

Title: International Value Update 2Q2025

Description: Portfolio Manager and President Allison Fisch provides an update on the second quarter for our International Value strategies.

Transcript:

Hi, I'm Allison Fisch. I'm one of the portfolio managers on our international strategies.

International equities performed strongly in the quarter despite headwinds coming from tariffs in the US and rising macro and political uncertainty. What we saw was a weakening US dollar which really helped in returns coming from other currencies. And alongside that we saw positive returns coming from basically every region in the world with Europe in particular being quite strong.

Against this backdrop, growth stocks outperformed value stocks with particular strength coming from the technology sector and optimism around AI and its various applications and demand growth really coming back into markets in a big way. In contrast, energy and healthcare uh lagged a bit versus the other sectors.

When you look at our portfolio and how it performed in this environment, returns came in behind uh the major indices and looking at the pieces of that our biggest contributing sectors were financials and industrials while the laggards were um energy and in a small way despite most sectors really being up as markets were quite strong overall.

When we dig into the pieces a bit in terms of the individual uh holdings in the portfolio, the major detractors were Alibaba, Seni and Ecuador. So Alibaba was quite strong in the first quarter and the second quarter saw a partial reversal of those gains for a few different reasons. Um the market started to really question the implications of the AI investment that the company has been making and sort of down the line what what kinds of returns they'll make on that investment. And there was also I would say you know continued macro weakness in China and fear around that. You know despite markets being up quite strong globally including emerging markets China was quite a bit of a laggard um in that environment.

Sanofi in the healthcare space uh was negatively impacted as during the quarter they reported some results from late-stage drug pipeline uh trials that that came in uh with disappointing results I would say for the most part. And then finally in the case of Ecuador really nothing company specific there but as the company is in the energy sector the lower energy prices globally uh weighed on the sentiment there and the stock price as well.

On the other side of the ledger we had some sort of outstanding contributors to performance as well coming from the UK and Europe — uh Sainsbury, Continental and Daimler Truck. Now, Sainsbury's in the grocery uh space in the UK really benefited as the company continued to execute quite well despite a very competitive environment and markets sort of cheered that strength. Um, Continental is undergoing a corporate restructuring um and it seems to be going well. So, investors sort of cheered that on. Um, they also reported a rather strong set of earnings. In the case of Daimler Truck, there are considerable concerns around tariff impacts given their footprint geographically and where their sales come from. Um, but the market sort of shrugged those off as we saw the company continue to perform well.

Um, despite some of these headwinds and and uncertainty with a lot going on in equity markets globally, we've been finding some interesting opportunities in terms of new additions to the portfolio. And in this quarter we added two new names both coming from Japanese markets. One is Murada which is a global leader in electronic passive components particularly in capacitors and inductors. So despite being a global leader uh in its space there was some weakness in the stock price due to both currency concerns as well as weakness in China which is a major market for them. We believe this was a great chance for us to add a really strong company to the portfolio which has really a fantastic growth runway as well um in electric vehicle as well as in AI data centers down the line.

The other new addition to the portfolio is Dyken which is a global leader in air conditioning systems um with a footprint that's fairly global. Um at the moment there's uncertainty around their business in China, Europe as well as in North America which is creating the opportunity for us um on an industry sense but we also believe that there are real company specific opportunities to improve margins particularly in the North American business. So, you know, it's sort of in that sweet spot where you have a combination of

some some industry noise and pain along with a self-help um path that the company can take that we think can improve the profitability sort of despite the environment uh which is quite attractive.

We also uh made some other changes in the portfolio adding to positions on weakness such as Olympus and Rexel um and trimming some of the stronger performers that we'd seen uh coming out of the last quarter — Shell and Ivonic.

So when we look at the portfolio today, uh sort of the complexion of it looks looks pretty similar to how it did at the beginning of the quarter. You know, strong weightings towards the most cyclical parts of the market. Um and our largest allocations remain to to Europe and the UK where we still see a lot of value despite the strong performance in the quarter.