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FISH WHERE THE FISH ARE

PART ONE OF TWO

THE VALUATION CASE FOR INTERNATIONAL EQUITY MARKETS

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KEY TAKEAWAYS

THE VALUATION CASE FOR INTERNATIONAL EQUITY MARKETS

- International markets present a compelling investment opportunity, arguably the best in two decades.
- Potentially promising international equity returns are supported by attractive valuation levels compared to both the U.S. market and their own history.
- International equity exposure has great portfolio diversification benefits by outperforming when the U.S. market struggles over an extended period.
- U.S. versus international outperformance is cyclical and recent signs indicate that international markets are emerging from a period of underperformance.
- International markets' outperformance could be significant in magnitude and duration.

INTRODUCTION

FISH WHERE THE FISH ARE

In honor of the late Charlie Munger, Warren Buffett’s right-hand man, a brilliant thinker, witty philosopher, and investment role model for fundamental based investors like ACR, we named this series of whitepapers after one of his famous quotes.

Charlie Munger's pithy advice, "fish where the fish are," resonates powerfully with us as international investors. The U.S. market often basks in the spotlight, but we believe that international equity markets present a stocked pond of attractive investment opportunities. In part one of two, this whitepaper will highlight the valuation case for investing in international equity markets.

“WE BELIEVE THAT INTERNATIONAL EQUITY MARKETS PRESENT A STOCKED POND OF ATTRACTIVE INVESTMENT OPPORTUNITIES”

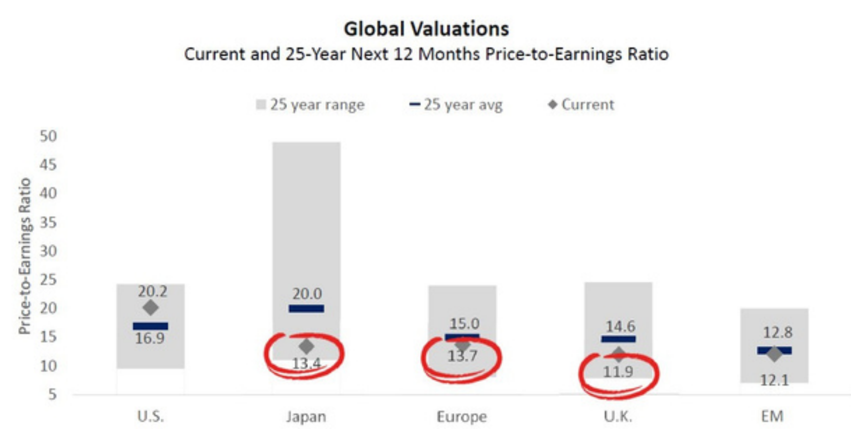
One compelling reason to dive into international waters is the stark valuation gap as illustrated by the cyclically adjusted price-to-earnings (CAPE) ratios. The CAPE ratio smooths out short-term earnings fluctuations across a 10-year period, offering a more accurate picture of long-term market valuation. As of March 2025, the U.S. market sported a CAPE of 34.1, significantly higher than the global ex-U.S. median CAPE of 19.6. While the U.S. market may currently warrant a valuation premium due to its higher exposure to growth sectors like technology, the current gap appears excessive. This suggests that international equities, on average, could offer greater potential for future price appreciation due to their more compelling valuations.

"The U.S. valuation premium appears excessive."

Source: ACR analysis, Barclays Research, DataStream as of March 31, 2025
Price-to-earnings and indices used defined in disclosures.

International equities are not only attractively valued compared to the U.S. market, but also relative to their own historical valuations. This suggests that international equities could offer greater forward-going returns than their historical average.

"International equities are attractively valued compared to the U.S. and their own history."

