

## International Opportunities ADR

Marketing communication | As of 31 Dec 2024

- **During the fourth 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 consumer discretionary, information technology and energy 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

The U.S. equity market experienced significant volatility during the quarter, losing ground in October as strong economic data propelled U.S. Treasury yields higher. Stocks rebounded in November following Donald Trump's election victory and optimism over his pro-growth agenda featuring lower taxes and fewer regulations. However, the rally stalled in December as hawkish comments by the Federal Reserve quickly dampened the enthusiasm.

Outside the U.S., equity markets generally performed poorly for the quarter. Fueled by the health of the U.S. economy and the Fed's expectations for fewer rate cuts in 2025, the U.S. dollar reached its highest level in more than two years against a basket of currencies. This dollar strength weighed heavily on non-U.S. stock market returns when translated into dollars. Both emerging markets (EM, -8.0% for the period) and non-U.S. developed markets (-8.1%) trailed the S&P 500 (+2.4%) by more than 1,000 basis points (or 10 percentage points) during the quarter, as measured by the MSCI Emerging Markets Index and the MSCI EAFE Index, respectively.

European markets struggled amid sluggish economic data in the eurozone and markedly softer business and consumer confidence in the United Kingdom. In Asia, Japan's TOPIX (-4.1%) mostly traded within a tight range and failed to top its July 2024 highs. Chinese equities (-7.7%), the MSCI EM index's largest constituent by market capitalization, also lost ground despite the government's pledge to implement looser policies to boost consumption and domestic demand.

**Jason Campbell**

*Portfolio Manager*

**Dan Roberts**

*Research Analyst, Portfolio Manager*

# International Opportunities ADR

## Portfolio review

During the fourth quarter, the growth-oriented International Opportunities ADR strategy topped its benchmark, the MSCI ACWI ex USA Index, on a gross and net-of-fees basis even as value shares outperformed their growth counterparts for the quarter (as defined by the MSCI ACWI ex US Value and Growth indexes, respectively). An allocation to growth stocks contributed the most to the strategy's fourth-quarter relative results, with good stock selection also adding value. Underweighting shares with high earnings yields — often characterized as value stocks — as well as strong stock selection in that segment contributed significantly as well.

The portfolio's EM underweight was only slightly additive, despite EM's underperformance versus the benchmark. Regarding market capitalization, the strategy was more diversified (i.e., less large cap "heavy") than the index. But while large caps outpaced small caps for the period, the Portfolio Management Team overcame that headwind with solid stock picks.

In terms of sectors, the largest contributors to the portfolio's relative return for the quarter were consumer discretionary, information technology and energy, all reflecting positive stock selection. In contrast, financials detracted the most, the result of unfavorable stock selection and an underweight in that outperforming sector. From a country perspective, Canada was the leading contributor on the strength of the good performance of our stock holdings there. On the negative side, an overweight in Brazil, one of the worst performing EM countries, was the primary detractor for the quarter.

## Contributors

Among individual names, Canadian e-commerce platform Shopify, Inc. contributed the most to the strategy's fourth-quarter outperformance. Shopify's subscription and merchant revenue handily topped forecasts, and the company expanded its market share. In addition, recent marketing investments have boosted growth. Against that backdrop, management issued favorable forward guidance.

Taiwan Semiconductor Manufacturing Co., Ltd. provided a meaningful contribution as well. Several of its business lines delivered double-digit top-line growth, and management issued better-than-expected guidance, pointing to the "early innings" of the semiconductor artificial intelligence-related cycle.

Canadian fashion athletic apparel manufacturer Lululemon

Athletica, Inc., was the third-largest contributor. Investor sentiment was positive based on management's optimistic view of new products in the U.S., a market that lagged international peers in the third quarter.

## Detractors

In terms of specific companies, Danish health care conglomerate Novo Nordisk A/S detracted the most from the Fund's relative returns. Its shares came under pressure after the firm announced disappointing results from its recent phase 3 study of weight-loss drug CagriSema.

