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Separately Managed Accounts

Global and International

International Opportunities ADR

Marketing communication | As of 30 Jun 2025

Effective 11 Feb 2025, Gregory Mancini and John Tribolet were added as portfolio managers of the strategy, and Jason Campbell and Dan Roberts were removed as portfolio managers. This change is not expected to impact the overall investment strategy.

- **During the second quarter, the International Opportunities ADR strategy outperformed its benchmark, the MSCI ACWI ex USA Index.**
- **The portfolio's outperformance was driven by favorable security selection in the communication services, information technology and financials sectors, as well as an overweight in information technology.**
- **Our team continues to identify long-term structural growth opportunities in non-U.S. stocks despite forecasting a mixed equity market landscape outside the U.S.**

Gregory Mancini
Portfolio Manager

John Tribolet
Portfolio Manager

Market review

Non-U.S. equity market returns were significantly amplified by a plunging dollar. The greenback, as measured by the U.S. Dollar Index, fell -10.7% against a basket of currencies — its worst first half of a year since 1973. The dollar's decline reflected investors' concerns over projections for ballooning U.S. deficits, geopolitical tensions due to President Trump's trade policies and reduced confidence in continued outperformance by U.S. assets. Based on non-U.S. MSCI benchmark indexes in U.S. dollar terms, emerging markets (EM, +12%) and developed markets (+11.8%) both topped the S&P 500 for the quarter, with the MSCI EAFE outpacing U.S. stocks for the year to date by +13.3 percentage points — the widest margin of outperformance over the first half of a year since 1993.

European markets rallied amid improving economic data. On the continent, supportive monetary policy and benign inflation readings boosted eurozone shares. Stocks in Germany, Europe's largest economy, outperformed as economic sentiment rose to within earshot of March's three-year high. In the U.K., manufacturing and service-sector output topped forecasts and edged higher into expansion territory. Elsewhere, Japan's Nikkei 225 Index was a star performer, backed by strong consumer spending and a surge in fund flows from non-Japanese investors.

In EM, Chinese equities trailed the broad EM benchmark by a wide margin. Results from other large EM countries, however, were strong. Korea led all EM markets, with sentiment improving following the 3 June inauguration of President Lee Jae Myung, who has pledged to distribute stimulus checks to spur domestic demand. Taiwan rode a sharp rally in its technology sector. Meanwhile, despite a strong second-quarter return, India was a relative laggard.

International Opportunities ADR

Portfolio review

During the second quarter, the International Opportunities ADR strategy outperformed its benchmark, the MSCI ACWI ex US Index, on a gross- and net-of-fees basis, while modestly trailing the ACWI ex US Growth Index. Growth shares bested their value counterparts for the quarter by +325 basis points (bps), as represented by the MSCI ACWI ex US Value and Growth indexes, respectively. This reversed a trend over the last five years ended 30 June that marked a significant shift to value—the value index outperformed growth by +605 bps over that time period.

From a factor perspective, an overweight in growth stocks boosted relative results, while underweighting cyclicals detracted notably. Regarding market capitalization, the strategy's underweight in large caps aided performance, as they lagged small caps during the period. The portfolio's EM allocation was additive, driven by positive stock selection despite being underweight the region.

In terms of sectors, the largest contributors to the portfolio's relative return were communication services, information technology and financials, all reflecting positive stock selection. An overweight in the outperforming information technology sector added value as well. In contrast, consumer staples detracted the most, the result of unfavorable stock selection and an overweight in this relatively weaker sector.

From a country standpoint, Japan was the top contributor due to strong stock selection. Good stock picks in Brazil and an out of benchmark allocation to Argentina were also beneficial. Conversely, negative stock-picking in France detracted the most, followed by Korea, EM's top performer for the quarter, as we did not own any stocks in the country.

Contributors

Taiwan Semiconductor Manufacturing Co. Ltd. contributed the most to the strategy's second-quarter outperformance. Primary factors for the stock's benchmark-topping results included general optimism around the semiconductor sector, healthy first-quarter revenue and margins, and a better-than-anticipated second-quarter outlook reflecting management's commentary around solid customer trends and growth in artificial intelligence (AI)-related revenue.

Japanese engineering and electronics manufacturer Mitsubishi Heavy Industries Ltd. was the second leading contributor. Mitsubishi's earnings results largely met guidance and expectations, driven by strength in the aerospace and defense sector.

Latin American e-commerce retailer MercadoLibre Inc. also contributed meaningfully, thanks to healthy financial performance in Argentina and Mexico (two key markets) and robust growth in fintech.

Detractors

Chinese technology and e-commerce retailer Alibaba Group Holdings Limited was the top detractor for the quarter. Despite generating a year-over-year increase in revenue, Alibaba posted weaker-than-expected earnings results due to sluggish growth in cloud computing.

French luxury goods conglomerate LVMH Moet Hennessy Louis Vuitton SA, another key detractor, delivered disappointing revenue numbers. The luxury market, in general, faced headwinds due to recessionary fears, particularly in key markets such as China and the U.S.

