

A Snapshot Of Foreign Equities

Y-T-D Total Returns, Earnings Growth Rates & Price-to-Earnings (P/E) Ratios For Foreign Equities (Developed & Emerging Markets)

Index	Y-T-D Total Returns (USD)	2017 EPS Growth Est.	2017 P/E Est.	2018 EPS Growth Est.	2018 P/E Est.	3-Yr. Avg. P/E
MSCI World (ex U.S.)	3.88%	36.51%	15.47	9.72%	14.10	19.56
MSCI World (ex U.S.) Mid Cap	4.16%	19.22%	16.84	9.21%	15.42	21.08
MSCI World (ex U.S.) Small Cap	4.48%	1252.63%*	17.28	15.23%	15.00	40.21
MSCI Emerging Markets	8.58%	24.97%	12.59	12.08%	11.23	13.91
MSCI Emerging Markets Mid Cap	9.54%	30.33%	14.60	17.68%	12.41	20.62
MSCI Emerging Markets Small Cap	9.67%	45.05%	13.85	18.14%	11.72	24.83

Source: Bloomberg. Data thru 3/8/17. EPS growth and P/E's are consensus estimates. Past performance is no guarantee of future results.
*Index's earnings expected to rise from \$0.95 to an estimated \$12.85, or an increase of 1,252.63%. In 2016, earnings declined 80.79% (y-o-y).

View from the Observation Deck

1. Today's blog post is intended to expose potential opportunities in foreign equities via market capitalization (market cap).
2. The International Monetary Fund (IMF) reported in January 2017 that it expects the economic growth rate of "Advanced Economies" to be 1.9% in 2017 and 2.0% in 2018, both above its 1.6% estimate for 2016.
3. The IMF expects the economic growth rate of "Emerging Market and Developing Economies" to be 4.5% in 2017 and 4.8% in 2018, both above its 4.1% estimate for 2016.
4. Year-to-date through 3/8/17, small-caps are outperforming both mid- and large-caps in the developed and emerging markets (see chart).
5. All six indices have 2017 and 2018 estimated year-end P/E ratios significantly below their respective three-year averages as of 3/8/17. As indicated in the chart, the outlook for earnings is optimistic for 2017 and 2018.
6. Investors funneled an estimated net \$16.49 billion into International Equity mutual funds and exchange-traded funds in January 2017, compared to \$6.84 billion for all of 2016, according to Morningstar.

This chart is for illustrative purposes only and not indicative of any actual investment. The illustration excludes the effects of taxes and brokerage commissions and other expenses incurred when investing. Investors cannot invest directly in an index. There can be no assurance that any of the projections cited will occur. The MSCI World (ex U.S.), MSCI World (ex U.S.) Mid Cap and MSCI World (ex U.S.) Small Cap Indices are free float-adjusted market capitalization weighted indices designed to measure the equity market performance of developed markets, excluding the U.S. The MSCI Emerging Markets, MSCI Emerging Markets Mid Cap and MSCI Emerging Markets Small Cap Indices are free float-adjusted market capitalization weighted indices designed to measure the equity market performance of emerging markets.