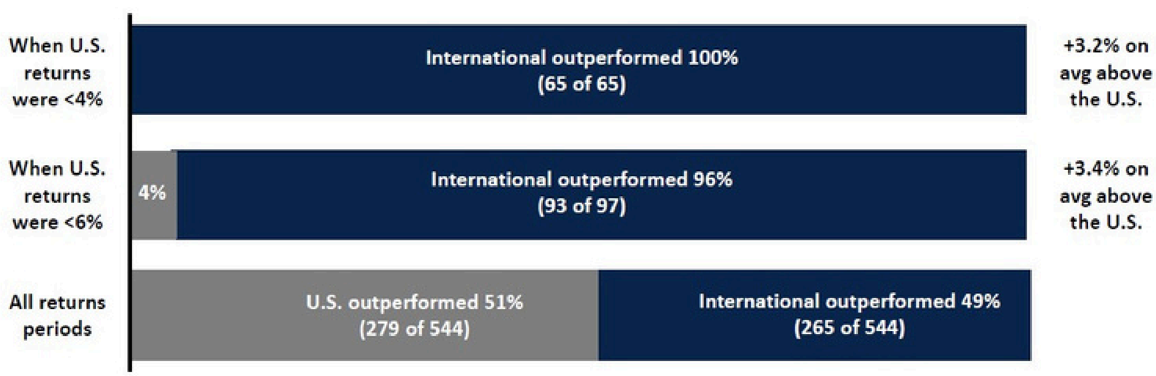


Source: MSCI, Bloomberg. Japan data is from May 2005 to March 2025 and therefore only 18.9 years. Price-to-Earnings is capped at 50x. As of March 31, 2025. Indices used defined in disclosures.

The U.S. market appears destined for lower medium-term returns. The U.S. CAPE and the above average U.S. Price-to-Earnings (P/E) ratio clearly point in this direction. In contrast, the international CAPE and below average international P/E ratios point to potentially attractive prospective returns for international equity markets. However, even without expecting attractive returns abroad, there is a compelling reason to invest internationally. Historically, international stocks have outperformed the U.S. market during periods of subpar U.S. market returns (defined as annual returns below 6% over a 10-year period). The current environment suggests there could be significant diversification benefits to investing in international markets.

"International equities have historically outperformed by 3% per year during periods of subpar U.S. returns."

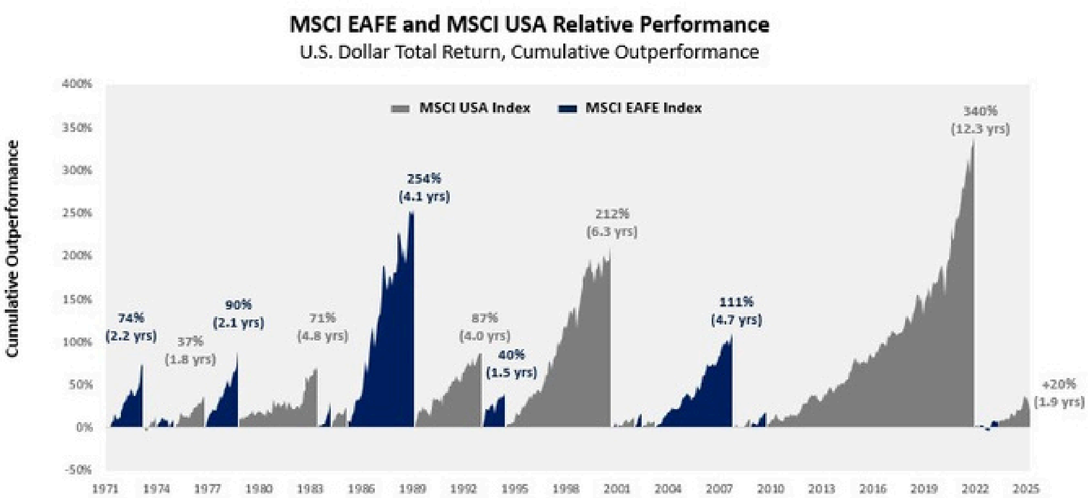
International Stocks Have Historically Outperformed in Periods of Lower U.S. Stock Returns
10 Year Rolling Periods, U.S. Return Levels vs. International, 1970- Q1 2025



Source: ACR analysis, MSCI. As of March 31, 2025. U.S. stocks represented by the MSCI USA Index and International stocks represented by the MSCI EAFE Index. Past performance cannot predict future results. Indices used defined in disclosures.

The U.S. market has been the best place to invest since 2010. The magnitude and the duration of the U.S. market outperformance has caused many investors to question the merits of international investing. Taking a longer-term perspective, however, often illuminates. Historically, U.S. versus international markets outperformance has been cyclical and the changes in "leadership" have often been large in magnitude and duration. The international markets have outperformed since late 2024 and offer a potential early signal that leadership change is occurring.

"U.S. versus international outperformance is cyclical and recent signs indicate that international markets are emerging from a period of underperformance."



Source: ACR, eVestment. Regime change determined when cumulative outperformance peaks and is not reached again in the subsequent 12-month period. Based on monthly return data. As of March 31, 2025. Past performance cannot predict future results.

