

### Market Environment

In general, international equity markets have been weaker than U.S. markets in recent times. For instance, MSCI ACWI ex U.S. is down 3.09% YTD but was up 0.71% in Q2, while the S&P is up 10.6% YTD and 7.7% during Q2. Emerging Markets as a group have been particularly weak (i.e. down 7.68% YTD and 1.09% in Q2). Asia was particularly badly hit, with China and India (the two largest Asian developing economies) registering steep declines of 9% and 9.6% respectively.

While it is not unusual to see emerging market weakness during periods of monetary tightening in the U.S., the tariff action initiated by the Trump Administration against Europe and China has compounded matters. We believe the interconnectedness of the global supply chain, and the importance of China to it could be the reason. Exports from many countries in Asia, including Korea, Indonesia, and the Philippines, reach the U.S. via China, which makes them vulnerable to U.S. tariffs. Since most economies in the Asia-Pacific region are export-driven, they are at risk of becoming collateral damage in the U.S.–China trade wars. Meanwhile, countries in Europe differ on the question of how to respond to America, with export-driven economies such as Germany being more reluctant to engage in trade wars than more domestically-oriented ones such as France. Needless to say, expectations for strong synchronized global growth, which was consensus at the beginning of this year, have faded; and this has dragged down markets outside the U.S. In Q3 2018, the market was again led by technology which along with utilities had positive returns during the quarter. The worst performing areas of the market were energy and materials, consumer staples, and telecom sectors. From a regional standpoint, Asia, Japan, and Latin America outperformed the benchmark; and in terms of specific countries, Germany, India, the UK, Canada, and Australia under-performed (the last three meaningfully so), while Brazil and Russia were the standout performers.

### Performance

The International ADR strategy underperformed the MSCI-ACWI ex-U.S Index by 2.47% gross and by 2.72% net in Q3, and by 1.83% gross and 2.54% YTD. Regional under/over-weighting was a net negative in Q3, contributing -0.33% to performance. Our single biggest regional overweight in the portfolio was Emerging Asia (16.38% vs 12.00%), which we believe accounted for most of that 0.33% miss (approx. -0.29%), followed by the negative impact from our 5.2% underweight in Japan (-0.28%). These were partly offset by gains elsewhere – the U.K. (a +0.19% impact) and the Eurozone (a +0.10% impact), for instance.

Broadly speaking, the story in emerging markets was one of Value outperforming Growth – as evidenced by the fact MSCI EM Value outperformed MSCI EM Growth by +3.68% to -5.32% in Q3 (i.e. a whopping 9 percentage point advantage).

We were overweight the Consumer Discretionary sector to the tune of 10.17% – a play on the increasing consumerization of Emerging Asia. That overweight detracted from performance to the tune of -0.86%, with -0.46 percentage points of that coming from sector allocation. On the other hand, our second biggest bet in the portfolio (a 6.71% overweight in Information Technology) was a net contributor to performance (a +0.67% impact). Apart from Consumer Discretionary, much of the negative impact in Q3 on the portfolio came from the outperformance of sectors not typically associated with “growth” – namely, the likes of Consumer Staples, Financials, Energy, Industrials, and Materials, all of which we were underweight in.

### Portfolio Management Team

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## Outlook

We believe the biggest risk to the equity markets today is the possibility of an escalation in trade tensions between the U.S. and China as well as between the U.S. and Europe. This has the potential to change the status quo both for consumers around the world and for Corporate America, with the attendant risk of unintended consequences. Supply chains in the manufacturing sector are relatively inflexible, and it would take time to unwind these long-held relationships.

The U.S. economy continues to perform strongly, which strengthens the hands of the Fed as they continue down the path of monetary tightening. As noted previously, rising interest rates in the U.S. have historically been negative for Emerging Market Equities. Given that, we would look to tactically reduce our exposures to emerging markets if we do get concerned about growth prospects there, especially in the Consumer and Technology areas.

On the flip side, multiples have compressed in recent weeks. Since our conviction levels on portfolio companies remain high, that would seem to represent a buying opportunity. However, it is important to remember that though the portfolio is relatively more immune to trade tensions, it cannot be divorced entirely from broader market risk. Growth stocks typically outperform mid-cycle and in later-stage bull markets, but the near-term risk comes from the our belief that “value” looks cheaper/less crowded at the moment.

All that being said, however, we do believe that our continued emphasis on stability and growth will help us safely navigate our way through this uncertain environment.

## Performance Review

The composite's return for the 3<sup>rd</sup> quarter 2018 was -1.76% gross and -2.01% net vs. the MSCI ACWI ex U.S. Index return of 0.71%.

**Past performance is not indicative of future results. Inherent in any investment is the potential for loss.** Gross performance results are presented before management fees, but after all trading commissions. Net performance is shown after the deduction of expenses and management fees of 1.00%. 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.

