NEW YORK LIFE INVESTMENTS

QUARTERLY COMMENTARY Q1 2025

NYLI Epoch Global Choice ADR†

Portfolio managed by:

EPOCH

Our investment process emphasizes rigorous fundamental analysis and integrated risk management. Our approach takes a long-term perspective, which helps protect against over-reacting to external shocks.

Market Review

- Equity indices delivered mixed returns in the first quarter, with U.S. exceptionalism giving way to a resurgence in the rest of the world. All major U.S. indices declined. Weakness in U.S. markets was driven by growth fears following uncertainty around tariff policy and concerns disinflation was stalling. Technology companies were further pressured by worries around the secular Artificial Intelligence (AI) theme. Purportedly cheaper and more efficient large language models have been developed by Chinese companies such as DeepSeek and investors continue to question the ultimate Return on Investment (ROI) of massive hyperscaler capital expenditures. Amidst this backdrop, the best performing sectors included energy, utilities, financials, consumer staples, and health care. The worst performing sectors were information technology, consumer discretionary, and communication services.
- Outside the U.S., the MSCI EAFE index rose, significantly outperforming its U.S. counterpart. This strong performance was led by Europe, with the major markets of the U.K., France, Switzerland, and Germany. Europe was buoyed by investor enthusiasm around the continent's pledge to increase defense spending and Germany's fiscal pivot from austerity to stimulus. These positives outweighed the negative overhang of looming tariffs, at least temporarily.
- Economic data remained uneven with hard data painting a stronger picture than survey data. The net of it suggests the U.S. labor market is healthy while progress with inflation appears to be stalling. There was a divergence in the fixed income markets, with U.S. treasuries rallying while European bonds sold-off on the pivot to a more expansionary fiscal stance. Central banks generally remained in easing mode, although the pace and magnitude of rate cuts is proving to be less than originally forecasted. The major outlier was Japan, where the Bank of Japan (BOJ) hiked rates by 25 basis points, bringing them to their highest level in 17 years.

Portfolio Performance[1] (as of 3/31/25)

	Pure Gross Return	MSCI World Index	Net Return*
QTR	-2.23	-1.79	-2.95
1 Year	-2.23	-1.79	-2.95
3 Years	4.79	7.04	1.73
5 Years	5.23	7.58	2.17
10 Years	11.93	16.13	8.67
Since Inception[1] (05/31/2010)	9.92	10.53	6.71

ADR = American Depository Receipt.

Past performance is no guarantee of future results, which will vary.

1. Inception date is May 31, 2010. Performance for the most recent quarter is preliminary and subject to change.

* Maximum program fee or highest advisory fee of 3% per annum (25 basis points per month).

† Effective 8/28/24, MainStay Epoch Global Choice ADR was renamed NYLI Epoch Global Choice ADR SMA.

Market Review (Continued)

- In other asset markets, the U.S. dollar depreciated against a broad basket of foreign currencies. Gold rose, its best quarterly performance since 1986, reflecting stagflation concerns and geopolitical uncertainty. Bitcoin declined while West Texas Intermediate (WTI) crude was essentially unchanged. These price movements suggest investor angst over the macroeconomic outlook in coming quarters.

