

Market Review and Positioning

Q4 brought some improvement in the macro-economic environment around the world. The US and China announced that they had reached agreement of a Phase I trade deal, and though much would still need to be accomplished before future hostilities are taken off the table completely (present ones as well – even after the signing of the Phase I trade deal the US would still have tariffs in place on some \$360bn of Chinese goods). However, markets drew comfort from the very fact that there was even a Phase I.

Across the pond, the Brexit saga finally looks set to end at the end of January, though we still do not know what a future relationship between Britain and the EU would look like. Negotiations may still end in acrimony with a non-zero chance of a hard Brexit come January 31st. In the meantime, the Hong Kong protests continued apace.

But no matter. The markets were in a mood to celebrate in Q4 and celebrate they did. Most indices around the world ended the quarter and the year on a high note. The US markets reached one milestone after another in Q4. The MSCI EAFE index (which is the international developed markets index) was up +8.2% in Q4 – its strongest performance since Q1. After a few quarters of pedestrian performance, Emerging Markets bounced back, with the MSCI EM index up +11.8% in Q4. The broader MSCI World Index ex-US posted a return of almost +9% in Q4.

The International ADR portfolio outperformed the MSCI ACWI ex-US by 151 basis points (+10.43% vs +8.92%) on a gross basis and 124 basis points (+10.16% vs +8.92%) on net basis in Q4.

Both sector allocation and stock selection were strong positives in Q4. In terms of sector allocation, we were overweight Industrials, Consumer Discretionary, Technology, Healthcare, and Consumer Staples (in that order); and underweight all the rest. Given that benchmark performance was driven by three out of these 5 sectors – namely, Technology, Healthcare, and Consumer Discretionary (as well as Materials, and Industrials) – that worked out quite nicely in the end, with all but two sectors in the portfolio contributing positively. Stock selection was also strong pretty much across the board, with the exception of Real Estate, Technology, and Consumer Staples. Overall, it was quite gratifying that alpha generation was fairly broad-based in Q4, with all but two sectors contributing positively. Cash (which was 2.7% of the portfolio) was a -24 basis point headwind.

In terms of regional exposures, we were overweight in Canada and Developed Europe, and underweight Japan, Developed Asia, Australasia, and Emerging Asia. Within EM Asia we were materially overweight India – a bet that did not pan out in Q4, as India lagged the benchmark. In fact, Emerging Asia, along with Emerging Europe, and Latin America were the biggest drivers of benchmark performance in Q4, and since the portfolio was underweight those regions (except for Latin America), that stance detracted. Overall, the regional allocation was a detractor to relative performance in the quarter. But again, stock selection more than made up for it.

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Within the context of this discussion, it is important to remember that sector and regional allocation are typically a function of our secular thematic and bottom-up investment process (which essentially points us towards where we believe the opportunity set is most attractive), rather than the result of any top-down decision-making on our part. Thus, being overweight Developed Europe does not necessarily mean that we are positive on the economic and political landscape in Europe. Instead, it just means that we found the opportunity set that is available to us there quite compelling. Indeed, most of our European holdings are not predominantly Europe-focused at all. They are multinational corporations that just happen to be nominally headquartered in Europe, but with significant operations in Emerging economies and other areas around the globe.

For 2019, the portfolio delivered a gross return of +32.52%, far outpacing the benchmark return of +21.51%, for an outperformance of 11.02% on a gross basis and 9.74% (+31.24% vs +21.51%) on a net basis.

Both sector allocation and stock selection were strong positives in 2019. We were materially overweight the four sectors that outperformed the benchmark during the year – namely, Technology, Healthcare, Consumer Discretionary, and Industrials – and underweight most of the others, and that stance contributed quite handsomely. Strong stock selection across most sectors (notably, Consumer Discretionary, Financials, Industrials, and Healthcare) was the biggest contributor to performance in 2019, accounting for 8.92% of the total gross outperformance of 11.02% that was delivered in 2019.

In 2019, benchmark performance was driven by the following countries/regions – Canada, Developed Europe (France, Germany, Ireland, and the Netherlands in particular), and Emerging Europe. We were overweight in all those regions/countries, with the exception of Emerging Europe. Likewise, we were underweight in some of the laggards within the benchmark – namely, Japan, Developed Asia, and Africa/Middle East. So, overall, our regional allocation contributed positively to performance. Again, as in Q4, stock selection was especially strong, contributing 10.43% to the outperformance of 11.02% on a gross basis and 10.16% to the outperformance of 9.74% on a net basis for the year 2019.

Outlook

Global growth continues to be weak, with the US economy a rare exception. However, there are some signs that European economies may have begun to stabilize, but it is not clear whether this is just a dead-cat bounce or something more durable. China too is beginning to show some signs of stabilization. The bond market reflects these changes. Just three months or so ago 10-year government bonds issued by Germany, Japan, and France (from among the G-7 nations) all sported negative yields. Now only the German 10-year is in negative territory, and that too not by much. Three or four months ago the total amount of bonds with negative yields stood at about US\$14.3 trillion – a big number – with much of it in the EU ex-UK and Japan. More recently, that number has been estimated at less than \$12 trillion.

