

The FGP International Equity ADR SMA portfolio performed in line with the MSCI EAFE (CAD) Index during the quarter.

International equity markets, as represented by the MSCI EAFE Index, declined in the quarter but gained 13% overall in 2024. Political instabilities led to some regional divergence, while central bank policies across markets remained mixed and currency volatility added another layer of complexity, particularly in the euro and yen, which weakened against the U.S. dollar.

The portfolio matched its benchmark in the quarter and gained 12% in 2024. The top contributors to portfolio performance during the quarter were:

Sony +17% benefited from increased demand for gaming consoles and digital content. The music segment delivered stable performance, supporting our investment thesis centered on Sony's diversified entertainment and technology platform. The company raised its profit expectations for 2025 driven by stronger performance from its gaming segment.

Willis Towers Watson +14% announced the sale of its non-core TRANZACT business, a direct-to-consumer insurance sales channel in the U.S. health sector. The divestiture, which improves cash flow conversion, aligns with our thesis to increase focus on the company's core insurance brokering and consulting businesses.

On the downside, the main detractors from portfolio performance included:

ICON -22%, one of the largest Clinical Research Organizations (CROs) in the world, experienced ongoing demand softness due to reduced biotech funding, post-COVID normalization, and selective customer research and development (R&D) budget reallocations. We remain optimistic about ICON's long-term growth, as its cost efficiency and global scale should enable it to capture market share as demand stabilizes.

Capgemini -20% faced headwinds from weaker IT spending trends across its customer base, reflecting broader softness across the industry. Capgemini remains a dominant player in IT services, and we expect IT budgets to recover over time, supporting renewed growth momentum.

During the quarter we exited **Nintendo** based on valuation and near-term earnings uncertainty. With the proceeds we initiated a position in **Publicis**, one of the largest advertising agencies in the world, which offers greater earnings visibility near-term at half the valuation multiple of Nintendo.

As we begin 2025, the portfolio is trading at what we believe to be a reasonable earnings multiple with expected earnings growth in the low double digits. Our strategy emphasizes not only the identification of companies with strong fundamentals and recurring revenue streams but also the pursuit of attractively valued businesses that exhibit robust and sustainable business models. We believe the portfolio is well-positioned to navigate ongoing macroeconomic uncertainties while capturing growth opportunities in international equity markets.

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