Portfolio Review

- The Epoch Global Choice SMA ADR declined 2.2% (gross) and 3.0% (Net), slightly lagging the 1.8% decline of the MSCI World Index. Sector allocation positively contributed 30 basis points to relative returns due to the underweight to information technology which was the worst performing sector in the market. Stock selection detracted 110 basis points, primarily due to holdings within the information technology, communication services, and health care sectors. From a country perspective, stock selection was positive, but was offset by the negative currency effect in Canadian dollars.
- At the individual security level, our top three positive contributors in the quarter included Sony, Visa, and AstraZeneca.
- Sony shares appreciated after the company reported better-than-expected fiscal third quarter results and raised full year guidance. Performance within its Game & Network Services was particularly strong, highlighted by increased PlayStation hardware sales and the highest monthly active user count in history. Imaging & Sensing solutions, Sony's other core business, delivered better-than-expected results due to higher yields despite lower unit sales. Management also announced a new share repurchase program and re-affirmed that the spin-off of its Financials Services business remains on track for October 2025.
- Visa shares benefitted from strong fourth quarter results, upgraded 2025 guidance, and a reassuring investor day. Fourth quarter results were powered by a surge in cross-border transactions, reflecting robust consumer spending during the holiday season. Management raised 2025 constant dollar revenue and Earning per Share (EPS) growth targets to low double-digits and low teens, respectively. The company's investor day highlighted the durability of its growth rates over the medium- to long-term supported by continued cross border strength, value added services, and increased monetization opportunities beyond transactions and payments.
- AstraZeneca reported solid fourth quarter results and introduced better-than-expected guidance for high single-digit sales growth and low double-digit EPS growth in 2025. The company highlighted several Phase III readouts in 2025 for key assets with blockbuster potential. Finally, management alleviated concerns regarding illegal drug importation allegations in China by quantifying the potential fine at levels far below what the market feared.
- The top detractors in Q1 of 2025 included Alphabet, Amazon.com, and Salesforce. These holdings were caught up in the broader technology sell-off, which was precipitated by concerns over news about DeepSeek and uncertainty around returns on capital expenditure spending.
- Alphabet shares declined on mixed fourth quarter results. Enthusiasm for strength in search and YouTube advertising was offset by concerns over sequential deceleration in cloud growth and a significant increase in capex to $75 billion in 2025 due to greater AI infrastructure investments. Cloud growth decelerated due to insufficient AI infrastructure capacity to meet demand; increased investments should help Alphabet serve this excess demand over time.
- Amazon.com reported strong fourth quarter results highlighted by healthy trends across its retail, cloud, and advertising businesses. However, the shares responded to capacity constraints in the cloud business, which limited growth, and guidance for increased capital expenditures to over $100 billion in 2025 due to greater strategic investments in AI. Management noted, however, that increased investments would ease capacity constraints and potentially drive cloud growth re-acceleration in the second half of 2025.
- Salesforce reported better-than-expected fourth quarter results but its guidance for 7-8% revenue growth in fiscal 2026 was below market expectations. Accelerated investment in the company's agentic AI platform, Agentforce, is also expected to limit margin expansion in the near term. The company's current remaining performance obligations (cRPO) growth rate of 9%, which serves as a leading indicator for sales growth, suggests that revenue growth guidance may be conservative. Investments in Salesforce Agentforce may accelerate growth and support margin expansion over time.
- During the quarter, we initiated positions in six new holdings which were sourced from other TD Epoch strategies: Ameriprise Financial and Lloyds Banking Group in financials, Taiwan Semiconductor and NVIDIA in information technology, Unilever in consumer staples, and Vonovia in real estate. Collectively, we believe these investments further diversify the portfolio while preserving the business quality characteristics and multi-year compounding potential.
- Ameriprise offers wealth management, asset management, and retirement and protection solutions via its capital-light and primarily fee-based business model.

Portfolio Review (Continued)

The company's leadership position in financial planning and advice, significant scale, and diversified business mix have delivered attractive excess returns and cash flow growth across market cycles. Its strong capital position, highlighted by significant liquidity and excess capital beyond regulatory requirements, also provides attractive downside participation. Strong cash flows generated by the company's asset management and fixed annuity businesses are reinvested in its structurally growing wealth management business, with excess cash returned to shareholders through significant share repurchases and growing dividends. We believe Ameriprise shares are attractively valued relative to its high returns on capital and potential to deliver double-digit EPS growth over the next few years driven by secular growth of its wealth business, expense discipline, and share repurchases. The shares could re-rate as mix continues to shift towards wealth management and current market uncertainty and volatility abate.

