

### Market Environment

After a major synchronized sell-off in Q4 2018, global markets bounced back nicely in Q1. If the sell-off in Q4 was precipitated by concerns around tightening liquidity, China-US trade tensions, and an expected earnings slowdown, the rebound in Q1 came about as all three concerns faded from view. The Fed did a sharp U-turn and signaled a pause in the tightening cycle at least until the end of 2019, the dreaded earnings slowdown did not materialize to the extent feared, and US-China trade talks resumed. Across the pond the European Central Bank also signaled their intention to remain accommodative, while the Chinese authorities announced a series of measures to provide a much-needed stimulus to their economy. All this led to a revival across most asset classes in Q1, equities and commodities included. Nevertheless, Europe remains a wildcard with anemic growth and issues such as a no-deal Brexit and low/negative yields providing cause for caution. The German 10-year bunds are currently yielding negative rates which is quite remarkable 10 years after the financial crisis. It could be argued that European monetary policy has essentially distorted global yields and there is currently \$10 trillion in global debt which sport a negative yield. The European financial system continues to face investor-skepticism – it is quite telling that European banks are currently trading at a 20% discount to book while their US counterparts are trading at a 40% premium.

In Q1 global markets ex-US lagged the performance of US markets. The MSCI-ACWI ex-US index was up +10.3% in Q1, led by developed markets in Europe and Asia. For instance, the MSCI EAFE index was up +10.1% in the quarter, while the MSCI EM index was up marginally less (i.e.+9.9%).

The International ADR portfolio returned +14.9% gross and +14.6% net in Q1, outperforming its benchmark, the MSCI ACWI ex-US index by +4.6% and +4.3%, respectively. The biggest drag on performance was the 2.7% cash balance we had in the portfolio (a -0.3% impact); with zero-weighted Materials (effectively a -7.6% underweight in the portfolio) being the only sector to contribute negatively to performance in the quarter.

Regional allocation overall was essentially neutral during the quarter, with stock selection being the main driver of performance. Our big regional bets in the quarter were as follows: a slight overweight in Emerging Markets (with a +5.6% overweight in India and a +2.3% overweight in China), a slight overweight in the Eurozone (thanks to a +8.1% overweight in France and a +7.1% overweight in Ireland, and underweights elsewhere), a -5.8% underweight in Japan, and zero weightings in Australia and New Zealand. Overall, regional allocation was essentially neutral (+0.02%) in the quarter, and the strong portfolio outperformance came entirely from stock selection, which is what one can normally expect from a portfolio such as this.

Sector allocation was a marginal positive (+0.03%), with most of the contribution to performance coming from positive stock selection. In Q1, we were +5.2% overweight in the Consumer Discretionary sector, +4.9% overweight in Healthcare, +4.1% overweight Industrials, and +3.4% overweight in Technology, all of which contributed positively or at worst were neutral (e.g. Industrials). We were underweight every other sector in the portfolio, some quite substantially (e.g. -7.6% and -3.4% underweights in Materials and Utilities respectively).

### Portfolio Management Team

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The portfolio is exposed to the following secular themes - China internet, cloud computing, emerging market consumer, and industrial automation. As a direct consequence of our favorable view of the emerging market consumer and Chinese internet sectors, the strategy has meaningful exposure to the Chinese and Indian markets within the overall emerging markets bucket. In the UK and Ireland we are finding good stable growth franchises within the consumer staples, healthcare, and the financial services sectors.

### Outlook

We believe current expectations are for the US and global economies to continue growing, albeit at a slower pace than in 2018, but the following factors pose a non-trivial risk to these forecasts:

