International ADR

First Quarter | 2023

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Market Overview[1,3]

Global equity markets experienced a volatile start to 2023 as investors grappled with a range of economic and geopolitical uncertainties. In a single quarter, investors took a rollercoaster ride through:

- Recession fears (first few weeks of January);
- Soft-landing optimism (late January to mid-February);
- The reheating economy (mid-February to early March);
- Fears over a banking crisis in the United States and Europe (early to mid-March); and
- Modest optimism that the banking crisis was contained to a few idiosyncratic institutions (late March).

The rapid re-pricing of U.S. Federal Reserve (Fed) expectations around these changing narratives led the yield on the two-year U.S. Treasury note on a 200-plus basis point round trip, which is an incredible swing. The continued disconnect between what the Fed is broadcasting (i.e., no rate cuts in 2023) and what the market is pricing (i.e., multiple rate cuts in 2023) will almost certainly keep volatility elevated across asset classes.

On March 10, the biggest failure of a U.S. bank since the Global Financial Crisis occurred as a major lender to the tech industry succumbed to a classic bank run, which occurred at an unprecedented speed, thanks in part to social media. Silicon Valley Bank's customers frantically pulled their money from the California-based lender before U.S. regulators intervened to take control. (The Eagle International ADR strategy did not own shares of Silicon Valley Bank or the other banks mentioned in this paragraph.) Silicon Valley Bank's collapse panicked markets, piling pain on weaker financial institutions already struggling with the consequences of soaring interest rates. A week later, a second U.S. regional bank, Signature Bank, was shut down, and a third, First Republic Bank, was propped up. In addition, the first major threat to a global bank since 2008 was averted when UBS took over Credit Suisse. By the end of the quarter a relative calm had been restored thanks to the provision of huge sums of emergency cash from lenders of last resort, both central banks and some of the industry's strongest players.

In the United States, concerns around inflation have led to fluctuating sentiment, with investors closely monitoring data on wage growth, supply chain disruptions, and other indicators that could impact consumer prices.

In Europe, equity markets continue to experience significant volatility, with ongoing concerns around the war in Ukraine, the impact of Brexit, inflation, and a sluggish economic recovery in many countries. That said, there have been some positive signs with several key European economies showing improvement and the European Central Bank signaling that interest rate hikes may be nearing an end.

In Asia, equity markets have been similarly rocky, with concerns around supply chains and global growth keeping investors up at night. China has driven significant market turbulence, as it deals with the aftermath of last year's strict lockdowns followed by a rapid pivot to reopen the economy. Unfortunately, a recovery in growth has been unexpectedly sluggish thus far. Moreover, ongoing regulatory crackdowns and tensions with the United States are contributing to uncertainty for investors.

Portfolio Review[1,2,3]

During the first quarter, the International ADR portfolio outperformed its MSCI EAFE® (Net) Index benchmark on a gross basis and matched the return of the index on a net basis. In terms of sectors, allocation helped the most, while stock selection was also positive. An underweight to

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Top 10 Holdings*

Novo Nordisk
Hermès International
HSBC
ASML
Nippon Telegraph and Telephone
Deutsche Telekom
Nestle
LVMH Moët Hennessy Louis Vuitton
Novartis
Sumitomo Mitsui Financial Group

As of March 31, 2023. The information provided above should not be construed as a recommendation to buy, sell, or hold any particular security. The data is shown for informational purposes only and is not indicative of future portfolio characteristics or returns. Portfolio holdings are not stagnant and may change over time without prior notice. Past performance does not guarantee future results. Please note that the holdings identified do not represent all of the securities purchased, sold, or recommended for the composite. They are provided for informational purposes only. Eagle, its affiliates, or their respective employees may have a position in the securities listed.

*In addition to the securities listed here, as of March 31, 2023, the Eagle International ADR portfolio held a position in the U.S. dollar that would put it in the No. 2 spot on this list.

real estate and an overweight to information technology contributed to performance, while an underweight to industrials and an overweight to healthcare detracted. Stock selection was strongest within healthcare and information technology and weakest within communication services and consumer staples. With regard to countries, sector allocation was the main driver of outperformance while stock selection was negative. An overweight to the Netherlands and an underweight to Hong Kong contributed positively, while an overweight to Korea and an underweight to France detracted from performance. Stock selection was strongest within France and Germany and was weakest within the United Kingdom and the Netherlands.

At the start of the quarter, as compared to the MSCI EAFE (Net) Index, the International ADR portfolio was most overweight the communication services and information technology sectors, and most underweight the real estate and materials sectors. By the end of the quarter, the portfolio continued to be most overweight information technology and communication services and was most underweight financials and real estate. Among countries, at the start of the quarter, the portfolio was most overweight the Netherlands and Japan, and it was most underweight Australia and Hong Kong. By the end of the quarter, the portfolio was most overweight the Netherlands and Spain and continued to be most underweight Australia and Hong Kong. Within the MSCI EAFE Index, information technology and consumer discretionary performed the best while real estate lagged. In terms of countries, Ireland and the Netherlands performed the best while Norway and Hong Kong lagged.

