

# International Equity

# FINANCIALS: A BLIP OR A LONG-TERM TREND?

International financial stocks delivered impressive returns last year but how did the sector perform over the long term?

In 2024, the Financials sector\* had an outsized impact on international equity performance, as represented by the MSCI EAFE Index. Banks a subset of the Financials sector, in particular, had strong returns due to rising rates bolstering profitability.

IN 2024:

**20.91%**

ANNUALIZED RETURN FOR THE FINANCIALS SECTOR<sup>1</sup>

**4 BANKS/ FINANCIAL SERVICES**

NAMES WERE A TOP 10 CONTRIBUTOR TO PERFORMANCE<sup>2</sup>

However, taking a step back and looking at historical trends prior to 2024, Financials was not a significant driver of long-term performance for international equities.

IN 2014–2023:

**3.30%**

ANNUALIZED RETURN FOR THE FINANCIALS SECTOR<sup>1</sup>

**0 BANKS/ FINANCIAL SERVICES**

NAMES WERE A TOP 10 CONTRIBUTOR TO PERFORMANCE<sup>2</sup>

We believe that in the long run, international equity performance is driven by specific holdings, and active management can help uncover these key performers.

## THE DRIVERS OF LONG-TERM PERFORMANCE (2014–2023)

MSCI EAFE Top 10 Performers		Annualized Performance
1	ASML <sup>†</sup>	24.45%
2	Novo Nordisk <sup>†</sup>	21.24%
3	LVMH Moet Hennessy Louis Vuitton <sup>†</sup>	18.12%
4	L'Oreal <sup>†</sup>	12.73%
5	AstraZeneca	12.39%
6	Sony	11.56%
7	Toyota Motor	8.89%
8	Novartis <sup>†</sup>	7.67%
9	SAP <sup>†</sup>	7.59%
10	Nestle <sup>†</sup>	7.53%

Source: Morningstar, performance data from 1/1/2014–12/31/2023.

<sup>†</sup> Companies that are currently held or have been held in Walter Scott's international strategy. Please visit [bny.com/investments](https://bny.com/investments) for more information. Holdings listed should not be considered recommendations to buy or sell a security.

Not FDIC-Insured. Not Bank-Guaranteed. May Lose Value.

## Walter Scott's View on Banks

Walter Scott, as an active, long-term investment manager, constructs their portfolios without reference to index weightings. Walter Scott has historically had limited exposure to banks but is constantly evaluating quality companies. According to their investment team, "our sole aim is to find stocks that meet our rigorous

investment criteria and that can produce sustainable earnings growth over our lengthy holding periods. Should we find a bank that we believe can meet these criteria and deliver excellent risk-adjusted returns, then it would be considered a candidate for the portfolio."

### About Walter Scott

Walter Scott is the global equities-focused investment firm within BNY Investments.

\* Financials sector: companies engaged in banking, financial services, consumer finance, capital markets and insurance activities. It also includes Financial Exchanges & Data and Mortgage REITs.

<sup>1</sup> Source: Factset. MSCI EAFE Financials Net Return.

<sup>2</sup> Source: Bloomberg, for the Financial sectors within the MSCI EAFE Index.

### IMPORTANT INFORMATION

**All investments involve risk, including the possible loss of principal. Certain investments involve greater or unique risks that should be considered along with the objectives, fees, and expenses before investing.**

**Asset allocation and diversification cannot assure a profit or protect against loss.**

**FDIC** is Federal Deposit Insurance Corp. **Risks: Equities** are subject to market, market sector, market liquidity, issuer, and investment style risks, among other factors, to varying degrees. Investing in **foreign denominated and/or domiciled securities** involves special risks, including changes in currency exchange rates, political, economic, and social instability, limited company information, differing auditing and legal standards, and less market liquidity. These risks generally are greater with emerging market countries.

**MSCI EAFE Index** (Europe, Australasia, Far East) is a free float-adjusted, market capitalization-weighted index that is designed to measure the equity market performance of developed markets, excluding the US and Canada. Investors cannot invest directly in any index. Reflects reinvestment of net dividends and, where applicable, capital gain distributions.

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