

October 3, 2018

The International Equity strategy was up in absolute performance and outperformed the MSCI EAFE Index for the quarter. Our relative outperformance was mainly driven by stock selection, which was particularly successful in the Information Technology sector. Our stock selection in the Materials and Consumer Staples sectors also contributed value. Partially offsetting these positives was our stock selection within the Industrials sector.

Among the top contributing stocks for the quarter were Taiwan Semiconductor (TSMC) and Schindler. Taiwan Semiconductor, the largest contract manufacturer for semiconductor chips, has a dominant position due to its leading-edge technology, manufacturing capabilities and compelling customer care. Throughout the quarter, a number of TSMC's competitors suggested that they were unable to keep up with TSMC on critical technology, resulting in expected additional market share gains. We believe the numerous news flows have positively contributed to the stock's outperformance and are a testament to TSMC's competitive advantages.

As for Schindler, a leading manufacturer and servicer of escalators and elevators, the company reported overall strong results across the board, despite a continued slow market in China. Schindler's growth rate continues to be solid relative to their competitors.

Among the largest detractors over the quarter were Intertek and HDFC Bank (HDB). Intertek, the UK-based Testing and Certification company had a long stretch of outperformance and over the course of the quarter we took advantage and collected profits from the prior outperformance. As a result of the prior performance of the stock, the market was anticipating strong results but actual results did not match elevated expectations.

Indian banks were under pressure over the last week of September after Infrastructure Leasing & Financial Services (IL&FS), a leading Non-Bank Finance Company/Infrastructure player, defaulted on their loans. While HDB's stock underperformed alongside other Indian banks due to subsequent higher funding costs, we believe the impact on HDB will be mitigated given its ability to manage through pricing. In addition, the Indian Rupee was down over the quarter, further contributing to the stock's underperformance.

Our sector and regional weights are driven by bottom-up stock selection. As we enter the fourth quarter of 2018, we are underweight the Euro Zone and Japan as we continue to find more attractive individual opportunities in other parts of the world, such as Switzerland, the UK, and Emerging Markets. We are currently overweight Industrials, Consumer Staples, and Information Technology, while underweight Financials, Energy, and Telecoms.

	3Q18	YTD18
International Equity Strategy Composite*		
Gross	3.71%	3.90%
Net	3.48%	3.21%
MSCI EAFE	1.35%	-1.43%

	Avg. Contrib. Wt.	to Perf.
Top Detractors (%)		
Intertek Group	3.99	-0.56
HDFC Bank Ltd	3.06	-0.32
Howden Joinery Gr	1.77	-0.25
Fanuc Corp	2.24	-0.09
L'Oreal	2.56	-0.06

Top Contributors (%)		
Taiwan Semicond	3.73	0.66
Schindler Holding	3.64	0.56
Nestle SA	4.18	0.33
Spirax-Sarco Enginee	3.33	0.33
Svenska Handelsbkn	2.40	0.30

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 composite's performance during the period is available upon request.

*For information about the composite, see disclosures.

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INDEX COMPARISONS

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MSCI EAFE – The Morgan Stanley Capital International ("MSCI") EAFE Index is a stock market index made up of approximately 909 constituents. It is often used as a common benchmark for international stock funds. The index comprises the MSCI country indexes capturing large and mid-cap equities across developed markets in Europe, Australasia and the Far East, excluding the U.S. and Canada. Index results assume the re-investment of all dividends and capital gains.