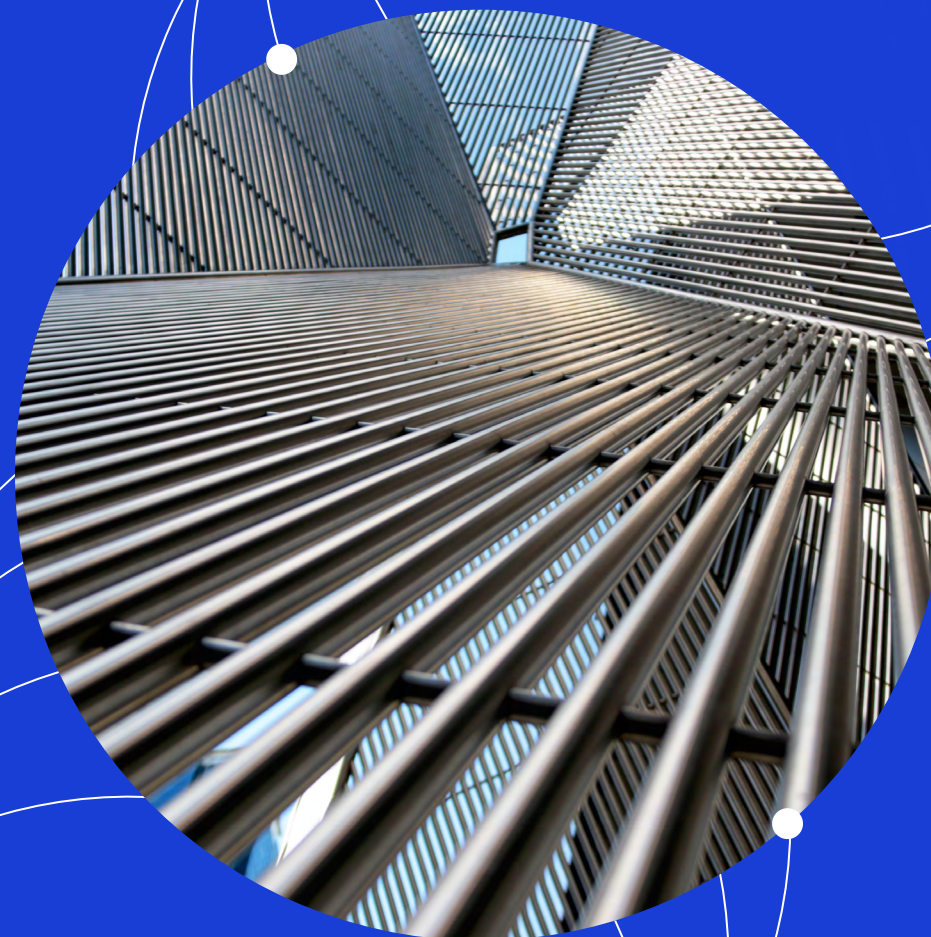


Why EAFE Now?

Index-powered insights for globally
diversified markets



Volatility, policy cycles and currency swings often unfold differently in the EAFE region, a diversified universe across 21 developed markets¹ with return drivers that differ significantly from those in the United States.

Drawing on more than five decades of index innovation, MSCI delivers solutions built to capture equity exposures worldwide to help wealth teams and ETF issuers translate global signals into strategy. See three ways to use today's EAFE signals to inform your investment strategy.

Visit our Markets in Motion hub for more on index-driven strategies.