Hermès International, the France-based luxury good producer, reported fourth-quarter sales and earnings that came in above consensus estimates, driven primarily by strength in the United States and in the company's leather goods division.

Novo Nordisk is a pharmaceutical company based in Denmark. The company continued to experience strong sales of its diabetes and weight-loss drugs sold under the brand names Ozempic and Wegovy.

ASML is a semiconductor company based in the Netherlands. The company reported fourth-quarter earnings and first-quarter sales guidance that came in ahead of consensus estimates on the back of strong demand for the company's Extreme Ultraviolet technologies.

LVMH Moët Hennessy Louis Vuitton is a diversified luxury goods group based in France. Shares rose thanks to continued strong sales in Western markets, optimism surrounding China's re-opening, and pent-up global travel and tourism demand.

Infineon Technologies designs, manufactures, and markets semiconductors. The German company reported first-quarter earnings that exceeded consensus estimates due to pricing and mix effects and lifted guidance amid continued semiconductor demand.

KT Corporation, a South Korean telecommunication services provider, faced a void in leadership after a management reshuffle, and increased regulatory risk after the government called for the need to increase competition in the telecom industry.

British American Tobacco is a United Kingdom-based tobacco and nicotine producer. The decision not to renew buybacks, weaker than expected U.S. cigarette trends, and increased regulatory risks in vapor products weighed on shares.

Aegon is a Netherlands-based life insurance and asset management company. Its stock price

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	Top Securities	Average Weight (%)	Contribution to Return (%)	Bottom Securities	Average Weight (%)	Contribution to Return (%)
International ADR	Hermès International	1.85	0.53	KT Corporation	1.03	-0.16
	Novo Nordisk	2.67	0.49	British American Tobacco	1.40	-0.14
	ASML	1.87	0.48	Aegon	0.78	-0.11
	LVMH Moët Hennessy Louis Vuitton	1.61	0.39	Genmab	0.98	-0.11
	Infineon Technologies	1.18	0.36	Societe Generale	1.01	-0.10

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fell alongside peers amid market worries about insurers' asset risk and exposure to U.S. life insurance companies following bank failures in the United States.

Genmab is a Danish biotechnology company. Growth expectations were lowered due to royalty cuts for its most important growth driver, Darzalex, and a slower ramp-up of its highest profile late-stage pipeline product, Epcoritamab.

Societe Generale is a French banking and financial services company that was negatively impacted by lower than expected retail revenues in its domestic market and broad market concerns following the collapse of Credit Suisse.

Outlook[1,2,3]

While the year began with a strong rally fueled by hopes of a global economic recovery and ongoing stimulus measures, this optimism was soon tempered by concerns around inflation, rising interest rates, and the potential for a global economic slowdown. Looking ahead, several key factors are likely to impact global equity markets in coming months. One of the biggest uncertainties is the trajectory of inflation, with many analysts predicting that price pressures will continue as the global economy recovers from the pandemic.

The International Monetary Fund (IMF) projects global growth to fall from an estimated 3.4% in 2022 to 2.9% in 2023, then rise to 3.1% in 2024. The forecast for 2023 is 0.2 percentage points higher than predicted in October of 2022 but below the recent historical (2000–2019) average of 3.8%. The rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. In addition, the IMF expects global inflation to fall from 8.8% in 2022 to 6.6% in 2023 and 4.3% in 2024, which still would be above pre-pandemic (2017–2019) levels of about 3.5%.

Many central banks are trying to thread the needle, balancing a more hawkish stance as they seek to prevent inflation from spiraling out of control versus strangling economic growth by overtightening. This could have significant implications for equity markets in general and, in particular for sectors such as financials, real estate, and utilities that are very sensitive to interest rate movements. Monetary policy works with varying lags in various ways. Therefore, changes in interest rates may not immediately have a significant impact on the economy. This has been the fastest rate-hiking cycle in decades, and it will likely take some time to work its way through the economy.

Geopolitical risks are also likely to remain a key concern for investors, with the Ukraine-Russia war entering its second year, and ongoing tensions between the United States and China contributing to the market's worries.

Recession risks have been re-ignited by the recent banking turmoil, and there are now concerns that demand will weaken as the crisis signals a screeching halt to the "easy-cash era" and the arrival of a broader credit crunch.

At the same time, consumers and companies face increased pain from rising interest rates. Ratings agency S&P Global expects U.S. and European default rates to reach 3.75% and 3.25%, respectively, by September, more than double the 1.6% and 1.4% seen in September 2022. Pessimistic forecasts of 6.0% and 5.5% are not "out of the question," according to S&P.

