

## International Value ADR

Marketing communication | As of 31 Mar 2026

### Key takeaways

- During the first quarter, the Nuveen International Value ADR strategy underperformed the MSCI EAFE Index, despite value-oriented stocks outperforming growth.
- Relative to the EAFE benchmark, the strategy was hurt by weak performance in information technology, industrials and financials, but this was partially offset by strong performance in materials and health care.
- Looking ahead, the Middle East conflict, higher inflation, potential stress in private credit and disruption from artificial intelligence (AI) could continue to influence equity markets in the coming quarter. However, we intend to use the resulting volatility to pursue long-term investment opportunities.

### Market review

The MSCI EAFE Index declined 1.2% in the first quarter, as a sharp energy shock tied to the conflict involving Iran drove meaningful sector divergence and tested the resilience of developed markets outside North America. The quarter featured unprecedented price volatility, heightened political uncertainty in key markets, a notable shift in interest rate policy expectations and a fundamental reshaping of global energy flows. The MSCI EAFE Value Index outperformed the MSCI EAFE Growth by approximately 6.7%, supported by strength in energy and materials and a rotation to more defensive areas such as utilities.

The outbreak of the Iran war caused oil prices to rise sharply beginning in February. By quarter-end, WTI had nearly doubled to \$101.40 per barrel and Brent reached \$118.40 per barrel. The price gap reflected greater oil security in the U.S. market as well as higher transportation costs. In Asia, refiners that typically rely on Middle Eastern crude priced against Brent sought alternative supplies, leading to increased demand for WTI.

Natural gas markets also repriced because of the conflict. Asia's reliance on gas traveling through the Strait of Hormuz caused Asian liquified natural gas (LNG) prices, as measured by the Japan Korea Marker, to more than double to end the quarter at \$19.80/MMBtu. In Europe, which is less reliant on Qatar, Dutch gas prices rose 75% to \$50.80/MMBtu, while U.S. Henry Hub prices ended down 20%, supported by greater insulation from Middle East disruption. Higher Asian LNG prices also encouraged fuel switching, pushing Asia's coal benchmark to a 17-month high of \$144.25 per ton. The extensive damage to Qatar's Ras Laffan Industrial City, the world's largest LNG complex, could have longer-lasting implications for Asian gas supplies.

Metals markets started the quarter strongly, led by safe-haven demand for gold and silver, with copper spiking to record levels due to tight supply and mine disruptions. Momentum faded in March as the war, a stronger U.S. dollar and fading rate cut expectations caused a



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broad reversal in both precious and cyclical metals. By quarter-end, gold was up 8% and silver was up 5%, while copper, platinum and palladium finished down 2%, 5% and 9%, respectively.

The three major central banks left policy rates unchanged during the first quarter, but expectations shifted meaningfully due to renewed inflation concerns and economic uncertainty. In the United States, the Federal Reserve held its policy rate steady in the 3.50%-3.75% range, but momentum shifted from pricing in two rate cuts by year-end to a 50% chance of one rate hike by October. The U.S. 10-year Treasury yield rose 12 basis points to 4.30%. Euro-area rates increased 10 basis points to 2.88%, and Japanese government bond yields rose 25 basis points to nearly 2.30%.

European equities were especially challenged during the quarter, with most major indexes posting negative returns; euro weakness further detracted from U.S.-dollar-based results. The region's economic growth outlook softened as Germany and Sweden revised down their 2026 forecasts, with the majority of the growth driven by government spending on infrastructure and defense.

In Japan, Prime Minister Sanae Takaichi's snap-election victory in early February jolted financial markets, fueling a rally in stocks while the yen weakened to ¥159 per dollar — its lowest level in 18 months. Bond yields also rose, with the 40-year Japanese government bond yield reaching 4% for the first time since its 2007 debut amid growing unease about Takaichi's proposed tax changes.

## Portfolio review

During the quarter, the International Value ADR strategy underperformed the benchmark MSCI EAFE Index on a gross and net of fees basis. The portfolio lagged the benchmark primarily due to weaker results in information technology, industrials and financials, which were partially offset by strength in materials and health care. Financials was among the weakest performing sectors during the quarter, and our overweight position amplified the negative impact. However, in consumer discretionary — also one of the weakest sectors — the strategy benefited from our underweight positioning. The utilities sector was another detractor, where we were underweight. Although the portfolio was overweight energy, our oil services holding Technip Energies rose less than integrated and upstream oil companies that led the sector's gains. Finally, several

software-related holdings — including Wolters Kluwer, SAP and Capgemini — detracted as investor sentiment was pressured by concerns about how agentic AI could affect certain business models over time.