Swiss healthcare company, Roche Holding Ltd. struggled amid near-term risks surrounding regulation, as well as pricing reform in China that led to lower pharmaceutical prices. Additionally, Roche's stock was not immune from broader tariff concerns, and in response, the company announced a $50 billion investment over five years in U.S. manufacturing and R&D facilities.

Portfolio positioning

At quarter-end, the strategy's sector positioning reflected overweights in consumer discretionary, health care, information technology and consumer staples. Financials remains the largest underweight, followed by utilities and communication services. Geographically, the portfolio finished the period with overweight allocations to Brazil, Switzerland and Japan. Canada and China were the largest underweights. The team remained underweight in EM relative to the benchmark.

The team eliminated eight positions during the quarter and added 15, continuing the approach favored by the new portfolio management team, which assumed responsibility in February 2025. The team positioned the portfolio slightly higher in market capitalization and further into the growth style box. Over the course of the period, the strategy's exposures to industrials, information technology, consumer staples and communication services increased, while its weightings in energy, consumer discretionary and financials were reduced the most. On a country basis, the team boosted its allocations to Japan, Switzerland and France the most, while making the largest reductions to exposure to the Netherlands and China. Lastly, our EM underweight (-450 bps) remained relatively stable.

International Opportunities ADR

Outlook

Outside the U.S., we're more optimistic and see numerous investment opportunities. On a sector basis in Europe, we believe industrial automation, which focuses on companies supplying computers, robots and information technology in the manufacturing process, is poised to benefit from the AI boom. Germany, in particular, uses automation not only in its auto factories, but also in its metals, chemicals and electronics industries. Additionally, the financials sector is attractively valued and sports healthy dividend yields. And with NATO leaders committed to ramping up defense spending "in the face of profound security threats and challenges" (according to the Hague Summit Declaration on 25 June 2025), defense stocks, which have risen sharply thus far in 2025, have further room to run, in our view.

In addition to opportunities in Europe, we believe select Japanese companies are worth considering. After starting slowly this year, the Nikkei 225 has popped despite a jump in Japanese Treasury yields and a strong yen, which makes Japanese exports more expensive, potentially hindering earnings. Inflation is also a concern, as consumer prices rose 3.5% in May, well above the Bank of Japan's (BoJ) 2% target. However, the BoJ has pledged to raise interest rates if it believes the Japanese economy is strong enough to withstand higher borrowing costs. Another potential positive: the country's low unemployment and tight labor market could support wage growth and, in turn, personal consumption. Japan's focus on corporate governance and attractive valuations add to the country's allure as an investment destination.

In EM, China and the U.S. appear to be working quietly on a more substantive trade deal, warming relations between the two countries and potentially setting up Chinese stocks for a solid second half of the year. We're especially interested in China's internet companies given their cheap valuations and importance in driving AI innovation.

As the rally in non-US stocks continues, many investors have become more comfortable reducing U.S. exposure and shifting assets into non-U.S. developed and EM equities. Factors supporting such a move include (1) a continued weaker U.S. dollar, (2) the effects of trade tariffs and decreasing U.S. consumer confidence, (3) uncertainty around U.S. economic policy and (4) the potential reacceleration of inflation due to tariffs. All of these may continue to drive a sustained shift in market leadership for non-U.S. shares.

For more information contact: 800.752.8700 or visit nuveen.com

Minimum investment is $100,000.

Important information on risk

All investments carry a certain degree of risk, including possible loss of principal, and there is no assurance that an investment will provide positive performance over any period of time. Equity investments are subject to market risk or the risk that stocks will decline in response to such factors as adverse company news or industry developments or a general economic decline. Investment in non-U.S. stocks presents risks such as political risk, exchange rate risk, lack of liquidity and inflationary risk, economic change, social unrest, changes in government relations, and different accounting standards. These additional risks may be heightened for securities of issuers located in, or with significant operations in, emerging market countries as such countries may have a higher degree of economic instability, unsettled securities laws and inconsistent regulatory systems. This strategy may invest in American Depositary Receipts (ADRs). ADRs do not eliminate the currency and economic risks for the underlying shares in another country. In addition, growth stocks or growth investing may fall out of favor and underperform value stocks and other investing styles over any period of time. Certain sectors or growth stocks may shift characteristics over a long market cycle and may not perform in line with stated benchmarks.

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Glossary

The **MSCI ACWI ex USA Index** captures large and mid cap representation across 22 of 23 Developed Markets (DM) countries (excluding the US) and 23 Emerging Markets (EM) countries. With 1,853 constituents, the index covers approximately 85% of the global equity opportunity set outside the US. **Volatility** is the fluctuations in market value of a portfolio or other security. The greater a portfolio's volatility, the wider the fluctuations between its high and low prices. **It is not possible to invest directly in an index.** Clients should consult their financial professional regarding unknown financial terms and concepts.

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