MSCI EAFE Indexes by the numbers

USD 1.7 trillion AUM

Benchmarked to MSCI EAFE indexes²

36 MSCI-linked ETFs

Tracking MSCI EAFE indexes globally¹

21 developed markets

Covered around world, excluding US and Canada

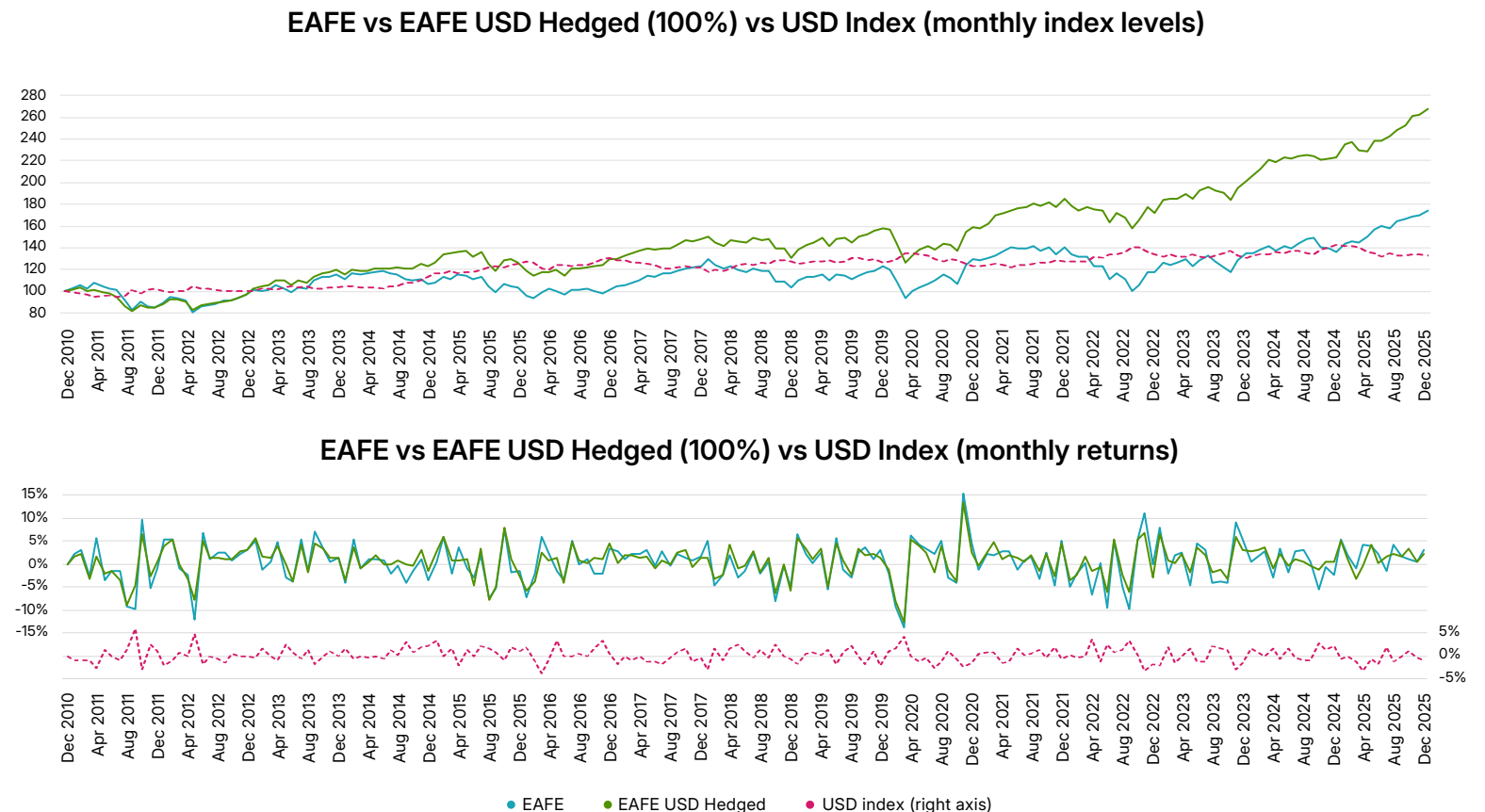
¹ As of January 2026. Developed Markets countries in the MSCI EAFE Index include: Australia, Austria, Belgium, Denmark, Finland, France, Germany, Hong Kong, Ireland, Israel, Italy, Japan, the Netherlands, New Zealand, Norway, Portugal, Singapore, Spain, Sweden, Switzerland and the UK.