Bayer AG, the German crop science, pharmaceutical and consumer health company, also detracted. Bayer's quarterly results missed expectations, and the firm lowered guidance, noting a downturn in its agriculture business.

Japanese health, hygiene, and pet products manufacturer Unicharm Corporation was the third-largest detractor. Despite posting strong results in Japan, core operating profits undershot forecasts in Asia due to inventory reductions and promotional spending.

## Portfolio positioning

Portfolio holdings remained well-diversified and growth-oriented. At quarter-end, the strategy's sector positioning was overweight in consumer discretionary and energy, while mainly underweight financials and industrials.

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

We trimmed one position during the quarter—Unicharm. There was no other trading activity in the portfolio.

Over the course of the period, the strategy's exposures to consumer discretionary and information technology increased, while its weightings in financials and health care decreased the most. On a country basis, allocations to Canada and Taiwan grew the most. In contrast, our exposure to Brazil and Denmark declined. Lastly, our EM allocation dipped marginally, ending the period at 22% of the portfolio.

## Outlook

Although the U.S., the global economy and financial markets remained resilient in 2024, mounting geopolitical concerns, including the war in Ukraine, remain on our radar. That said, our current base case calls for modest U.S. economic growth with improved business confidence and

# International Opportunities ADR

deregulation. Outside the U.S., we are increasingly cautious about both developed and emerging markets based on our expectations for weaker growth in those regions and the likelihood of a stronger U.S. dollar.

Among developed economies, with Germany still in a prolonged recession due to slowing manufacturing activity, we expect growth in Europe to remain sluggish while inflation continues to moderate. Japan is the sole bright spot, as we maintain a bullish outlook based on efforts by regulators to improve capital efficiency and increase corporate actions. Rising corporate earnings fueled by a weak yen and the ability of Japanese companies to pass higher prices on to customers are additional positives for the country's equity markets. In EM, the potential threat of tariffs on Mexican and Chinese exports to the U.S. are less of a concern, in our view, and we continue to favor the LatAm

region, particularly Brazil.

Many diversified equity allocations continue to be tilted toward the U.S., but investors are becoming more comfortable reducing U.S. exposure and shifting assets into non-U.S. developed and EM equities. Factors supporting such a move include cheaper relative valuations, favorable earnings estimates and the potential for a weakening U.S. dollar, which serves as a tailwind for U.S. investors in non-U.S. stocks.

The portfolio remains well diversified in the growth investment style and is slightly smaller in market cap. The team continues to monitor demand and trade, economic growth and inflation.

---

**For more information contact: 800.752.8700 or visit [nuveen.com](http://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.

This material is not intended to be a recommendation or investment advice, does not constitute a solicitation to buy, sell or hold a security or an investment strategy, and is not provided in a fiduciary capacity. The information provided does not take into account the specific objectives or circumstances of any particular investor, or suggest any specific course of action. Investment

decisions should be made based on an investor's objectives and circumstances and in consultation with his or her financial professional.

The views and opinions expressed are for informational and educational purposes only as of the date of production/writing and may change without notice at any time based on numerous factors, such as market or other conditions, legal and regulatory developments, additional risks and uncertainties and may not come to pass. This material may contain "forward-looking" information that is not purely historical in nature. Such information may include, among other things, projections, forecasts, estimates of market returns, and proposed or expected portfolio composition. Any changes to assumptions that may have been made in preparing this material could have a material impact on the information presented herein by way of example. **Performance data shown represents past performance and does not predict or guarantee future results.** All information has been obtained from sources believed to be reliable, but its accuracy is not guaranteed. There is no representation or warranty as to the current accuracy, reliability or completeness of, nor liability for, decisions based on such information and it should not be relied on as such.

## 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.

Nuveen Asset Management, LLC, is a registered investment adviser and an affiliate of Nuveen, LLC. CFA® and Chartered Financial Analyst® are registered trademarks owned by CFA Institute.