

International ADR

OBJECTIVE

Provide total return from a portfolio of foreign companies across a range of countries and sectors.

KEY FACTS

Portfolio managers	Tom Murray Shane Duffy
Benchmark	MSCI EAFE Index

* Note: The Investment Manager (Portfolio Manager) seeks to achieve the stated targets/objectives. There can be no guarantee the objectives/targets will be met.

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MARKET REVIEW AND OUTLOOK

REVIEW

- **Global equities witnessed a strong rally during the second quarter of 2020.** Stocks rebounded from a severe shock in the first quarter of 2020 as the growth in infection rates of Covid-19 in several regions started to fall and as strong stimulus measures taken by governments came into effect. However, global equities become more volatile later in June, paring some of the gains, as risks around the resurgence of the viral outbreak and the longer lasting economic effects weighed on sentiment.
- **Several regions within the US and Europe began re-opening their economies** and easing some of the lockdown restrictions. Nevertheless, economic indicators continued to reveal the extent of the economic damage due to the shutdown.
- **Globally, the technology sector rallied** as semiconductor equipment companies were able to resolve supply-side constraints and several posted an upbeat outlook for the year. Additionally, cyclical sectors such as autos and basic industries outperformed over the quarter on investor optimism of a rapid recovery in demand.
- **Despite a strong rebound in European value stocks in June,** growth stocks persistently outperformed at a global level over the quarter, while developed markets outperformed emerging markets over the quarter.

PORTFOLIO REVIEW

- **The portfolio outperformed** its benchmark in the second quarter of 2020.
- **At the sector level, stock selection in financials and information technology** were the largest contributors, while stock selection in health care and consumer discretionary detracted. Regionally, stock selection in the UK and Japan contributed to performance, while an underweight allocation to the Pacific Rim was the sole detractor from performance.

OUTLOOK

- **With cautious moves towards reopening economies,** we have likely passed the low point in economic demand, and with confidence recovering, albeit from dramatically low levels, a return to some form of normality is in prospect.
- **The damage done, however, has been immense,** as can be seen from steep rises in indebtedness at the government and household levels. Even though demand is recovering, it will take many quarters to return to pre-crisis levels and the repair of balance sheets will take even longer.
- **Corporate earnings will be appreciably lower this year,** with the financials and energy sectors especially affected, and although 2021 will see recovery, it will likely take many quarters before profitability returns to pre-crisis levels.
- **With valuation spreads elevated,** however, we believe that there are fertile opportunities for stock pickers to add value.

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All data as of June 30, 2020, unless otherwise indicated. Past performance is not a guarantee of comparable future results. Total return assumes the reinvestment of income. Performance results are gross of investment management fees. The deduction of an advisory fee reduces an investor's return. Actual account performance will vary depending on individual portfolio security selection and the applicable fee schedule. Fees are described in Part II of the Advisor's ADV which is available upon request.

Illustration showing impact of investment management fees: An investment of USD \$1,000,000 under the management of JPMAM achieves a 10% compounded gross annual return for 10 years. If a management fee of 0.75% of average assets under management were charged per year for the 10-year period, the annual return would be 9.25% and the value of assets would be USD \$2,422,225 net of fees, compared with USD \$2,593,742 gross of fees. Therefore, the investment management fee, and any other expenses incurred in the management of the portfolio, will reduce the client's return.

The securities highlighted above have been selected based on their significance. They are not recommendations. A complete list of firm recommendations in the portfolio for the last year is available upon request.

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