² As of June 2025.

Hedged vs Unhedged: The currency question

Currency swings can significantly influence EAFE outcomes, depending on an investor's base currency. For U.S.-based investors, hedged and unhedged EAFE exposures have historically diverged at times, including over the past three years, when hedged EAFE indexes outperformed unhedged equivalents. These differences reflect how currency treatment interacts with exchange-rate movements and monetary policy conditions. Historically, hedged approaches have been associated with lower volatility in certain environments, while unhedged exposures have tended to be more sensitive to periods of foreign-currency appreciation. Hedged and unhedged EAFE indexes illustrate how currency treatment can influence return and risk characteristics, particularly during shifts in interest-rate expectations and currency cycles.

Read more: [To Hedge or Not to Hedge? Lessons from History for US Equity Investors | MSCI](#)
[Hedging Macro Risk in Equity Portfolios | MSCI](#)



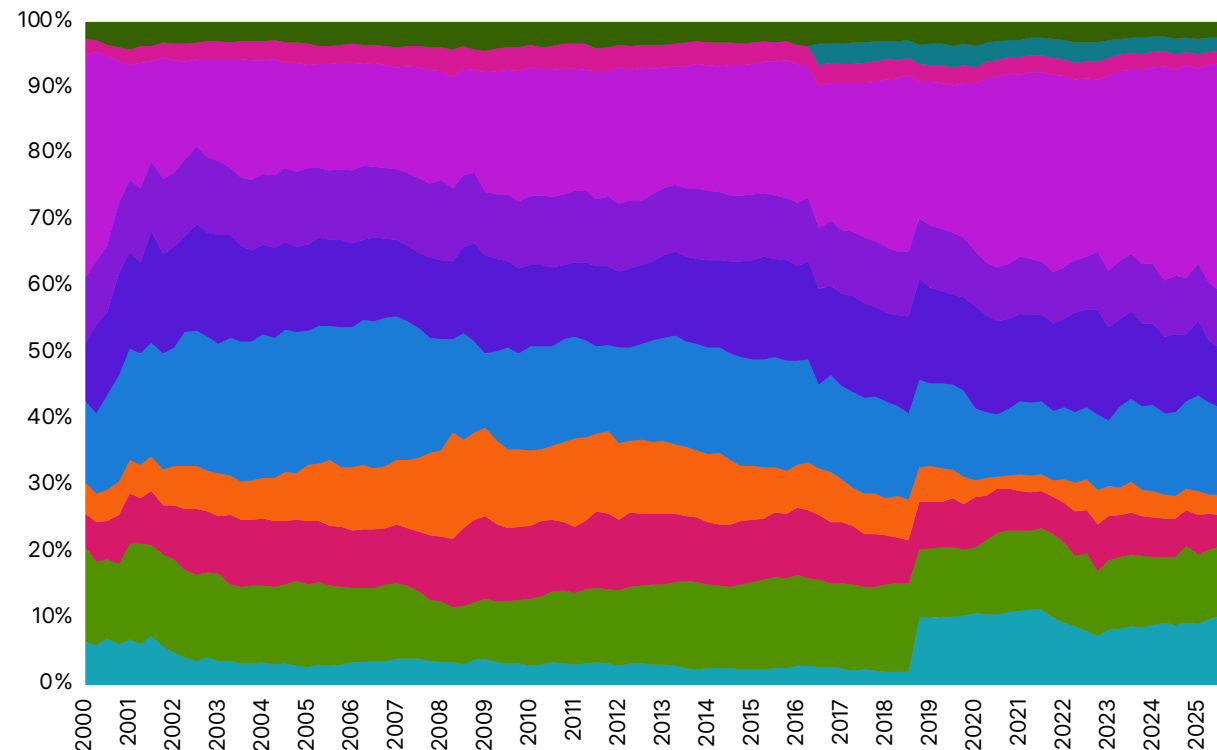
Source: MSCI EAFE and MSCI EAFE USD Hedged (100%) Index levels (price). USD Index: FRED - Nominal Broad U.S. Dollar Index (DTWEXBGS). Past performance is not indicative of future results.

