

International Opportunities ADR

Marketing communication | As of 31 Mar 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 first quarter, the International Opportunities ADR strategy underperformed its benchmark, the MSCI ACWI ex USA Index.**
- **The portfolio's underperformance was driven by unfavorable security selection in the energy, consumer discretionary and financials sectors.**
- **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.**

Market review

Equity markets outside the U.S. performed well in the first quarter, aided by a weaker dollar. The greenback fell 4% against a basket of currencies (measured by the U.S. Dollar Index), as U.S. growth concerns increased the odds of the Federal Reserve lowering interest rates. Based on non-U.S. MSCI benchmark indexes in U.S. dollar terms, emerging market (EM) equities delivered a +2.9% gain, while their developed market counterparts (+6.9%) outpaced the S&P 500 by more than 1,100 basis points (bps)— the widest margin since 2002.

European markets rallied amid improving economic data. On the continent, business activity reached a seven-month peak, boosting eurozone shares. Stocks in Germany, Europe's largest economy, shrugged off fears of looming U.S. tariffs as the government launched plans to ramp up borrowing to fund infrastructure and defense spending. In the U.K., Europe's second-largest economy, service sector output (representing about 80% of GDP) jumped to its highest level since August 2024. Elsewhere, Japan's Nikkei 225 Index performed poorly, with concerns about U.S. trade policy and a stronger yen brought on by higher Japanese interest rates weighing on its export-reliant constituents.

Also in Asia, Chinese equities extended their 2024 gains with a +15% first-quarter rally. Heading into the new year, many investors assumed that Chinese stocks would struggle under the threat of U.S. tariffs. But Deepseek's breakthrough fueled interest in China's internet sector, which is attractively priced compared to its long-term average. Results from other large EM countries were also impressive. Brazilian shares bounced back from a dismal fourth quarter, lifted by hopes for a slower pace of rate hikes by the Central Bank of Brazil and a pickup in investor sentiment. And thanks to robust performance from its technology sector, South Korea overcame trade anxiety and a series of domestic political crises. In contrast, India struggled as investors fretted over steep valuations and slowing economic growth.

Gregory Mancini
Portfolio Manager

John Tribolet
Portfolio Manager

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Portfolio review

During the first quarter, the International Opportunities ADR strategy underperformed its benchmark, the MSCI ACWI ex US Index, on a gross- and net-of-fees basis. Value shares bested their growth counterparts for the quarter by +662 bps, as represented by the MSCI ACWI ex US Value and Growth indexes, respectively. This disparity created a headwind for a growth-oriented strategy like the International Opportunities ADR.

From a factor perspective, underweighting stocks with high earnings yields was a leading detractor for the quarter. Regarding market capitalization, the strategy's underweight in large caps also hindered relative results, as large caps topped small caps during the period. In contrast, the portfolio's EM allocation was additive, with positive stock selection more than offsetting the negative impact of underweighting the region.

In terms of sectors, the largest detractors from the portfolio's relative return were energy, consumer discretionary, financials and industrials, all reflecting negative stock selection. Underweighting the outperforming financials sector detracted as well. On the positive side, communication services contributed the most, the result of favorable stock selection.

From a country perspective, the U.K. was the top detractor due to the below-benchmark results of our holdings there. Germany also weighed on relative results due to unfavorable stock selection and an underweight in the outperforming country. However, stock-picking in Japan provided the biggest boost, followed by an overweight in Brazil, which rebounded in the first quarter and outperformed the broader index.

Contributors

Chinese technology and e-commerce retailer Alibaba Group Holding Limited was the leading contributor to relative returns during the quarter. Alibaba posted better-than-forecast quarterly earnings and signaled continued investment in cloud and AI infrastructure over the next three years.

Dutch multi-national financial services company ING Groep NV was another key contributor, thanks to quarterly results that largely met expectations and the announcement of acquiring a large stake in a major wealth manager.

Japanese engineering and electrical equipment firm Mitsubishi Heavy Industries, Ltd. rounded out the

three-largest contributors, as Japan's defense sector — taking a notable cue from Germany and its planned fiscal stimulus — broadly outperformed on the potential for increased defense spending.