- Lloyd's Banking Group is a leading retail and commercial bank in the U.K.. It provides a diversified set of lending, savings, investment, and insurance products. Mortgages account for the largest part of its loan book. Lloyds competes in an oligopolistic market, generally characterized by rational competition and high entry barriers. Advantages include its brands, low-cost deposit franchise, diversified loan portfolio with strong credit quality, well-capitalized balance sheet, and competence and experience navigating a complex regulatory regime. Led by CEO Charlie Nunn since 2021, management has taken a pragmatic and long-term approach to capital allocation. It has been reinvesting in digital capabilities to improve operational efficiency and customer experience and returning significant excess cash to owners via dividends and share repurchases, all while maintaining a conservative risk profile as highlighted by its robust CET1 capital ratio of 13.5%. Current valuation does not appear to reflect Lloyds' ability to drive attractive growth in net interest income and book value per share over the mid-term driven by loan and fee growth, structural hedge gains, and its ability to compete for lending margins.
- Taiwan Semiconductor Manufacturing Company (TSMC) is the largest dedicated silicon foundry in the world. It manufactures integrated circuits and wafer semiconductor devices and sells to end markets ranging from high-performance computing, smartphones, Internet of Things (IoT), automotive, and digital consumer electronics. The company has a long record of delivering excess returns and strong through-cycle free cash flow growth given its dominant competitive position in large and structurally growing markets. Competitive advantages include manufacturing excellence, technology leadership, customer trust and collaboration, and leading scale. These advantages ensure demand visibility, pricing power, and superior economics versus peers. Management invests in leading-edge technologies that create differentiated and lasting value for customers. It returns excess cash to owners via a growing dividend and opportunistic share repurchases while maintaining a net cash position. We believe TSMC shares should compound at highly attractive rates over the next several years as free cash flow grows at a 20%+ annualized rate led by strong AI demand. Valuation multiples could expand as the company diversifies manufacturing away from Taiwan, potentially alleviating concerns over geopolitical tensions with China.
- NVIDIA is the world leader in the design of advanced graphics processing units ("GPUs"), which are specialized computer chips originally designed for image rendering. GPUs are now widely used in parallel computing tasks including artificial intelligence and machine learning applications. The company is well positioned to capitalize on tremendous growth in data centers, autonomous systems, and edge computing expected over the next decade. It is a prime beneficiary of hyperscaler capital expenditures, which have increased significantly over the last two years. The company has several competitive advantages including its best-in-class GPU architectures, a software ecosystem (CUDA) that creates high customer switching costs, and vertical integration that allows for one stop shopping. We purchased shares on the back of the DeepSeek induced sell-off, which we believe created an attractive entry point. We think fears of a collapse in demand are overblown, as hyperscalers reaffirm their capex plans and Jevons Paradox suggests that increased efficiency of a resource (in this case, GPUs) can lead to an overall increase in consumption as lower costs encourage broader use and new applications.
- Unilever is a global consumer goods business serving developed and emerging markets in the beauty and wellbeing, personal care, home care, and foods categories. Top brands include Dove, Vaseline, Axe, and Hellmann's, among others. The company has a long record of delivering excess returns and resilient free cash flow growth due to its participation in large and growing markets, leading brands, global scale, and geographic and category diversification. The company's brands have pricing power due to customer loyalty, which is underpinned by decades of developing brand equity via consistent investment in marketing and innovation. Its geographic and category diversification, coupled with the defensive characteristics of the products it sells, provides stability through economic cycles.

Portfolio Review (Continued)

Under new CEO Fernando Fernandez since 3/2025, management is focused on adjusting the product portfolio to focus on higher-growth, premium products in their core categories, which should improve mix, operating leverage, ROIC, and cash generation. Executive compensation incentives have also been adjusted to further emphasize ROIC, free cash flow, and relative total shareholder return (TSR.) We believe the stock offers an attractive multi-year return profile supported by accelerating free cash flow growth, substantial capital returns, and potential multiple re-rating as management executes its turnaround plan.

