

As of March 31, 2026

## Market Environment<sup>1</sup>

The international benchmark<sup>2</sup> (MSCI EAFE) was down 1.2% in the first quarter, outperforming the US equivalent benchmark, the Russell 1000 Index, which lost 4.3%. Global markets were generally weak during the quarter, driven by uncertainty around the escalating conflict in the Middle East, central bank policies, and growing scrutiny of AI-related capital spending.

The broad optimism entering 2026 gave way to a more cautious, selective market environment, with contrarian positioning and stability rewarded. Notably, in a counterintuitive outcome, high quality stocks underperformed lower quality stocks during the downturn. For The MSCI EAFE Quality Index fell 3.7% during the quarter.

During the quarter, emerging market equities slightly outperformed developed markets and similar to the US market, value outperformed growth for the second quarter. From a sector perspective, energy, materials, utilities, and industrials were strongest, while consumer discretionary, financials, communication services, and health care were weakest. Among regions, Asia ex Japan and Japan outperformed, whereas Europe lagged. In addition, long-term yields and the dollar rose during the quarter, commodity prices were meaningfully higher driven by the surge in energy prices, and global central banks took a wait and see approach given rising uncertainty around inflation from the Middle East conflict.

## Performance<sup>1</sup>

The International ADR portfolio underperformed the benchmark, the MSCI EAFE Index for the first quarter of 2026. The portfolio returned -2.78% (net of fees), lagging the benchmark which was down 1.24%.

In terms of attribution, allocation and stock selection both detracted from relative returns during the quarter. From a sector perspective during the quarter, the source of the underperformance was stock selection in the financials, industrials, communication services, energy, and consumer staples sectors, while the consumer discretionary, information technology (IT), health care and materials sectors provided a partial offset. Additionally, underweights to the utilities, energy, and materials sectors detracted while an overweight to IT had a modest positive impact. From a country perspective, the largest source of underperformance was stock selection in Japan, followed by Spain and Italy while stock selection in the Germany and Ireland provided some offset. From an allocation perspective, an underweight to Japan detracted while an overweight to Taiwan added value.

Within the context of this discussion, it is important to remember that sector allocation and regional allocation are typically a function of our secular thematic and bottom-up investment process, which aims to point us towards where the opportunity set is most attractive, rather than the result of any top-down decision-making on our part.

1. Source: FactSet, as of March 31, 2026. Please refer to Index Definitions at the end of this document.

2. As of January 1, 2026, the benchmark has been updated from MSCI ACWI ex USA to the MSCI EAFE Index. MSCI EAFE provides a better point of comparison and is more representative of the composite's investment strategy. The update to the composite index has been applied retroactively. The strategy invests predominantly in developed market securities. The MSCI ACWI ex USA Index has notable exposure to Emerging Market countries (~ 30% as of 9.30.25). In contrast, the MSCI EAFE is composed of only developed markets. The International ADR strategy had approximately 6% in EM exposure at 9.30.25 and has maintained an average exposure of less than 10% during the last 3 years. We believe a developed markets benchmark is a better reflection of the strategy's composition.

Past performance is not indicative of future results. Inherent in any investment is the potential for loss.

# Fiera Apex International ADR Strategy



As of March 31, 2026

	1 Year (%)	3 Years (%)	5 Years (%)	10 Years (%)
International ADR (Net)	18.54	12.33	6.83	9.18
MSCI EAFE	21.27	13.62	7.91	8.38

All figures are expressed in US dollars. Past performance is not indicative of future results. Inherent in any investment is the potential for loss. Net performance is shown after the deduction of expenses and management fees. Actual investment advisory fees incurred by clients may vary. Performance results include the reinvestment of dividends and interest. Dividends received from ADRs are included net of foreign withholding taxes. **Return may increase or decrease as a result of currency fluctuations.**

## Outlook<sup>1</sup>

While economic activity in Q1 2026 was broadly stable and earnings growth is projected to be healthy, the impact of geopolitical shocks, most notably the Iran conflict, had not yet impacted the data. Financial conditions tightened over the quarter as yields moved higher and expectations diminished for dovish central bank actions. At the same time, rising energy prices drove a resurgence in commodity inflation. Brent crude rose sharply from approximately \$60 to \$118 per barrel, contributing to a 23% gain in the Bloomberg Commodity Index in Q1, after a 4.8% increase in Q4. These rising input costs are likely to pressure corporate margins and become more visible in Q2 earnings results and guidance.

Over the past several years, equity performance has been dominated by momentum stocks, particularly companies tied to artificial intelligence and the buildout of AI infrastructure. Q1 performance suggests the market is undergoing a shift. Value stocks have outperformed for two consecutive quarters in the US and in consecutive years in non-US markets, marking a notable departure from the pattern of the last decade. Investor conviction in AI's transformative potential, frequently compared to the advent of the Internet, remains strong. However, the current environment has shifted focus toward inflation and central bank policies, corporate credit conditions, and the pace of AI related spending by hyperscalers as the primary drivers of equity returns over the next year.

As capital expenditures accelerate, the resulting erosion in free cash flow margins among hyperscalers has begun to weigh on their equity prices. At the same time, emerging stress in parts of the private credit market could signal a less favorable environment for corporate debt. If inflation remains elevated due to sustained commodity pressures, central banks may remain on the sidelines or even worse need to hike, with the potential to affect equity returns, earnings, and valuations until these pressures subside.

These risk factors are somewhat offset by valuations in most international markets which remain attractive, especially relative to the US. Given the broad opportunity set that international markets offer, we continue to remain excited about our portfolio which consists of durable franchises with what we view as strong long-term prospects.

By anchoring portfolio construction around durable, hard-to-disrupt, secular growth themes and companies that possess Quality and Growth attributes, we believe we are well positioned to navigate changing market conditions. We are maintaining a diverse stance in our portfolio from a security, industry and sector standpoint.

1. Source: FactSet, as of March 31, 2026.

Past performance is not indicative of future results. Inherent in any investment is the potential for loss. Please see Important Disclosures and Index Definitions on the last page.

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**Composite Description** The International ADR composite was created on October 1, 2011, and includes all portfolios invested in International equities (including ADR’s) with strong earnings and growth characteristics and includes large, mid and small capitalizations whether denominated in foreign currencies or in U.S. dollars.

**Index Definitions:** Please note that it is not possible to invest directly in an index.

The **MSCI EAFE Index** (Europe, Australasia, and the Far East) is a benchmark stock index tracking large and mid-cap developed market stocks, deliberately excluding the U.S. and Canada, serving as a key measure for international equity performance. It covers major developed economies like Japan, the UK, France, and Germany, aiming to represent roughly 85% of the free-float adjusted market capitalization in these countries. The **Russell 1000 Index** is a U.S. stock market index that tracks the largest 1,000 stocks in the Russell 3000 Index, which represent about 93% of the total market capitalization of that index. The index is market cap weighted, meaning larger companies have a greater influence on the index than smaller companies. The **MSCI EAFE Quality Index** is based on MSCI EAFE Index, its parent index, which includes large and mid cap stocks across 21 Developed Market (DM) countries\* excluding the US and Canada. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage. The **Bloomberg Commodity Index** is made up of 24 exchange-traded futures on physical commodities, representing 22 commodities which are weighted to account for economic significance and market liquidity.