Scout International Equity Strategy

Performance Summary (USD)

	Scout International Equity Composite Gross	Scout International Equity Composite Net	MSCI EAFE Index (Net)	MSCI ACWI ex USA Index (Net)
Third Quarter	-1.79%	-1.98%	-0.45%	-2.99%
YTD	8.25%	7.65%	8.35%	5.90%
1 Year	30.50%	29.55%	25.73%	23.92%
3 Years	8.04%	7.24%	7.62%	8.03%
5 Years	9.11%	8.30%	8.81%	8.94%
10 Years	8.76%	7.95%	8.10%	7.48%
Since Inception	9.11%	8.26%	5.48%	N/A

Key Portfolio Takeaways

Top Contributors:

- Stock selection in communication services (specifically, wireless telecommunication)
- Overweight allocation and stock selection in energy (specifically, oil, gas & consumable fuels)
- Overweight allocation and stock selection in financials (specifically, diversified financial services as well as banks)
- Allocations to select emerging markets (specifically, Turkey, South Africa and Colombia) as well as an underweight in Hong Kong
- Stock selection in Spain (specifically, financials) and in Denmark (specifically, healthcare)

Bottom Detractors:

- Stock selection in information technology (specifically, electronic equipment, instruments & components)
- Stock selection in industrials (specifically, professional services) and in consumer discretionary (specifically, automobiles and auto components)
- Stock selection in Japan (specifically, industrials) and in Germany (specifically, consumer discretionary and healthcare)
- Stock selection in Switzerland (specifically, industrials) and in Australia (specifically, materials)
- Underweight allocation in Japan and an overweight allocation in Germany

PORTFOLIO REVIEW

What was the investment environment during the quarter?

After starting the quarter strong, the MSCI EAFE® (Net) Index weakened at the end of September amid continued concerns around the delta variant of SARS-CoV-2 and concerns that the U.S. Federal Reserve (Fed) may begin tapering. Emerging markets took a beating as the Chinese market dragged down performance. In September, Evergrande, one of China's biggest property developers and Asia's largest junk bond issuer, inched very close to default and missed a scheduled interest payment to overseas bondholders, spooking markets and raising concerns about the company's $300 billion in liabilities. The company, and the property market in general, are so intertwined in the country's economy that the People's Bank of China injected around 100 billion yuan to assuage fears as preparations were made for a huge restructuring. China's corporate debt levels are very high after growing rapidly over the last decade and have become a worry for authorities. China has been trying to find a way to prompt orderly defaults without jeopardizing its financial system, but this is a difficult challenge.

To add insult to injury in China, a new ruling bans people under the age of 18 from playing online during the school week and allows only one hour a day on Fridays, weekends, and holidays. Although kids will surely find loopholes to circumvent some of these restrictions, the government is intent on imposing its will. But attempting to adjust children's behavior is only the tip of the iceberg when it comes to Chinese interference, as many investors have discovered. Authorities have hampered large domestic technology companies with repeated fines for violating anti-trust laws. The government shut down a major Chinese ride-hail initial public offering in the United States in what many see as a fight for the upper hand in data resourcing. Even education has not been spared as China clamped down on the after-school tutoring industry with regulations that inhibit companies' abilities to offer their services. The objective may be to reduce China's widening social inequality, which advantages the wealthy and causes parents to expend huge amounts of money on education, often limiting the incentive to have more children. At the end of the day, the Communist Party is clipping some wings and showing everybody who is boss to the disadvantage of many shareholders.

The third quarter saw elections in the major global economies of Japan and Germany. The former involved the selection of a new party leader, and therefore prime minister, while Germany went to the polls in a general election at the end of September. Yoshihide Suga replaced the long-standing Shinzo Abe about a year ago but really failed to connect with voters and witnessed his popularity rating halve in that space of time in spite of the successful completion of the Tokyo 2020 Olympics. The main culprit was likely the government's slow roll out of the COVID-19 vaccine even though Japan experienced one of the lowest mortality rates in the developed world. Suga's resignation sparked an equity market

Returns for periods less than one year are not annualized.

Inception date is September 30, 1993.

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 (%)
Turkiye Petrol Rafinerileri	3.30	0.68	Adecco Group	1.62	-0.48
MTN Group	2.01	0.56	BHP Group	1.77	-0.43
Bancolombia	1.51	0.28	AAC Technologies	0.95	-0.43
Royal Dutch Shell	1.63	0.26	Kering	1.58	-0.33
Novo Nordisk	1.74	0.25	Continental AG	1.29	-0.23

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.

rally in Japan, which helped narrow the gap somewhat on the country's underperformance this year. The new prime minister, Fumio Kishida, was an establishment candidate and will take the Liberal Democratic Party into a general election at the end of October.