Detractors

Taiwan Semiconductor Manufacturing Co., Ltd. detracted the most for the quarter. Its shares struggled amid the potential impact of impending tariffs on the semiconductor industry and the entrance of upstart Deepseek.

Japanese human resources outsourcing firm Recruit Holdings Co., Ltd. hindered relative results as it delivered below-forecast earnings, revenue and operating profits. The possible weakening of Japan's labor market also served as a headwind.

Danish health care conglomerate Novo Nordisk A/S was the third-largest detractor. Novo Nordisk's shares were pressured following disappointing trial results for its next-generation weight-loss drugs and concerns over potential U.S. tariffs.

Portfolio positioning

At quarter-end, the strategy's sector positioning reflected overweights in consumer discretionary, health care, information technology and energy. Financials was the largest underweight, followed by industrials, communication services and utilities.

Geographically, the portfolio finished the period with overweight allocations to Brazil and the Netherlands. Canada and India were the largest underweights.

The team trimmed eight positions during the quarter and added nine, a reflection of the new portfolio management team that assumed responsibility in mid-February. The team used the remainder of the quarter to position the portfolio slightly higher in market capitalization size and further into growth. Over the course of the period, the strategy's exposures to health care, materials, industrials, consumer staples and financials increased, while its weightings in all other sectors decreased, particularly consumer discretionary (reduced by -590 bps). On a country basis, allocations to Germany, Ireland and Switzerland grew the most. In contrast, our exposure to Canada declined by -746 bps. Lastly, our EM underweight was narrowed, increasing closer to the benchmark's weight of 24.7%.

Outlook

Over the past 10 calendar years (2015-2024), European

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stocks, as represented by the MSCI Europe Index, have lagged the S&P 500 by an average of 1.83 percentage points per quarter. But in the first quarter of 2025, Europe trounced the U.S. by 14.8 percentage points, 10.5% to -4.3%.

Europe's equity resurgence has been fueled by the German government's constitutional amendment to the "debt brake" — which had limited borrowing to just 0.35% of GDP — to counter America's pivot away from Europe and end years of economic stagnation. Germany has pledged to spend €500 billion on infrastructure and "green" projects while boosting military and civil defense manufacturing, cybersecurity investment and support for Ukraine. As a result of the proposed stimulus, economic forecasts for German GDP have improved dramatically. One estimate calls for annual GDP expansion to nearly double over the next 10 years, from 1.1% to 2%, a pace the country last reached in 2021.

On a sector basis for Europe, we favor defensive areas like health care, thanks to both the surge in demand of GLP-1 drugs for fighting obesity and diabetes, and attractive valuations of health care stocks. Telecommunications also merits consideration on the strength of consolidation within the sector and regulation that has increased pricing power for its companies. Among cyclical (i.e., more economically sensitive) industries, we continue to like banks, which should benefit from improved growth in Europe and higher long-term Treasury yields, a boon to the sector since they allow banks to lend at higher rates.

In addition to opportunities in Europe, we believe Japan offers an abundance of attractively valued growth companies. Although the Nikkei Index started slowly this year, fourth-quarter corporate earnings for Japanese

companies overall were solid (+12.1% quarter over quarter, +13.5% year over year, according to one estimate). And while higher interest rates have translated to a stronger yen — which makes Japanese exports more expensive, potentially hindering earnings — the country's low unemployment and tight labor market could support wage growth and, in turn, consumption. A focus on corporate governance, coupled with global underallocations to Japanese equities, adds to the country's allure as an investment destination, in our view.

Also in Asia, we believe China's domestically driven economy could withstand Trump's tariffs without sustaining significant damage. Total exports made up just 19.7% of GDP, putting the country 128 out of 154 nations surveyed by the World Bank. And Beijing appears determined to boost households' capacity and willingness to consume through its new "special action plan," multi-pronged stimulus with a focus on boosting wages, supporting the stock market and building out the services sector.

Following the strong rally in non-US stocks, 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) the vulnerability of U.S. equities due to technology stock volatility, (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.

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For more information contact: 800.752.8700 or visit nuveen.com

Minimum investment is \$100,000.

Important information on risk

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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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