International Equity Market Review and Outlook

Authored by Carlos Garcia-Tunon, CFA, Head of Fundamental Equity team

In 2021, stock selection within the Healthcare and Technology sectors drove most of the outperformance of our International Equity strategy. Favorable regional allocation was also a contributing factor. Our healthcare holdings have generally seen resilient demand for their products and services throughout the pandemic; some holdings, which provide clinical research and manufacturing services, benefited from increased demand for vaccine development and production.

Among our best performing Technology holdings were IT services companies helping enterprises adopt new digital capabilities to manage customer experience across channels and to move workloads to the cloud to make architectures more flexible and resilient in a hybrid work environment.

2021 Composite Returns[1] | Net of Fees

	2021 YTD Return
MACKAY SHIELDS INTERNATIONAL EQUITY[1]	12.9%
MSCI ACWI EX US INDEX	7.8%
MSCI ACWI EX US GROWTH INDEX	5.1%

COMPOSITE OUTPERFORMANCE[1]

MSCI ACWI EX US INDEX	MSCI ACWI EX US GROWTH INDEX
510 bp	780 bp

Source: Callan

1. Fundamental International Equity All Country Composite. Please see the GIPS report at the end of this document for additional performance information and disclosures. It is not possible to invest directly in an index. Please see Additional Disclosures for important benchmark information, including disclosures related to comparisons to an index and index descriptions. **Past performance is not indicative of future results.**

Underweighting Asia was the primary driver of returns from regional allocation in 2021, when China, Hong Kong, Japan and South Korea all underperformed global equity benchmarks. We have consistently held an underweight position in China, where many companies have weak corporate governance practices and are vulnerable to rapidly changing regulation. Underweighting China contributed most to relative returns in 2021, when the introduction of consumer protection regulations and other rules drove down Chinese market returns.

FIGURE 1: RELATIVE VALUATION OF INTERNATIONAL EQUITIES TO U.S. EQUITIES HIT A 20-YEAR LOW

MSCI ACWI EX US P/E VS. MSCI USA P/E

Source: FactSet

While up for the year, international equity returns lagged far behind US equity returns again in 2021: The MSCI ACWI ex US Index's 7.8% return was less than one third of the S&P 500's 27% return. As a result, the price-to-earnings valuation of international equities fell even further below the U.S. market P/E. The valuation discount of non-US to US equities is now 34%, larger than at any time in the last 20 years (Figure 1). We believe this valuation disparity presents investors with an attractive long-term opportunity. Several catalysts, including rising interest rates, may help international equities outperform US equities from here.

2022 Outlook

The New Year began with uncertainty and volatility. Investors are grappling with many issues, including

- The length and impact of COVID-related disruptions to supply chains,
- New central bank policies aimed at curbing inflation, and
- The impact of Chinese regulation on global economic growth.

The Omicron variant has caused additional supply chain challenges and higher inflation readings. Any perceived or actual changes to interest rate policy in response to higher inflation are likely to have a significant impact on equity markets. As it relates to China, we maintain our underweight positioning there as it is challenging to find Chinese companies that meet all of our investment criteria. We believe the changing regulatory landscape poses a risk and corporate governance standards in China are generally poor. In addition, the Chinese government is looking to shift their economic model to reduce the magnitude of economic growth, and make their growth more environmentally sustainable and more evenly distributed across society. Given the size of the Chinese economy and its impact on the global economy, we think this deceleration could have a significant impact on various countries and sectors, and specific companies.

While the issues noted above may influence markets in the near term, we believe that predicting specific short term economic variables and inflection points is a challenging exercise. As such, we take a sustainable growth approach and remain focused on investing in competitively advantaged companies that are likely to deliver consistently high earnings growth because they benefit from long-term secular trends, not cyclical reversals. Some of the trends we are investing behind are driven by technological shifts and changes in consumer behavior. We are focused on the growth of ecommerce as an important long term secular trend, as well as increasing adoption of digital payments. This approach has served us well over time and the past year was no exception.

Why Sustainable Growth

Our research shows that investing in a select group of economically resilient companies that can sustain five consecutive years of above-average earnings growth has historically delivered strong and consistent excess returns, while preserving capital during equity market selloffs.

Our research centers on identifying secular trends and the companies best positioned to benefit from them. We construct portfolios from the bottom up, reflecting where we find the most attractive opportunities. This research focus has led to the portfolios' current overweights in the Healthcare, Technology, and Communication Services sectors. Some of the trends benefitting our holdings in these sectors are shown in Figure 2.