EAFE and U.S. sector-weight mismatches matter

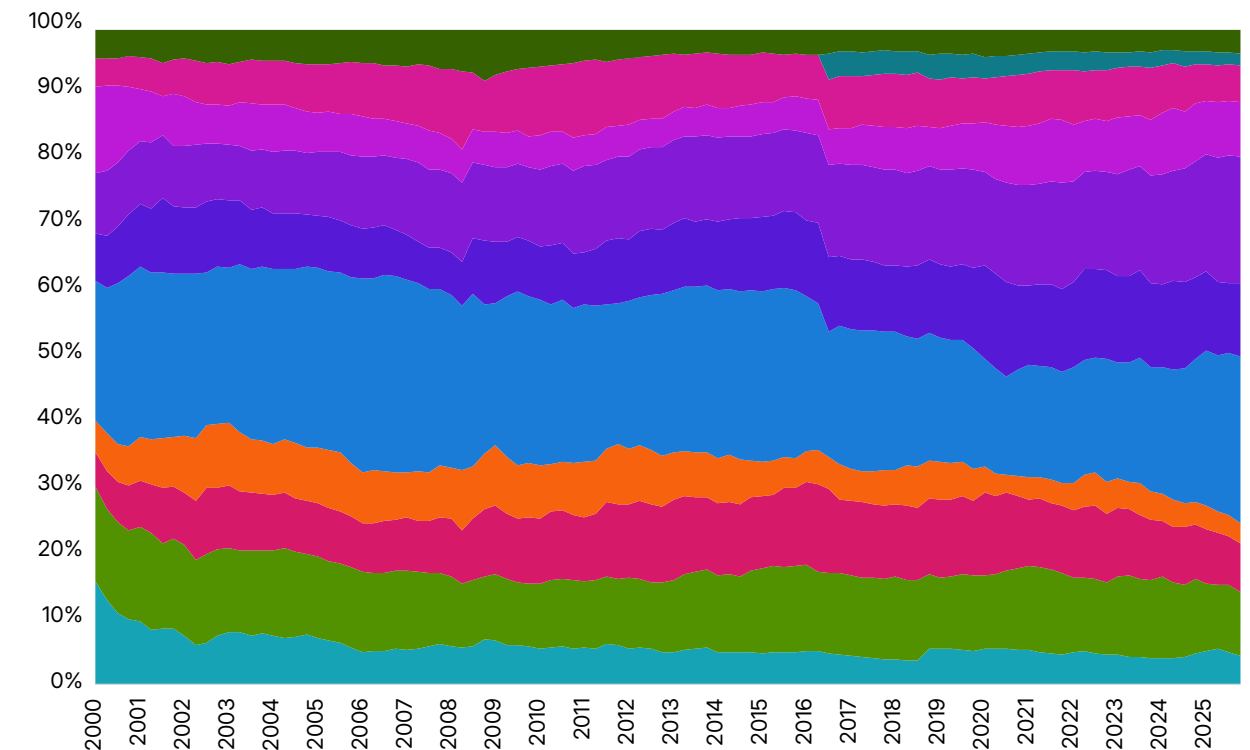
EAFE and U.S. indexes may share similar sector labels, but they reflect very different business models, revenue sources and risk drivers. EAFE is more heavily weighted toward financials, industrials and exporters, and less toward U.S.-style mega-cap technology. As a result, an indexed EAFE allocation can introduce different cyclicality, valuation and factor exposures than the US market offers. Additionally, the revenue exposure of companies in EAFE is more globally diversified than the U.S. market, which offers an additional diversification lens to consider. Looking beyond headline weights to fundamentals such as profitability, revenue mix and currency sensitivity provide investors the opportunity to identify and adjust unintended exposures embedded in global portfolios and refine EAFE allocations to either amplify or reduce sensitivity to global trade, currencies and regional growth cycles.

