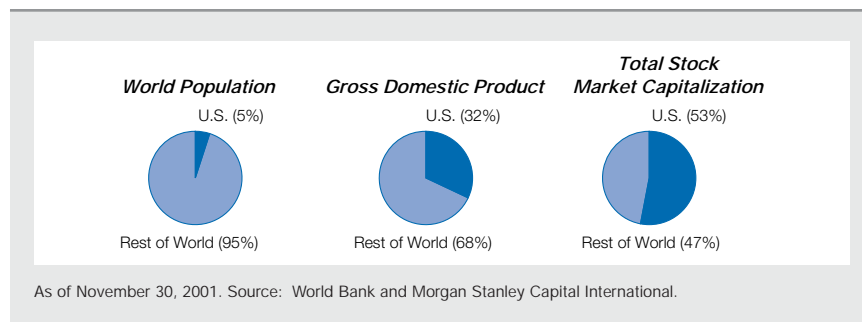


# 10 Reasons to Invest Internationally

Why the opportunity to invest outside the U.S. is greater than ever

## 1 Opportunity Set

Limiting inputs minimizes your outputs, and therefore your chance of success. A strictly U.S. portfolio greatly reduces both your opportunity set and your ability to invest in many world class companies. The United States represents only 53% of the world's stock market capitalization, 5% of the world's population, and 32% of the world's gross domestic product.



## 2 Diversification

Diversification can reduce the overall volatility of a portfolio. Historically, different countries' markets have moved independently of one another; being exposed to uncorrelated markets across many sectors and asset classes will smooth out the ride.

## 3 Equity Culture Expanding

In the past 5 years, there has been a significant increase in the number of equity investors. Around the world, investors have become more comfortable investing in equities. We expect this trend to continue, which should further spur demand for non-U.S. stocks.

## 4 Euro

The creation of the euro has led to increased efficiency for companies doing business in Europe. Additionally, according to most economists, the euro is significantly undervalued relative to the dollar. In the same way that consumers can take advantage of this disparity to get good deals abroad today, investors can take advantage of the strength of the dollar to get good deals on non-U.S. stocks.

# 5

## *Deregulation*

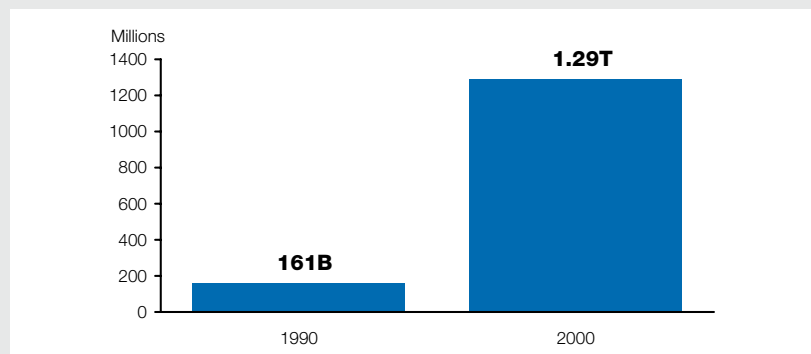
With deregulation and the elimination of country and economic boundaries, companies will be able to compete for capital and customers on a global scale. Well-positioned companies should thrive, creating a terrific opportunity for investors.

# 6

## *Restructuring*

European merger and acquisition volume has dramatically increased since 1990, and this growth is expected to continue. As a result of global competition, companies are forced to do what it takes to become more efficient, more productive businesses. The efficiencies gained by M&A activity in the late 80's and 90's are still being realized today.

*The Value of M&A Activity Involving a European Target*



Values shown are net debt of target. Source: Thomson Financial, December 2001.

# 7

## *Tax Reform*

In an increasingly competitive global environment, countries such as Germany and Japan have been forced to initiate tax reform. This reform will promote a more business-friendly environment around the globe.

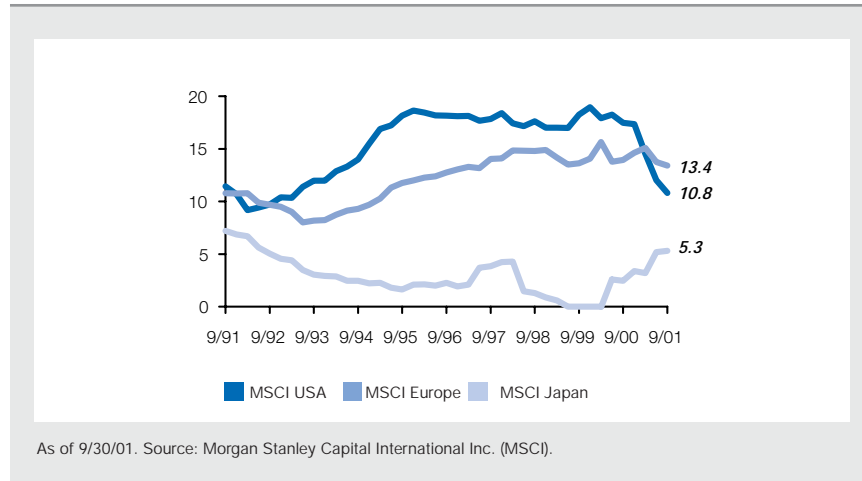
# 8

## *Demographics*

The pool of investors seeking higher returns in Europe is increasing. The number of workers per retiree is predicted to drop significantly over the next 35 years as the baby boomer population retires. Europe's pension system will therefore need higher returns in order to offset this smaller inflow of capital; this will further increase the demand for and, potentially, the returns of equity investments.

## 9 Financial Productivity

Europe's ROE has been increasing consistently since 1993; conversely, the U.S.'s was stagnant throughout the late 90's and dropped in 1999 and 2000. We believe stock price reflects a company's productivity which should bode well for Europe's future.



## 10 Valuations

As consumers, we evaluate products based on their price, quality, and effectiveness, rather than on their country of origin. If investors evaluated businesses in the same way, they would find that there are opportunities to invest in great businesses that trade at significant discounts to some of their U.S. counterparts.