In short, while several factors could lead to increased uncertainty, there are also many

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Performance as of March 31, 2023

		First Quarter	Year to Date	One Year	Three Years	Five Years	Ten Years	Since Inception (Jan 1, 2013)
Eagle International ADR	Gross	9.22%	9.22%	2.04%	14.83%	4.43%	6.05%	6.15%
Eagle International ADR	Net	8.47%	8.47%	-0.99%	11.52%	1.35%	2.94%	3.04%
MSCI EAFE® (Net) Index (Net of Dividend)		8.47%	8.47%	-1.38%	12.99%	3.52%	5.00%	5.39%

The performance data quoted represents past performance. Past performance does not guarantee future results. Investment return and principal value will fluctuate so that an investor's portfolio, when redeemed, may be worth more or less than their original cost. Current performance may be lower or higher than the performance information quoted. To obtain current month-end performance information, please call your financial professional or visit eagleasset.com.

Performance Disclosures

The calculation of the performance data includes reinvestment of all income and gains and is depicted on a time-weighted and size-weighted average for the entire period. Performance is shown after deduction of transaction costs and both "gross" (before the deduction of management fees) and "net" (after the deduction of management fees). Performance figures include all internal, retail International ADR accounts of Eagle Asset Management, a St. Petersburg, Florida-based firm. Eagle Asset Management, Inc. claims compliance with the Global Investment Performance Standards (GIPS®). GIPS® is a registered trademark of CFA Institute. CFA Institute does not endorse or promote this organization, nor does it warrant the accuracy or quality of the content contained herein. Eagle Asset Management, Inc. has received a firm-wide verification for the periods January 1, 1982 through December 31, 2021. Performance data for 2022 and the current year may be revised, and Eagle will publish any revised performance data. No inference should be drawn by present or prospective clients that managed accounts will achieve similar investment performance in the future. Because accounts are individually managed, returns for separate accounts may be higher or lower than the performance figures stated above. Investing in equities may result in a loss of capital. Past performance is not a guarantee of future results.

opportunities for investors to find value and growth in a rapidly evolving market.

In conclusion, the stock market outlook for the balance of 2023 is one of (very) cautious optimism. While global equity markets experienced a turbulent start to the year as investors grappled with a range of question marks, there are also reasons to see the glass as half full. For example, robust corporate earnings for many companies provide a strong foundation for current equity valuations. However, investors will need to remain vigilant and closely monitor market conditions to navigate the challenges and opportunities that lie ahead.

1. The MSCI EAFE® (Net) Index, the strategy's benchmark index, measures the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the United States. and Canada. The MSCI EAFE (Net) Index subtracts any foreign taxes applicable to U.S. citizens but not applicable to citizens in the overseas country.

2. References to specific securities are intended to illustrate the types of securities Eagle may hold in this portfolio. They are not intended as representations of specific investment recommendations that would have been profitable to an investor. Past performance is not a guarantee of future results. Opinions and estimates offered constitute Eagle's judgment and are subject to change without notice as are statements of financial-market trends, which are based on current market conditions. Investing involves risk, including the possible loss of principal.

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3. Source: Bloomberg.

International investing presents specific risks, such as currency fluctuations, differences in financial accounting standards, and potential political and economic instability. These risks are further accentuated in emerging market countries, where risks can also include possible economic dependency on revenues from particular commodities or on international aid or development assistance, currency transfer restrictions, and liquidity risks related to lower trading volumes. The portfolio may invest in small- and mid-cap stocks, which may involve greater risks than investing in larger, more established companies. These companies often have narrow markets and more limited managerial and financial resources.

Definitions

Basis points (bps) are measurements used in discussions of interest rates and other percentages in finance. One basis point is equal to 1/100th of 1%, or 0.01%.

Underweight describes a portfolio position in an industry sector or some other category that is less than the corresponding weight level in a benchmark portfolio.

Overweight describes a portfolio position in an industry sector or some other category that is greater than the corresponding weight level in a benchmark portfolio.

A consensus estimate is a forecast of a public company's projected earnings or the expected findings of a macroeconomic report based on the combined estimates of analysts and other market observers that track the stock or the data in question.

Hawkish, dovish, and centrist are terms used to describe the monetary policy preferences of central bankers and others. Hawks prioritize controlling inflation and may favor raising interest rates to reduce it or keep it in check. Doves tend to support maintaining lower interest rates, often in support of stimulating job growth and the economy more generally. Centrists tend to occupy the middle of the continuum between tight (hawkish) and loose (dovish) monetary policy.

Growth investing is a stock-buying strategy that focuses on companies expected to grow at an above-average rate compared to their industry or the market.

Value investing is an investment strategy that involves picking stocks that appear to be trading for less than their intrinsic or book value.

Indices are unmanaged and have no expenses. One cannot invest directly in an index.

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