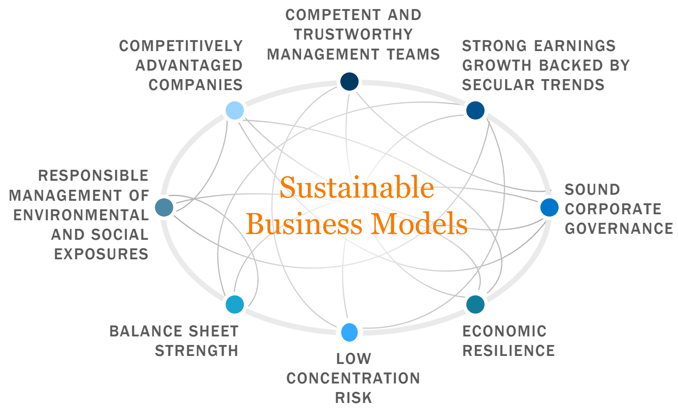
FIGURE 2: SECULAR TRENDS DRIVE OVERWEIGHTS IN THESE SECTORS

Sector	Secular Trends
HEALTHCARE	▪ Outsourcing of healthcare research and manufacturing activities to specialized providers ▪ Increased use of medical diagnostics as preventative measures ▪ Rising demand for vision care as the population ages, becomes more sedentary and spends more time on electronic devices. (Read our insights: Focus on Eye Care).
TECHNOLOGY	▪ The increasing complexity of customer-experience management, because of growth in omni-channel commerce. (Read our insights: Customer Experience Management) ▪ The rising penetration of digital payments. (Read our insights: Rising Digital Payments). ▪ The rising importance of cloud computing, data analytics, and artificial intelligence in digital transformation.
COMMUNICATION SERVICES	▪ The global growth of mobile video gaming ▪ Increased utilization of online video platforms, and ▪ The shift of advertising from traditional media to online media.

Strong long-term earnings growth backed by secular trends is just one of eight components of a sustainable business model that we believe influences long-term investment outcomes. When selecting stocks, we conduct quantitative and qualitative assessments of each of these eight components, or factors. Among these are sound corporate governance, responsible management of environmental and social exposures, balance-sheet strength, and a diversified business where concentration risk is limited. (Figure 3)

Our investment approach has historically produced concentrated and differentiated portfolios, with compelling profile, high active share, low volatility, and low downside capture. (Figure 4)

FIGURE 3: INVESTMENT SELECTION CRITERIA



Provided for illustrative purposes only. There is no assurance that investment objectives will be met. The information above is subject to change without notice.

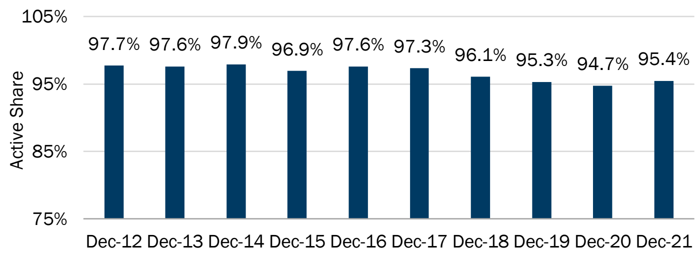
FIGURE 4: ATTRIBUTES OF SUSTAINABLE GROWTH INVESTING | FUNDAMENTAL INTERNATIONAL EQUITY ALL COUNTRY REPRESENTATIVE ACCOUNT[1] VS. THE MSCI ACWI EX-US INDEX

Compelling Profile[1] | As of December 31, 2021

	RETURN ON EQUITY	DEBT TO EQUITY	TOTAL ESG RISK RATING
Strategy	17%	72%	17
Index	12%	116%	22

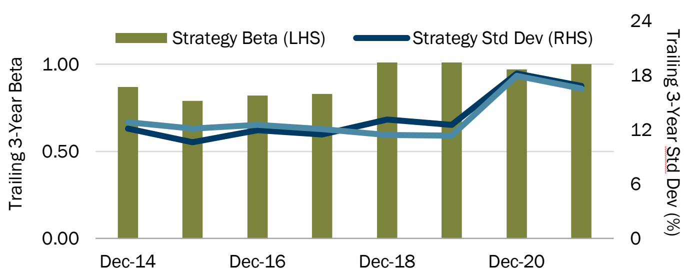
High Active Share[1]

ANNUAL ACTIVE SHARE VS. INDEX | DEC 2012 – DEC 2021



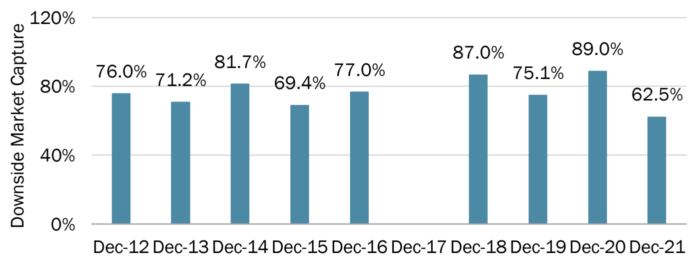
Low Volatility[2]

ANNUAL YEAR-END VOLATILITY: TRAILING 3-YEARS | DEC 2014 – DEC 2021



Limited Downside Participation[2]

ANNUAL YEAR-END DOWNSIDE MARKET CAPTURE VS. INDEX | DEC 2012 – DEC 2021



Source: FactSet; eVestment. December 2011 data not shown as this did not account for a full one-year period.

