Scout Investments
AN AFFILIATE OF CARILLON TOWER ADVISERS

STRATEGY COMMENTARY
as of March 31, 2021

Scout International Equity ADR Strategy

Performance Summary (USD)

	Scout International Equity ADR Composite Gross	Scout International Equity ADR Composite Net	MSCI EAFE Index (Net)	MSCI ACWI ex USA Index (Net)
Quarter	5.85%	5.65%	3.48%	3.49%
YTD	5.85%	5.65%	3.48%	3.49%
1 Year	58.11%	56.90%	44.57%	49.41%
3 Year	6.58%	5.75%	6.02%	6.51%
5 Year	9.66%	8.82%	8.85%	9.76%
10 Year	6.17%	5.37%	5.52%	4.93%
Since Inception	7.97%	7.15%	5.99%	6.54%

Key Portfolio Takeaways

Top Contributors:

- Stock selection in communication services (specifically, wireless telecommunication), in energy (specifically, oil, gas & consumable fuels) and in industrials (specifically, construction & engineering)
- Stock selection in consumer discretionary (specifically, automobiles) and in consumer staples (specifically, food & staples retailing)
- Overweight allocation in financials and energy and stock selection in information technology (specifically, software)
- Overall underweight allocation and stock selection (specifically, industrials & information technology) in Japan
- Stock selection in Germany (specifically, consumer discretionary) and allocations to South Africa, Canada and United States

Top Detractors:

- Stock selection in financials (specifically, banks) and materials (specifically, chemicals)
- Overweight allocation in consumer staples
- Stock selection in the United Kingdom (specifically, financials)
- Allocations to select emerging markets (specifically, Colombia & Peru) and an underweight allocation to the Netherlands, Hong Kong and Sweden

PORTFOLIO REVIEW

What was the investment environment during the quarter?

The last part of March saw the one-year anniversary of the bottoming of the MSCI EAFE® (Net) Index benchmark during the onset of the coronavirus pandemic. In general terms, the index dropped about one third within six weeks and recovered by two thirds after that. The S&P 500 Index was up even more, providing the largest 12-month gain since 1950 in spite of a riot at the Capitol building in Washington D.C. and recent controversies over losses surrounding the separate high-profile collapses of an overleveraged family office and a prominent supply chain finance firm. Markets have been supported by optimism around the global economic recovery that is unfolding as COVID-19 vaccinations roll out across the world. Although some countries and regions are ahead of others, there is still a widely held belief that the worst is behind us. This is particularly the view in the United States, which has inoculated a significant proportion of its population and also allotted them much financial support through large fiscal programmes provided by the new Biden administration.

The return to normal has highlighted some imbalances that came about as a result of the pandemic. As countries locked down their economies, thousands of shipping containers that had arrived from Asia were left sitting unused in the United States and Europe. After being subject to more stringent quarantine measures than in other countries, Chinese manufacturing rebounded quickly and increased demand for Asian-made goods in the second half of 2020 sent freight rates shooting higher. By mid-January prices had quadrupled over the previous two months. Shortages were also apparent in other areas – like semiconductors – with the result that some automakers had to delay production. Increased demand for work-from-home goods drove tin prices to a 7-year high, adding to inflation concerns around materials prices in general.

Little did we know that, in 2012, when Mario Draghi (then-head of the European Central Bank) said "whatever it takes" in relation to protecting Europe and the euro that it might also describe his commitment to his home country of Italy. Local markets rallied in February as news came through that Draghi was to be the new prime minister. He has much to do, but if he finishes out the year he will have served longer than more than a dozen of his predecessors. While confidence soared in Italy, President Recep Tayyip Erdoğan managed to have the opposite effect in Turkey when he dismissed the well-respected head of the central bank. With inflation hitting 16%, the new governor has his work cut out for him.

Returns for periods less than one year are not annualized.

Inception date is December 31, 2003.

Performance data quoted represents past performance; it does not guarantee future results. Performance figures are in U.S. Dollars and assume reinvested income for the entire period. Performance figures stated gross of fees do not reflect the deduction of management fees. Performance results of clients would be reduced by the firm's management fees. For example, an account with a compounded annual total return of 10% would have increased by 159% over 10 years. Assuming an annual management fee of .30%, this increase would be 152%. The firm's management fees are detailed in its Form ADV Part 2.

Please see the back page for further information. **NOT FDIC INSURED • NO BANK GUARANTEE • MAY LOSE VALUE**

Top Contributors	Average Weight (%)	Contribution to Return (%)	Top Detractors	Average Weight (%)	Contribution to Return (%)
Volkswagen	1.94	1.23	Bancolombia	1.84	-0.43
MTN Group	2.12	0.80	London Stock Exchange Group	0.46	-0.27
Imperial Oil	2.02	0.51	Credicorp	1.34	-0.24
JGC Holdings	1.47	0.38	Prudential	0.90	-0.17
Tokyo Electron	2.43	0.38	Continental	1.40	-0.16

Top contributors and top detractors are based on a representative account. Such data may vary for each client in the strategy due to asset size, market conditions, and client guidelines. Portfolio holdings are subject to change without notice. The portfolio holdings presented represent securities held as of the period indicated and may not be representative of current or future investments. No assumption should be made that the securities identified as being profitable will continue to be profitable. To obtain a list of every holding as a percentage of the portfolio at the end of the most recent publicly available disclosure period, please call 816.391.4102.

