damages (including lost profits) even if notified of the possibility of such damages.

The S&P 500® Index is a broad-based unmanaged index of 500 stocks, which is widely recognized as representative of the equity market in general. The S&P 500 Index is a product of S&P Dow Jones Indices LLC or its affiliates ("SPDJ") and has been licensed for use by American Beacon Advisors. S&P® and S&P 500® are trademarks of S&P Global, Inc. or its affiliates ("S&P"); Dow Jones® is a registered trademark of Dow Jones Trademark Holdings LLC ("Dow Jones"); S&P Dow Jones Indices LLC are trademarks of the S&P Dow Jones Indices LLC and these trademarks have been licensed for use by SPDJI and sublicensed for certain purposes by American Beacon Advisors. American Beacon Funds is not sponsored, endorsed, sold or promoted by SPDJI, Dow Jones, S&P, or their respective affiliates and none of such parties make any representation regarding the advisability of investing in such product(s) nor do they have any liability for any errors, omissions, or interruptions of the S&P 500 Index.

Symbols and price and volume data shown herein are for illustrative purposes only, and do not constitute a recommendation by American Beacon Advisors to buy or sell a particular security.

All investing involves risk, including possible loss of principal. Any opinions herein, including forecasts, reflect the opinions of the author at the time of writing and are subject to change. This is not a complete analysis of market conditions and, therefore, should not be relied upon as investment advice.

©2026 American Beacon Advisors, Inc. All rights reserved.