Read more: [EAFE's Resurgence Highlights the Power of Geographic Diversification | MSCI](#)

USA Historical Sector Weights



EAFE Historical Sector Weights



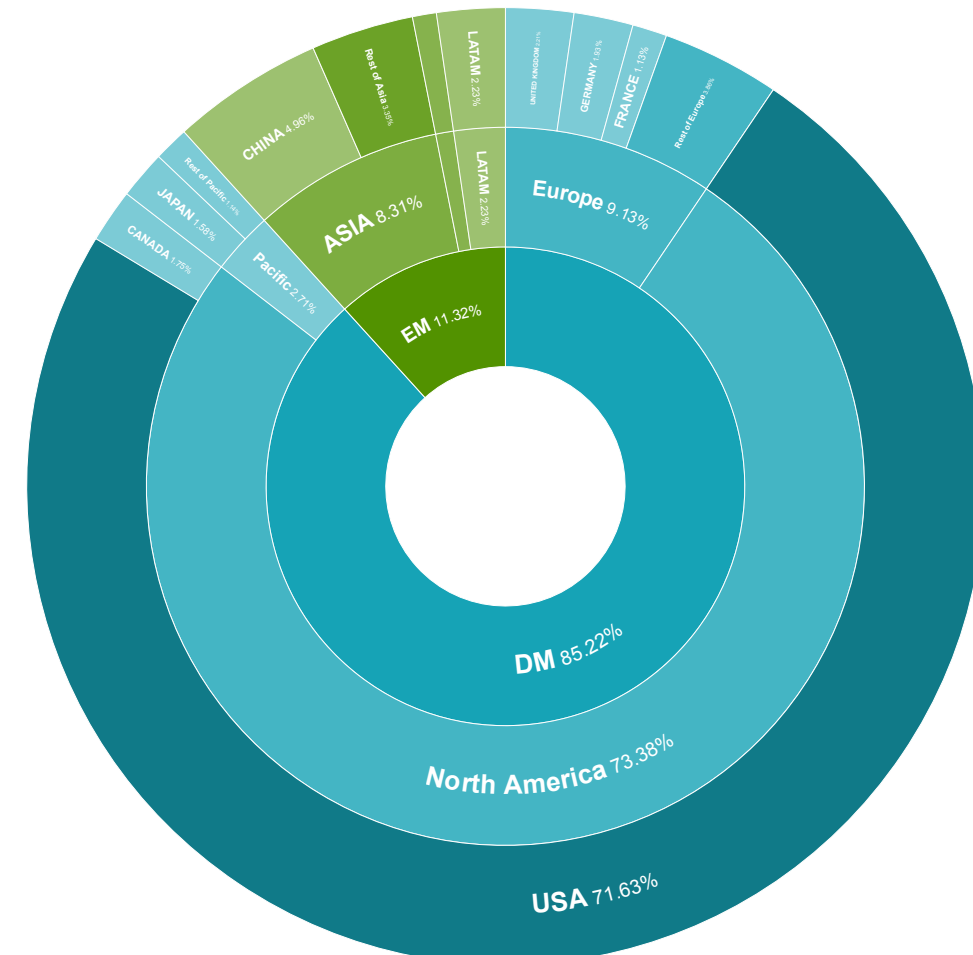
● Communication Services ● Consumer Discretionary ● Consumer Staples ● Energy ● Financials ● Health Care ● Industrials ● Information Technology ● Materials ● Real Estate ● Utilities