- The US Federal Reserve and its decisions on rates would have an outsized influence on global markets.
- Europe: The on-going Brexit saga and the uncertainties that it gives rise to for intra-European trade; Italy and its on-going fiscal saga; and the evident cooling of the German economy – long the growth engine of Europe.
- China: Its trade disputes with the US is obviously the biggest risk to the Chinese economy, but on the positive side the Chinese consumer demand has held up reasonably well so far. The Chinese government has announced an easing-off of its campaign to reduce debt and has also loosened the cash reserve requirements it has imposed on banks. Of course, the Chinese banking system has long struggled with the issue of non-performing loans (many of them made either to unproductive sectors of the economy or to struggling state owned enterprises), which this shift in policy could potentially exacerbate.
- Price of oil: Not an issue yet, but it could potentially become one if oil prices continue to rise.
- Trade disputes: These continue to be potential impediments to synchronized global growth. Apart from the ongoing trade dispute between the US and China (which may well be on its way to getting resolved), there is the potential for tit-for-tat tariff action between the US and Europe. The US recently hinted at the imposition of tariffs on certain goods from Europe in response to the very high level of financial, political, and other support that Europe is said to have extended to Airbus. Finally, closer to home, there is NAFTA 2.0 (or USMCA as it is now called), whose ratification in Congress before the 2020 elections is increasingly in doubt. Its ratification in both Canada and Mexico is also in doubt as those two countries hold out for the withdrawal by the US of the tariffs it imposed on national security grounds last year on its imports of steel and aluminum from its two NAFTA partners.

## Performance Review

The composite's return for the 4<sup>th</sup> quarter 2018 was +14.9% gross and +14.6% net vs. the MSCI ACWI ex U.S. Index return of +10.3%.

**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 and expenses, 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.

## 1<sup>st</sup> Quarter Performance Drivers

### LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Alibaba Group Holding Ltd	3.14	0.92
Aptiv PLC	2.80	0.77
Dassault Systemes SA	2.97	0.70
LVMH Moet Hennessy Louis Vuitton	2.81	0.68
WNS (Holdings) Limited	2.46	0.67
Brookfield Asset Management Inc.	3.08	0.66
Interxion Holding N.V.	2.76	0.62
Straumann Holding AG	2.12	0.59
FirstService Corp	2.03	0.58
L'Oreal SA	3.46	0.57

### LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Sony Corporation	2.43	-0.27
Jazz Pharmaceuticals Plc	0.62	0.03
United Overseas Bank Ltd. (Singapore)	1.45	0.05
Infineon Technologies AG	1.98	0.06
Weibo Corp	1.00	0.07
Baidu, Inc.	1.48	0.07
Itau Unibanco Holding S.A.	1.77	0.07
Copa Holdings, S.A.	2.19	0.14
Novartis AG	1.20	0.17
HOYA CORPORATION	2.09	0.18

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.

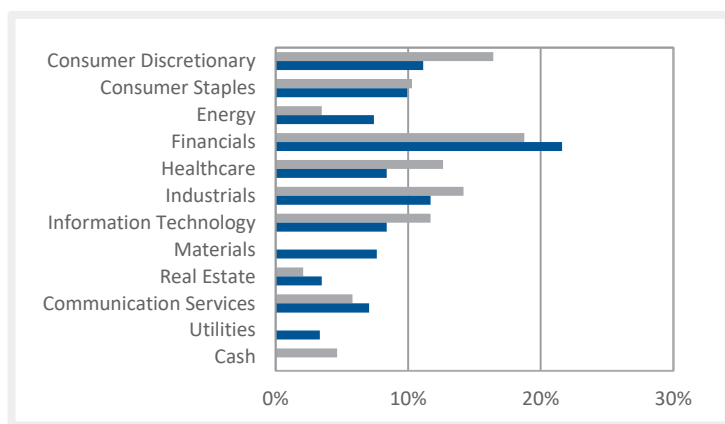
### Positive Impacts

- Stock selection in Financials and Consumer Discretionary.

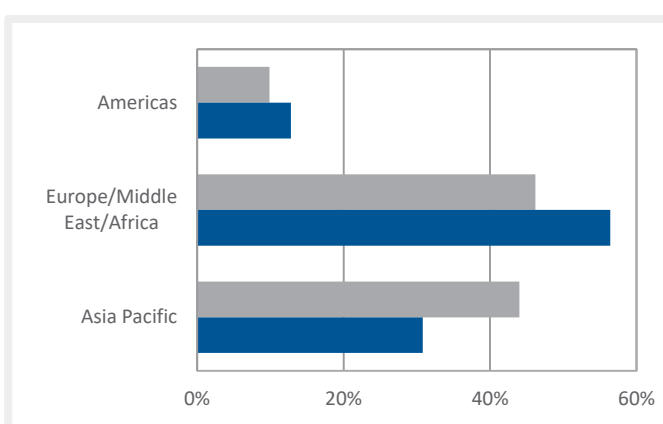
### Negative Impacts

- Underweight Materials and overweight Cash.

## 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.