

The International strategy seeks investment in companies that are domiciled outside the U.S. or U.S.-based companies with substantial international operations. It is a broad market, style agnostic strategy that includes companies across the market cap spectrum with investments in value, growth, and growth-at-a-reasonable price companies.

Outlook and Positioning:

Despite extreme volatility in the financial markets during the quarter, international equity markets ended the period with a gain. This performance is a modest vindication of a consensus view that foreign equities represent attractive investment alternatives to their U.S. counterparts. With dollar strength more questionable as we near the end of the Fed rate hike cycle and given foreign stocks' discount to U.S. equities, they may continue to outperform. European shares were particularly favored in the period and outperformed those of other regions. Faced with the war in Ukraine and a cutoff of Russian natural gas, Europe benefited from a deft handling of a looming energy crisis by securing alternative energy sources, filling gas storage capacity, and having the good fortune of a warm winter.

Although international markets must deal with the same macro uncertainties as inflation, elevated interest rates, and a possibility of a recession, international markets may continue to be favored over the U.S. We are increasingly confident that we can find quality European companies trading at discounts to their U.S. counterparts and historical multiples. Japanese equities may be an indirect yet meaningful beneficiary of a true, post-Covid China reopening through increased trade and tourism. Asia ex China looks attractive for the same reason. Finally, we like Taiwan for its strength in technology hardware. We think Taiwan will benefit from the digestion of excess chip inventory built up because of the strong demand for tech hardware during the pandemic and the beginning of a new cycle, which we expect later this year.

Contributors and Detractors:

Taiwan Semiconductor and Apple were two of the most significant contributors to the portfolio this quarter. Taiwan Semiconductor is the world's largest semiconductor foundry, serving most global fabless semiconductor companies, including AMD, Apple, and Nvidia. Apple recovered this quarter after weakness in the latter part of last year. Pfizer and CP All, a Thai convenience store operator, were the two largest detractors.

Portfolio Activity:

During the period, we sold some positions and incrementally added to others. We exited our position in Taiwan Cement, which continued to be impacted by property market turmoil in China. Three small, non-core positions in the strategy - iFast, Kao, and MS India, were sold entirely. Additionally, we sold the rights issued by Link REIT, the Hong Kong-based retail property REIT, which decided to raise additional capital for the first time since its listing in 2004 to strengthen its balance sheet and expand its war chest for future acquisitions. We sold the rights reluctantly as regulations prevented our subscription. However, we continue to hold the shares. Finally, we increased exposure to Crown Holdings and Verallia, which are aluminum can and glass bottle makers, respectively. We believe each should benefit from the increased tourism in a post-Covid world and the continuing shift from plastic to more environmentally friendly packaging materials.

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