How did the portfolio perform?

The Scout International Equity ADR strategy outperformed the MSCI EAFE Index during the first quarter of 2021. Stock selection provided a positive effect on relative performance with selections in Japan, Germany, and France having the greatest positive effect, while selections in the United Kingdom provided the greatest negative effect. Country allocation also provided a positive effect with an underweight allocation in Japan and exposure in South Africa, Canada, and the United States providing the greatest positive effect. Holdings in Colombia and Peru along with an underweight in the Netherlands and the United Kingdom resulted in a drag on relative performance. From a sector perspective, strong stock selection within communication services, industrials, consumer discretionary, and consumer staples provided a positive effect on relative performance, while selections within financials and materials provided a drag. Overweight allocations in financials and energy also contributed a positive effect, while an overweight in consumer staples and an underweight in consumer discretionary negatively impacted relative performance.

Top Five Contributors

Volkswagen, the German auto manufacturer, announced increased spending on battery-electric vehicles (BEVs), in-vehicle software, and direct investments into battery plants. The market finally seems to recognize VW's commitment to and strong position in the nascent market for BEVs. The company will introduce multiple new models in most of its brands this year, including VW, Audi, Porsche, and Skoda. Although many traditional automakers have introduced BEVs, Volkswagen moved earlier than peers and appears to be best positioned to challenge the current market leader.

Imperial Oil engages in exploration, development, and distribution of oil and natural gas. As the price of oil continued to advance, so did energy company stocks, particularly those that are highly leveraged to crude oil prices. In addition, expectations of the pandemic slowing have given investors optimism that consumers will return to road travel and boost demand for integrated oil and gas companies' products.

MTN Group, the South African telecom company, announced strong operational results in South Africa and Nigeria. In addition, the company plans to reduce its financial leverage through an asset sale program.

JGC Holdings offers engineering and construction services for a variety of facilities, including those used in the petroleum and petroleum-based products industry. After suffering weakness during the prior quarter, JGC Holdings strengthened early in the year on the back of improved oil prices and reported margins that were above target.

Tokyo Electron manufactures semiconductor and display production equipment. The stock benefited from a global shortage of semiconductors amid strong demand and aggressive capital spending plans by chip manufacturers. In addition, a key customer has announced plans to invest $100 billion in production facilities over the next three years.

Top Five Detractors

Bancolombia, the Colombian financial conglomerate, announced disappointing results directly impacted by COVID. The COVID-19 pandemic has hit Latin America harder than it has the developed world. With healthcare systems overwhelmed, optimism about near-term economic prospects has evaporated, and Latin American markets, as well as their currencies, have underperformed.

London Stock Exchange Group offers a variety of capital market infrastructure data and services. While the company announced very good fourth-quarter results, analysts and investors were disappointed in management's cost guidance and lacked confidence in the company's revenue growth potential following a recent merger.

Credicorp, the financial services company located in Peru, has suffered along with many other Latin American peers. In addition, expectations that the Peruvian government would vote in favor of placing a cap on interest rates have had a negative impact on Credicorp's share price.

Prudential provides insurance and investment products and services across both the United States and Asia. Investors were disappointed in the unexpected announcement that Prudential will de-merge its U.S. unit rather than proceed with an initial public offering of the business. This created concerns among investors and analysts that the company would have to raise capital, pressuring the share price.

Continental, a German automobile parts and service provider, offered 2021 guidance that disappointed the market and is either overly conservative or a sign that the company is in a worse competitive position with regard to new automotive technologies than expected. In addition, 2021 guidance on earnings before interest & taxes (EBIT) margin for the auto parts business fell well short of the company's medium term goal. Finally, the company plans to spin off its powertrain business in the second half of 2021, but the business's capital markets day also offered muted guidance.

Outlook

With the Organisation for Economic Co-operation and Development (OECD) revising up growth forecasts, and purchasing managers indices (PMIs) and employment looking strong, many investors have been talking about a synchronized global recovery. While it is true that the pandemic is closer to the end than the start, there may be differences in how the rest of the year looks from region to region. The United States has seen a rapid rollout of vaccines while many emerging markets still lag. Europe, aside from the UK, lies somewhere in between having suffered delays on procuring doses, worries about side effects of one of the COVID vaccine shots, and rolling lockdowns. Still, given the cyclical nature of European markets, these may stand to benefit more than the United States from global reopening. Although starting from a lower base, the United States has actually provided more financial support to citizens impacted by the pandemic than Europe has and may experience a less benign inflation outlook. Yields on 10-year government paper moved significantly higher in the United States during the first quarter, but with the U.S. Federal Reserve (Fed) saying it won't raise interest rates any time soon, the party should last a bit longer.