Trade tensions continue to pose a threat to global growth. While the signing of the Phase I trade deal between the US and China represents slight mitigation of this risk near term, the threat of future trade conflicts has by no means receded. There is a potential trade war brewing between the US and the EU, and even with China much remains to be resolved. In Europe, we believe it is quite clear that Britain will exit the EU at the end of January, but there are no contours yet of a new deal between the two erstwhile partners. On a positive note, USMCA has cleared the House of Representatives, and it seems highly probable now that it could be ratified by all three North American nations sometime in the first half of this year.

There is also a non-trivial risk of armed conflict. The recent US-Iran kerfuffle shows how quickly things can escalate and just as quickly subside. With the risk of continued armed conflict in the Middle East still ever present, there is continued potential for global growth to be hurt by higher oil prices in the months ahead.

Past performance is not indicative of future results. Inherent in any investment is the potential for loss. All information is as of December 31, 2019 unless otherwise noted. Please see Important Disclosures on the last page.

So, there is much to be optimistic about, but there are also plenty of banana peels lying around that could easily trip things up. However, given all these risks, further monetary tightening (either here in the US or around the world) can pretty much be discounted for the time being. If anything, global monetary policy is far more likely to be accommodative over the next 8-12 months than it is to be more restrictive.

These and other such macro factors are beyond our control, but they would not be a new experience for us. As equity investors we have experienced many months of vastly different market environments since the end of the 3rd quarter of 2018 – the sharp retrenchment in the 4th quarter followed by a strong 1st quarter and a choppy 2nd quarter that nevertheless ended on a strong note. Through it all, our approach – which has always been to invest in companies and industries that have a sustained trajectory of secular revenue and earnings growth ahead of them – has stayed intact and will remain so going forward.

Performance Review

The composite's return for the 4th quarter 2019 was +10.43% gross and +10.16% net vs. the MSCI ACWI ex U.S. Index return of +8.92%.

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.

4th Quarter Performance Drivers

LEADING CONTRIBUTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
Alibaba Group Holding Ltd. ADR	3.32	0.84
Astrazeneca PLC ADR	4.59	0.55
Taiwan Semiconductor Mfg. ADR	2.23	0.54
Kingspan Group Plc ADR	2.26	0.54
LVMH Moët Hennessy Louis Vuitton ADR	2.75	0.49
Dassault Systemes SA ADR	2.94	0.45
HOYA CORPORATION ADR	2.61	0.45
Straumann Holding AG ADR	2.27	0.44
HDFC Bank Limited ADR	3.87	0.44
ICICI Bank Limited ADR	1.91	0.44

LEADING DETRACTORS

STOCK	AVERAGE WEIGHT	CONTRIBUTION TO PERFORMANCE
FirstService Corp	2.78	-0.32
Shiseido Company, Limited ADR	1.93	-0.22
Remy Cointreau SA ADR	1.49	-0.10
Unilever NV ADR	2.02	-0.08
SAFRAN SA ADR	3.81	-0.06
Waste Connections, Inc.	1.85	-0.02
PUMA SE ADR	1.01	-0.01
U.S. Dollar	2.70	0.01
Canadian National Railway Company	0.25	0.02
Hannover Ruck SE ADR	0.32	0.04

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.

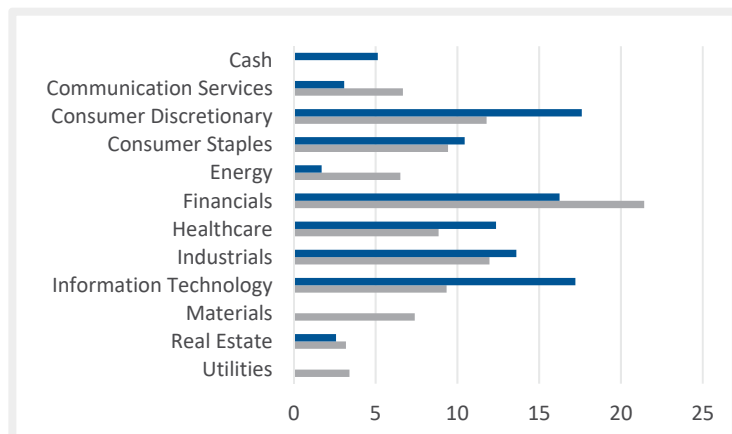
Positive Impacts

- Stock selection in Financials and Consumer Discretionary.

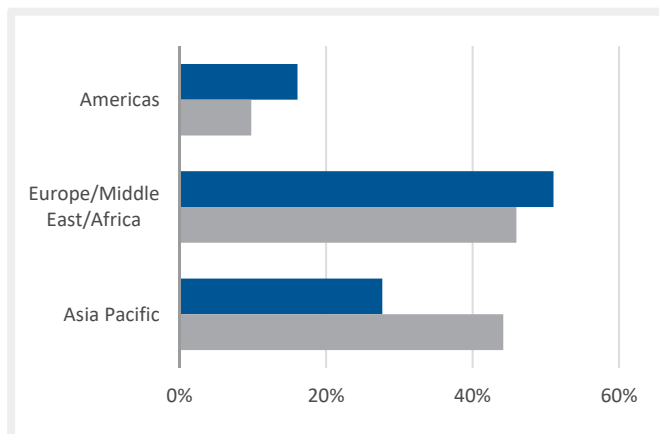
Negative Impacts

- Stock selection in Real Estate.

Sector Positioning



Regional Positioning



■ Fiera International ADR
■ MSCI ACWI ex-US Index

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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.