CONCLUSION

The investment opportunity in international equity markets is arguably stronger now than in the past two decades. International valuations are attractive compared to both the U.S. market and their own history, suggesting potentially attractive future returns. Additionally, international stocks have historically outperformed when the U.S. market struggles, acting as a valuable portfolio diversifier. Lastly, U.S. versus international outperformance is cyclical and recent signs indicate that international markets are emerging from a period of underperformance. While the precise scale and timing of international equity markets' outperformance remain uncertain, fundamental and historical analyses suggest it could be significant in magnitude and duration.

"INTERNATIONAL MARKETS' OUTPERFORMANCE COULD BE SIGNIFICANT IN MAGNITUDE AND DURATION."

DISCLOSURES

Investors should carefully consider the investment objectives, risks, charges and expenses of the Fund. This and other important information about the Fund is contained in the prospectus or summary prospectus, which can be obtained by calling 855-955-9552 or at www.acr-investfunds.com. Read it carefully before investing. The Fund is distributed by IMST Distributors, LLC. ACR Alpine Capital Research is not affiliated with IMST Distributors, LLC.

The views in this paper were as of May 2025 and may not necessarily reflect the same views on the date this paper is first published or any time thereafter. Past performance cannot predict future results. Diversification cannot assure a profit or protect against loss in a down market.

The Fund is non-diversified and may invest a greater percentage of its assets in a particular issue and may own fewer securities than other mutual funds. All investments involve risk, and principal loss is possible. Investments in foreign securities are affected by risk factors generally not thought to be present in the United States. The prices of foreign securities may be more volatile than the prices of securities of U.S. issuers because of economic and social conditions abroad, political developments, and changes in the regulatory environments of foreign countries. Many of the risks with respect to foreign investments are more pronounced for investments in issuers in developing or emerging market countries. Investments in the securities of United Kingdom ("U.K.") issuers may subject the Fund to regulatory, political, currency, security, and economic risks specific to the U.K. The U.K. trades heavily with other European countries, the United States and China, and it may be impacted by changes to the economic health of its key trading partners. The U.K. also relies heavily on the export of financial services. Investments in foreign securities may involve risks such as social and political instability, market illiquidity, exchange-rate fluctuations, a high level of volatility and limited regulation. Investing in emerging markets involves different and greater risks, as these countries are substantially smaller, less liquid and more volatile than securities markets in more developed markets. The Fund invests in ETFs (exchange-traded funds) and is therefore subject to the same risks as the underlying securities in which the ETF invests as well as entails higher expenses than if invested into the underlying ETF directly. Value investing involves the risk that an investment made in undervalued securities may not appreciate in value as anticipated or remain undervalued for long periods of time.

*The **price-to-earnings (P/E)** ratio for a company is based on the most recent closing price and the last reported annual earnings per share. The P/E for a stock is computed by dividing the price of the stock by the company's annual earnings per share. The P/E ratio for the Fund is based on Normalized Earnings, which is a cyclically-adjusted (or smoothing out) of earnings. Normalized Earnings for the Fund is based on portfolio manager estimates of the sustainable cash earning power of the individual companies in the portfolio. Normalized Earnings for the MSCI ACWI ex US is calculated by ACR using country level cyclically-adjusted price to earnings (CAPE) ratios published by Barclays Research and using the corresponding country weights in the Index to determine an overall CAPE ratio for the Index at the end of the period.*

DISCLOSURES

Indices used:

- *MSCI ACWI ex USA - The MSCI ACWI ex USA Index captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 24 Emerging Markets (EM) countries. With 1,982 constituents, the index covers approximately 85% of the global equity opportunity set outside the US.*

- *MSCI USA - The MSCI USA Index is designed to measure the performance of the large and mid cap segments of the US market. The index covers approximately 85% of the free float-adjusted market capitalization in the US.*

- *MSCI EAFE - The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada. The Index is available for a number of regions, market segments/sizes and covers approximately 85% of the free float-adjusted market capitalization in each of the 21 countries.*

- *MSCI Japan - The MSCI Japan Index is designed to measure the performance of the large and mid cap segments of the Japanese market. With 183 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in Japan.*

- *MSCI Europe -The MSCI Europe Index captures large and mid cap representation across 15 Developed Markets (DM) countries in Europe. With 301constituents, the index covers approximately 85% of the free float-adjusted market capitalization across the European Developed Markets equity universe.*

- *MSCI UK - The MSCI United Kingdom Index is designed to measure the performance of the large and mid cap segments of the UK market. With 73 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the UK.*

- *MSCI EM - The MSCI Emerging Markets Index captures large and mid cap representation across 24 Emerging Markets (EM) countries. With 1,206 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.*