## 3<sup>rd</sup> Quarter Performance Drivers

### LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Sony Corp ADR	3.19	0.50
Safran SA ADR	2.75	0.42
AstraZeneca PLC	1.98	0.37
Taiwan Semiconductor Manufacturing ADR	1.97	0.35
adidas AG ADR	2.50	0.31
Brookfield AM Inc Class A	2.47	0.27
Luxoft Holding Inc A	1.16	0.23
Dassault Systemes SE ADR	3.24	0.23
Apple Inc	0.04	0.22
LVMH ADR	2.93	0.19

### LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
JD.com Inc ADR	1.56	-0.66
Tencent Holdings Ltd ADR	2.09	-0.49
HDFC Bank Ltd ADR	2.40	-0.40
Alibaba Group Holding Ltd ADR	2.48	-0.35
Copa Holdings SA Class A	1.76	-0.27
Sands China Ltd ADR	2.67	-0.25
Geely Automobile Holdings Ltd ADR	1.98	-0.25
Weibo Corp ADR Class A	2.85	-0.24
OMRON Corp ADR	1.92	-0.21
Industria De Diseno Textil SA ADR	2.51	-0.20

The holdings identified do not represent all of the securities purchased, sold or recommended. Information on the calculation methodology and a listing of every holding's contribution to the strategy's performance during the period is available upon request.

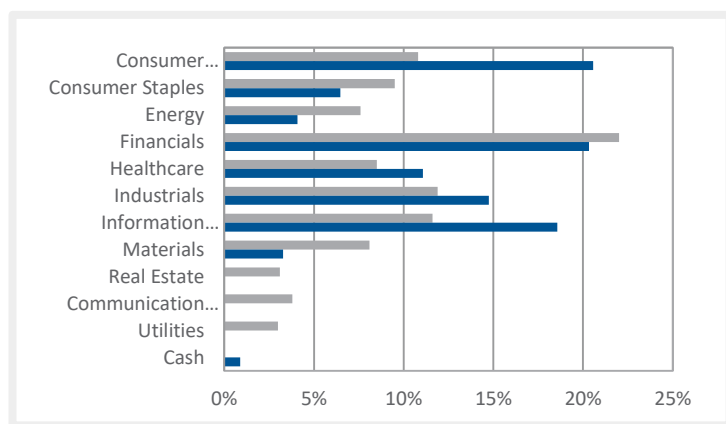
## Positive Impacts

- Stock selection in Information Technology and Health Care contributed to performance.

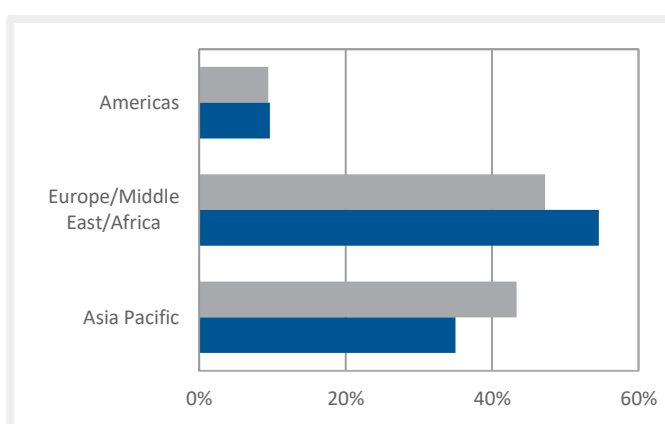
## Negative Impacts

- Stock selection was a negative contributor in Q3, driven by Emerging Asian equities.
- Underweight to Japan provided negative contributions to performance.

## Sector Positioning



## Regional Positioning



■ Fiera Capital ■ MSCI ACWI ex US

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Composite Description: The International All Cap ADR composite formerly named the International 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. The product is benchmarked against the Morgan Stanley Capital International All Country World Index ex U.S. ("MSCI ACWI ex U.S."). The MSCI ACWI Ex U.S. is a stock market index made up of approximately 1,859 global stocks. The index includes stocks from across 22 of 23 Developed Markets (DM) countries (excluding the US) and 23 Emerging Markets (EM) countries and covers approximately 85% of the global equity opportunity set outside of the U.S., as defined by MSCI. Index results assume the re-investment of all dividends and capital gains. The strategy's holdings may differ significantly from the securities that comprise the index. The index is not a projection, prediction or guarantee of performance. It is not possible to invest directly in the index. Investors pursuing a strategy similar to an index may experience higher or lower returns and will bear the costs of fees and expenses that will reduce returns. Typically, the International All Cap ADR portfolio is similar in composition to the benchmark and is expected to have similar performance characteristics due to the international exposure. Portfolios are generally comprised of individual stocks and cash equivalents. Portfolios may have dispersions based on the size of the account and timing of deposit and withdrawals of funds or transfers of stocks. Represents portfolios which are commission based.