## Contributors

Energy stocks led the index, and the strategy's position in Shell benefited from higher oil and gas prices. Shell has a large LNG business, which generates around one-third of the company's operating cash flow. The Iran conflict has had a direct impact as drone strikes damaged Shell's Pearl gas-to-liquids facility in Qatar, the company's largest ever single investment. Despite this, higher energy prices generally support Shell's earnings and cash flow. The company also has substantial cash on its balance sheet — about \$40 billion versus an estimated \$12-15 billion needed to run its business. This gives Shell the flexibility to pursue acquisitions, if a suitable one arises, either in traditional oil and gas or in newer lower-carbon businesses that the company aspires to build.

Agnico Eagle Mines performed well as gold prices rose, supported by solid fourth-quarter 2025 results and a positive outlook. Despite analyst estimates of declining production, the company expects production to stay steady in 2026 and 2027 at about 3.3–3.5 million ounces, and it raised its 2028 outlook to the same range, helped by the East Gouldie project ramping up earlier than expected. Management also guided to higher costs in 2026, mainly due to higher royalties and inflation, as well as currency and ore-grade effects. The company's quarterly dividend was increased 13% to \$0.45 per share, and management signaled plans to expand its share buyback capacity to \$2 billion. Overall, we view Agnico Eagle as one of the highest-quality companies in the gold sector.

Nutrien benefited from higher fertilizer prices as the Iran war disrupted exports from the Middle East, an important source of nitrogen and phosphate supply. Higher input costs for sulfur and ammonia partly offset the benefit, while potash pricing was relatively steady. Because most producers had likely sold much of their first-quarter volumes before the disruption began in early-March, the impact on first-quarter results will likely be limited, with a greater impact expected from the second quarter onward. Higher fertilizer prices should support stronger free cash flow, which Nutrien has historically used to expand its

North American retail distribution business through acquisitions and to buy back shares.

## Detractors

Financial shares generally underperformed, and UBS was hit particularly hard amid concerns that Swiss government rules could require the bank to hold more capital rather than returning it to shareholders. Investors have also been focused on how AI could reshape parts of the wealth management industry's value chain. We believe AI will more likely improve advisor productivity and client outcomes rather than undermine the franchise. Looking ahead, UBS is close to completing the Credit Suisse integration, which should free up management capacity to refocus on growth initiatives, accelerate new client acquisitions and potentially unlock around \$1 billion of annual cost savings.

Despite relatively strong fundamentals, Capgemini's shares have been pressured by concerns that agentic AI could alter the role of traditional IT services firms, along with softer technology consulting budgets. Capgemini has shown a better-than-expected recovery, exiting 2025 with roughly 4% organic growth. With the demand environment broadly unchanged, management reiterated that it remains on track to achieve its 2026 organic growth outlook of 2%-3.5%. Sector sentiment has been weighed down by fears of AI-driven pricing deflation and, more recently, moderating growth at bellwether Accenture, which could keep an overhang in place. The stock trades at an approximate 11% free-cash-flow yield, and top-line growth could improve if revenue synergies from the WNS acquisition materialize.

Electrolux was negatively impacted by the Middle East crisis, as higher interest rates may delay a recovery in European residential construction and higher material costs have pressured margins. In the near term, higher transportation costs are an additional headwind; however, given existing inventories and hedging, these costs are likely to flow through the income statement gradually beginning next quarter, giving the company time to adjust prices. Even with weaker earnings, capital expenditures appear to have peaked, and the business could generate nearly double-digit free cash flow that can be used to reduce debt and potentially support valuation over time.