Country revenue exposure

MSCI EAFE Index Revenue Exposure



MSCI USA Index Revenue Exposure

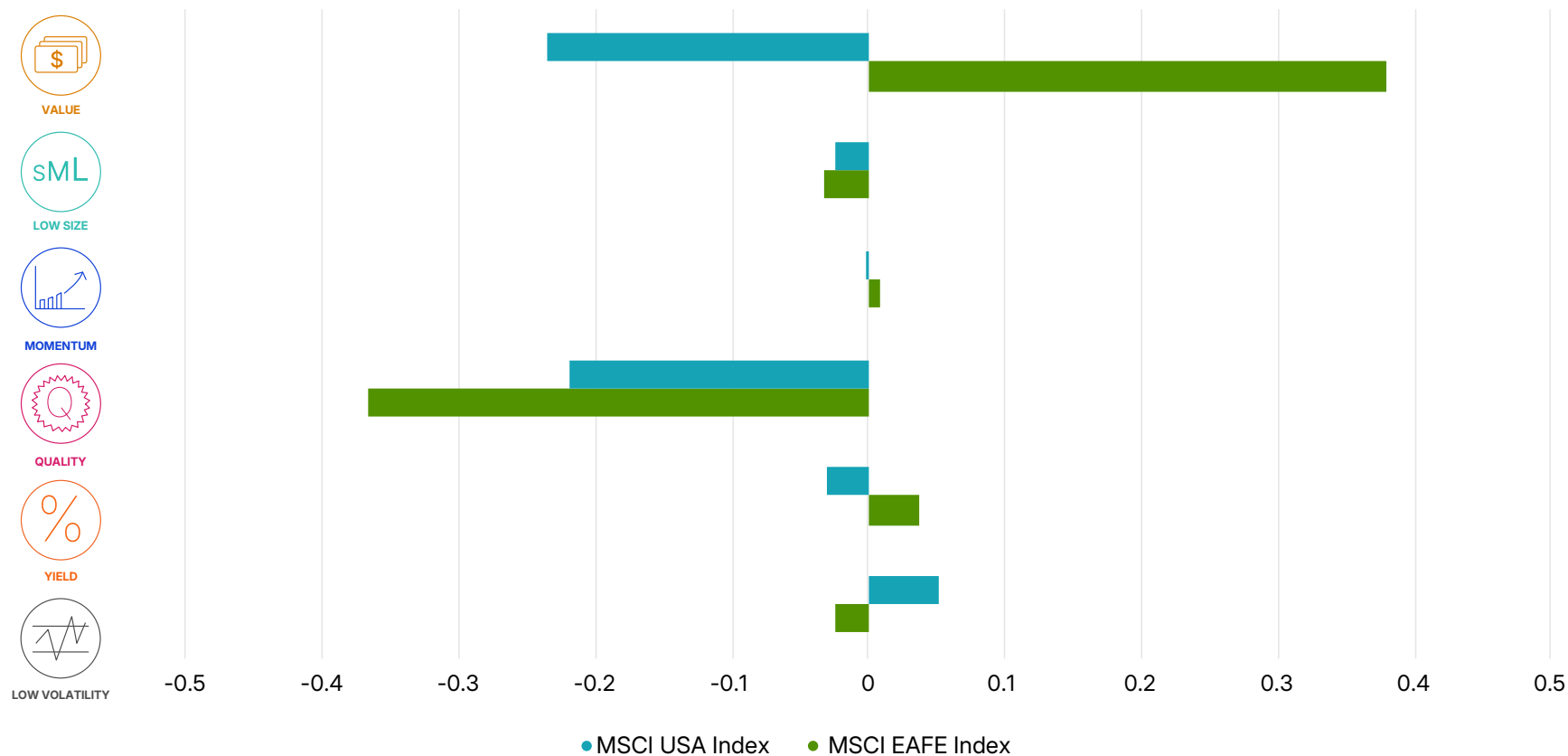


Different markets, different factor mix

EAFE exhibits factor exposures that differ from those of the United States, which may introduce an additional dimension of diversification. Examining factor lenses such as value, quality, income and low volatility can provide insight into how international exposures may vary within broad EAFE allocations.

Read more: [What drives the capacity of factor index strategies? | MSCI](#)

How factor exposures differ across markets



Expand your view of global signals

International markets continue to send signals that differ meaningfully from those in the U.S. — from currencies and policy cycles to sector structure and factor exposure. Incorporating an EAFE portfolio sleeve, refined with hedging tools or targeted overlays, can help investors more intentionally capture these distinct drivers.

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