1. The representative account utilized for this analysis was selected because it is the largest account in the composite and not for performance reasons. Each client account is individually managed, actual holdings will vary for each client and there is no guarantee that a particular client's account will have the same characteristics. It may not precisely represent every portfolio in the composite. This document is for informational purposes only. Portfolio holdings are subject to change without notice. Provided as supplemental information to the GIPS report at the end of this document. Return on equity and debt to equity are calculated using the weighted average. Active share is defined as the share of portfolio holdings that differ from the benchmark index holdings.

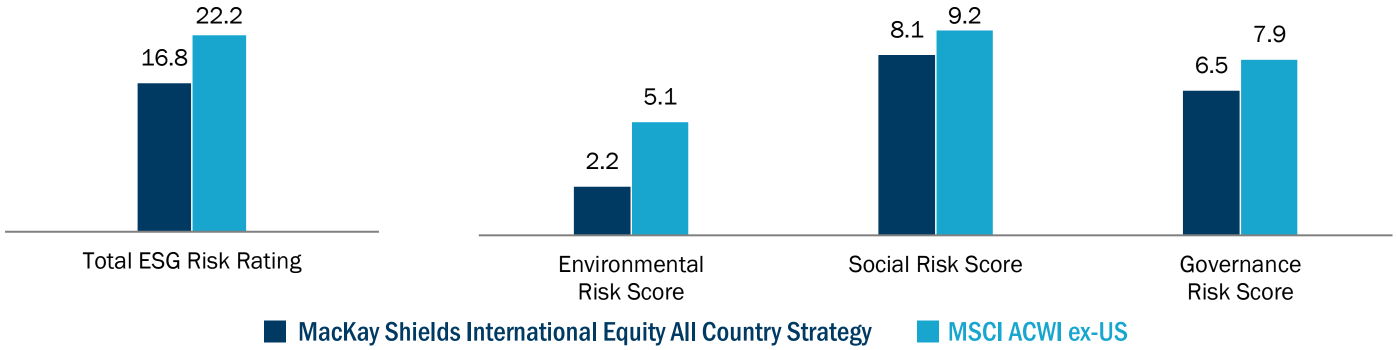
2. Fundamental International Equity All Country Composite, gross of fees performance. Beta and Standard Deviation are only shown where MacKay Shields believes the numbers to be statistically significant and are shown at year-end for the respective year (December 31). Statistics above are shown on a gross of fee basis. Gross of fee returns are presented before the deduction of investment management fees. Downside participation is a measurement of the portfolio's performance in down markets relative to the market, or applicable index, itself. In years that the MSCI ACWI ex-US Index was positive all or nearly all months, the downside market captures have been excluded from the chart above. Downside participation analysis should not be construed that investments will be profitable or as a guarantee against losses. Provided as supplemental information to the GIPS report at the end of this document.

Past performance is not a guarantee of future results, which will vary. It is not possible to invest directly in an index. Please refer to the disclosures at the end of this document for additional information concerning descriptions of and comparisons to an index.

ESG Characteristics

Environmental, Social and Governance (ESG) investing has become more popular recently. These issues have played a critical role in our investment selection process for many years as we believe that ESG factors are an excellent indicator of longer-term risks and opportunities. As a result of the natural alignment between our investment approach and ESG factors, our portfolios had less (better) ESG risk than the index at year end. (Figure 5)

FIGURE 5: SUSTAINABLE GROWTH APPROACH DELIVERS LOW RELATIVE ESG RISK



As of December 31, 2021

Source: MacKay Shields LLC; Sustainalytics (based on Sustainalytics' ESG Risk Rating)

Sustainalytics portfolio coverage percentages are 84% for the MacKay Shields International Equity All Country Strategy and 92% for the MSCI ACWI Ex-US Index. The representative account utilized for this analysis was selected because it is the largest account in the composite and not for performance reasons. Each client account is individually managed, actual holdings will vary for each client and there is no guarantee that a particular client's account will have the same characteristics. It may not precisely represent every portfolio in the composite. This document is for informational purposes only. Portfolio holdings are subject to change without notice. Provided as supplemental information to the GIPS report at the end of this document.

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The following indices may be referred to in this document:

MSCI ALL COUNTRY WORLD EX-US INDEX

The MSCI All Country World Ex-US Index (The "MSCI ACWI Ex US Index) is a market capitalization-weighted index maintained by Morgan Stanley Capital International ("msci") and designed to provide a broad measure of stock performance throughout the world, with the exception of U.S. based companies.

MSCI US INDEX

The MSCI USA Index is designed to measure the performance of the large and mid-cap segments of the US market. With 628 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in the US.