## Portfolio positioning

While we added to holdings that were pressured by broader market weakness, we also initiated a new position in

Electrolux, the Swedish appliance manufacturer. The company is a global leader in major household appliances, serving more than 120 markets across categories including cooking, refrigeration, laundry and home "well-being" products. The company operates through three regional business areas: North America (about 33% of sales), Latin America (23%), and Europe/Asia Pacific/Middle East (44%). Its key brands are Electrolux, AEG and Frigidaire (in North America). The stock has been weak amid a challenging macro backdrop, including soft Europe consumer confidence and sluggish new home sales. As a result, the company now trades at what we view as trough valuations. New management is focused on reducing costs and improving cash flow despite difficult end markets. In addition, with tariffs continuing to limit competition from Chinese manufacturers, we believe Electrolux may be able to offset some higher costs with increased pricing over time.

We eliminated Wolters Kluwer as we fear that the company will continue to be negatively impacted by the growth of agentic AI and new AI models focusing on health care and tax segments, the company's core software segments.

The portfolio ended the period with overweights in the materials, financials, industrials and energy sectors while remaining predominantly underweight in the defensive sectors of the market such as health care, utilities and real estate, as well as information technology, consumer discretionary and communication services.

From a country perspective, the portfolio maintained overweights in the Netherlands via securities such as ING Groep and Technip Energies, and Germany, including Deutsche Post and Siemens. The portfolio also kept out-of-benchmark positions in the emerging market of Brazil through positions in Embraer and Itau Unibanco, and Canada through Agnico Eagle Mines and Nutrien. Meanwhile, the portfolio's most notable country underweights at quarter end were in Japan and Australia.

## Outlook

Several "known unknowns" loom as we enter the second quarter. We expect markets to remain sensitive to many of the same risks that shaped the first quarter, including the Middle East conflict, higher oil prices, the potential for higher interest rates, private credit stress and AI-related disruption. Against this backdrop, it is not surprising that first-quarter leadership leaned toward energy and materials,

as well as more defense areas such as utilities. On the other hand, periods of elevated volatility often create opportunities for long-term investors, and we have been adjusting the portfolio accordingly.

After seesawing between diplomacy and threats, markets appear appropriately cautious about headlines pointing to escalation, temporary pauses in attacks or progress in negotiations. We would not be surprised to see countries stockpiling oil and fuel if the conflict proves prolonged. Energy prices could therefore remain higher for longer, which may keep inflation above consensus expectations and weigh on demand.

In our view, consensus earnings expectations in Europe and Asia do not yet fully reflect the meaningful risks from the war and resulting impact. We are monitoring the risk of potential estimate downgrades and how the markets may respond. Entering 2026, our strategy was positioned for an improving growth backdrop in Europe and China and continued corporate governance improvements in Japan. Over the past month, we have reassessed holdings with a focus on operational resilience and balance-sheet strength, and we have made adjustments where we see opportunity. The current volatility has created opportunities to add to

positions we believed were undervalued and to exit positions that may be structurally challenged going forward.

Moreover, as we get closer to midterm U.S. elections in November, markets will start pricing in risks based on potential political changes. In the near term, we are watching for potential policy signals from President Trump's May trip to Beijing, where topics may include agricultural purchases, foreign direct investment, rare earths, tariffs, Taiwan, semiconductors, Boeing, autos and Iran.

As we construct the portfolio from the bottom up, we remain constructive on our overweight positions in sectors such as financials, industrials and materials. Within financials, we are attracted to banks with low valuations and strong CET-1 capital ratios, which give them ability to increase buybacks and potentially benefit from higher rates. We also view consolidation within the European financial industry as a potential longer-term catalyst. In insurance — where we are more overweight and view the earnings profile as more defensive — pricing remains broadly supportive for property and casualty results, even as market conditions have moderated.

**For more information contact: 800.752.8700 or visit nuveen.com**

Minimum investment is \$100,000.

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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. The **MSCI EAFE Index** (Europe, Australasia, Far East) is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the United States and Canada. The **MSCI Emerging Markets Index** is a free float-adjusted market capitalization index that is designed to measure equity market performance of emerging markets. The **MSCI Europe Index** captures large- and mid-cap representation across 15 developed markets countries in Europe. The **MSCI China Index** is designed to capture large- and mid-cap segments with H shares, B shares, red chips, P chips and foreign listings (e.g., ADRs) of Chinese stocks. The MSCI China Index represents approximately 85% of China free float-adjusted market capitalization and evolves to reflect the changing equity market. The **S&P 500® Index** is widely regarded as the best single gauge of large-cap U.S. equities. The index includes 500 leading companies and captures approximately 80% coverage of available market capitalization. **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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