- Vonovia is the largest residential real estate company in Europe, with operations in Germany, Sweden, and Austria. Business units include property management, development, and value-added services such as metering, electricity, and insurance. The company operates in structurally undersupplied markets which should benefit from multi-year demand tailwinds driven by increasing urbanization, demographic change, and climate change. These dynamics should support high occupancy rates while the rent-controlled nature of its core German market should continue to underpin stable rent growth regardless of market cycles. After spending two years strengthening the company's balance sheet in response to a challenging financing environment, management has refocused on reinvesting in the business to drive profitable growth. Vonovia shares trade at a significant discount to net tangible asset value due to macroeconomic concerns and the trajectory of interest rates. Over the medium term, we believe the share price should reflect the company's ability to grow cash flow at a mid-single digit to high-single digit rate driven by core rental growth, an acceleration in the growth of value-added services, recurring property disposals, and new development.
- We closed five positions during the quarter to fund new holdings that further diversified the portfolio and added to existing positions with more compelling risk-return characteristics. Closed positions included Apple, Broadcom, ON Semiconductor Corporation, Applied Materials, and Evolution AB.
- We sold Apple as valuation remained within the high end of our fair value range with increasingly competitive market conditions in China, the lack of a clear AI strategy, and emerging risks to its services business. We used the proceeds to add to positions like Microsoft, which appeared undervalued relative to its potential to monetize AI in the corporate setting given its entrenched positioning.
- We exited Broadcom as the shares appreciated significantly on increasing recognition that it would lead in the growing custom AI ASIC market. We used the proceeds to add to NVIDIA and our recently initiated position in TSMC, which we believe offered more compelling risk-return profiles. Both stocks appeared undervalued relative to medium-term business prospects due to nearer-term concerns over China's DeepSeek LLM. Tensions between China and Taiwan also weighed on TSMC shares.
- A key component of our investment thesis for ON Semiconductor, particularly as it related to downside participation was that it could sustain capacity utilization in the mid-60% range and gross margins in the mid-40% range as it worked through cyclical weakness and awaited recovery in end market demand. We exited the position once it became apparent that these perceived floors on utilization, margins and, ultimately, free cash flow could be compromised by further demand weakness in its core auto and industrial markets due to tariff impacts and overall macroeconomic uncertainty.
- We exited Applied Materials, a producer of wafer fabrication equipment used in the production of semiconductors. We believe our two new positions in the semiconductor industry, Taiwan Semiconductor Manufacturing Company and NVIDIA, offer superior risk-return profiles compared with Applied Materials.
- We continue to believe that Evolution stands as a primary beneficiary of the secular shift from land-based to online gaming. However, we exited the position to fund more compelling opportunities as recent financial results and forward guidance failed to meet our expectations and the U.K. Gambling Commission commenced an investigation into certain business practices that could have negative implications for longer-term growth prospects.

Outlook

- The escalating tariff war has injected a lot of uncertainty and volatility into financial markets. The ultimate impact on the real economy and corporate fundamentals is largely dependent on the duration and magnitude of tariffs globally. While impossible to predict with any degree of precision, we expect global economic growth will be slower and inflation higher while corporate profitability will likely be negatively impacted by lower demand and tariff-induced margin pressures. In times of market uncertainty, it's only natural to feel unsettled. The headlines are noisy, volatility has spiked, and the path forward is unclear. But it is during moments like this that our investment philosophy and process matter most. Since the inception of the Epoch in 2004, we have managed client assets based on a singular investment philosophy focused on free cash flow and capital allocation.

Outlook (Continued):

- Our investment process emphasizes rigorous fundamental analysis and integrated risk management. Faithfully sticking to our idea generation, company analysis, portfolio construction, and risk management processes provides an anchor and a compass to navigate these choppy waters without getting swept up in emotion. Our approach takes a long-term perspective, which helps protect against over-reacting to external shocks. History has shown that remaining disciplined has rewarded patient investors over time. No one can predict how or when the current tariff war will be resolved. But we do have a firm conviction that the types of companies we invest in should have the ability to adapt and endure through this environment and emerge stronger on the other side. At the portfolio level, diversification* across regions, sectors, and business models provides an additional cushion against today's uncertainty and volatility.
- Within Global Choice, we continue to believe in constructing a well-diversified portfolio with an emphasis on stock specific risk. We believe the companies we own are well positioned to weather this storm. Businesses with strong competitive advantages that generate free cash flow, are appropriately capitalized, and run by excellent management teams are well prepared to navigate a lower growth and higher inflation environment. As we assess the portfolio's exposure to tariff risks, we find we own names across the spectrum of sensitivity. This is by design because neither we, nor anyone else, knows how this is all going to play out. We don't want to make a big bet on the ultimate outcome given a wide range of possibilities that span from a quick resolution and risk-on market to a global recession and further downside pressure.
- The current market drawdown is giving us the opportunity to add to names that we fundamentally like at attractive valuations. This is especially true in the tech space. After a torrid run in 2023 and 2024, many of the mega cap tech names have sold off 20% or more, under-performing the broader market indices. We think the outlook for our holdings in terms of revenue, profit, and free cash flow growth remains very strong over the next decade, driven in part by exposure to the AI revolution.
- While things feel very uncomfortable and perhaps even scary to some, our experience suggests that this too will pass. The current market environment feels very much like the Global Financial Crisis (GFC) in 2008 and the COVID-19 pandemic in 2020. Ultimately, both episodes proved to be great entry points and buying opportunities for patient, long-term investors. We are seeing such opportunities emerge once again. We remain committed to managing our clients' assets against this tumultuous backdrop with rigor, discipline, and the humility to accept that the future is unknowable, but our philosophy and process can help guide the way.

* Diversification cannot assure a profit or protect against loss in a declining market.

Before You Invest

Definitions:

The **S&P 500 Index** is widely regarded as the standard index for measuring large-cap U.S. stock market performance.

The **Nasdaq-100 Index** includes 100 of the largest domestic and international non-financial companies listed on The Nasdaq Stock Market based on market capitalization.

The **Morgan Stanley Capital International World Index—the MSCI World Index**—is a free float-adjusted market capitalization weighted index that is designed to measure the equity performance of 23 developed markets. An index is unmanaged and investors can not invest directly in an index.

The **Nikkei 225 Index** is a price weighted equity index, which consists of 225 stocks in the prime market of the Tokyo Stock Exchange.

Free cash flow (FCF) represents the cash available for the company to repay creditors or pay dividends and interest to investors.

About risk

The principal risk of investing in value stocks is that the price of the security may not approach its anticipated value. Investing in smaller companies involves special risks, including higher volatility and lower liquidity. Investing in mid-cap stocks may carry more risk than investing in stocks of larger, more well-established companies. Foreign securities are subject to interest rate, currency exchange rate, economic, and political risks. These risks may be greater for emerging markets.

Past performance is not indicative of future results. Portfolio data and holdings are as of 3/31/25, are based on total net assets, and may change daily. The opinions and statements expressed herein are for informational purposes and subject to change without notice. The securities discussed are not intended to be, and are not, an indication to buy, sell, or hold. Rather, the securities are mentioned to give insight into the largest contributors to performance and the largest detractors from performance so that clients and prospective clients can more readily obtain an understanding of the risk characteristics of the portfolio and the portfolio management process followed by Epoch.

Please keep in mind that there is no assurance that investment objectives will be met, as the underlying investment options are subject to market risk and fluctuate in value.

These are Epoch's opinions, which are subject to change, and there is no guarantee that these results will occur.

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