Angela Merkel, one of Germany's longest-serving chancellors, retired after almost 16 years in that office. Viewed more as a pragmatist than a visionary, she is credited with keeping the Eurozone intact during periods of crisis but did not win fans in some member nations, which were forced to endure severe austerity measures imposed on them by Germany. Merkel's Christian Democratic Union party lost some ground at the polls to the Social Democratic Party, but it still looks like the new government will be a another coalition although one of the smaller parties, possibly the Green Party, will have a large say in the final outcome. Also at the end of the month the main German equity index (DAX) was reconstructed to include 40 large-cap companies – 10 more than previously. In terms of the number of stocks, healthcare will grow from four to seven, but, in spite of this, the index will still retain much of its historical cyclical bent.

How did the portfolio perform?

The Scout International Equity strategy underperformed the MSCI EAFE® (Net) Index on a gross and net basis during the third quarter of 2021. Country allocation resulted in a positive effect on relative performance with an underweight allocation in Hong Kong and exposure in Turkey, South Africa, and Colombia providing the greatest positive effect. Yet, stock selection in Japan, Germany, Switzerland, and China resulted in a drag on relative performance. From a sector perspective, strong stock selection within communication services, energy, and financials provided a positive effect on relative performance, while selections in information technology, industrials, and consumer staples provided a drag.

Top Five Contributors

Turkiye Petrol Rafinerileri,a Turkish refiner and distributor of petroleum products, benefited from improvement in crack spreads (the difference in the price of a barrel of crude oil and the products refined from it) related to the rise in the price of refined products caused by supply shortages. Additionally, recent demand for the company's products has been much better than expected.

MTN Group, the South African telecom company, reported strong operational results in South Africa and started to repatriate cash from Nigeria. It has also made progress in its asset disposal plans, including the initial public offering of a telecom infrastructure company in which MTN holds a stake.

Bancolombia, the Colombian financial conglomerate, announced better than expected provisioning expenses and loan volumes during the second quarter. Additionally, a pickup in vaccination rates in Colombia, as well as the rest of Latin America, brightened investors' outlooks..

Royal Dutch Shell, an energy and petrochemical company, benefited from a surge in the price of oil combined with better than expected capital expenditures, cash flow, and expense guidance by management.

Novo Nordisk develops and markets pharmaceutical products. The company benefited from a strong uptake of new obesity drug Wegovy.

Top Five Detractors

Adecco Group provides a variety of human resource services. The company's stock fell to a year-to-date low in the middle of September after the company announced some weeks earlier that it was purchasing a global engineering and technology consulting group for 1.5 billion euros, one of its largest acquisitions in decades. The transaction raises Adecco's risk profile even though the company will expand its expertise in digital engineering and revenue, and cost synergies will lead to improved earnings and margins even in the first year.

BHP Group engages in the exploration, development, and production of natural resources. The company suffered a sharp drawdown in August after announcing it would be selling its oil and gas assets into a new venture with a leading Australian liquefied natural gas company in exchange for shares that would be distributed to shareholders, a move some analysts took as evidence of slower growth. Iron ore prices also fell significantly during the quarter as Chinese steel mills promised to cut production in line with government guidelines to reduce pollution. At the same time, BHP said it would abandon its dual listing in London and have its primary listing in Australia.

AAC Technologies, a Chinese manufacturer of cellular phone components, declined due to concerns over pricing pressure from one of the company's largest customers and lower utilization at the Vietnam factory due to the of the pandemic.

Kering, a French luxury products designer and manufacturer, sold off heavily along with the rest of the luxury goods industry in August due to concern about Chinese demand. Among a series of regulatory moves, the Chinese government introduced a Common Prosperity initiative that caused some investors to worry about demand for luxury goods in the industry's most important market. We think these concerns are overblown since

Common Prosperity is aimed at curbing incomes and wealth at the very top of society and bolstering the middle class, which account for the largest share of luxury goods purchases.

Continental AG, a German automobile parts and service provider, fell along with the rest of the automotive industry as the shortage of semiconductors continues to drag on auto production longer than most industry participants anticipated. While automakers could actually benefit from the situation by focusing output on higher priced and more profitable cars along with lower sales incentives to customers, suppliers will be hurt in the short term. Over the longer term, we believe the industry will make up for lost production, which should boost sales figures for all participants in 2022 and 2023.

Outlook

Markets have struck a more nervous tone recently as global flash Purchasing Managers' Indexes for September showed that the pace of growth, although not contracting, has slowed. Supply constraints and component shortages are still a problem with some companies stating that the issues may last well into next year. Additionally, a rapid increase in the price of oil during the last few weeks of the quarter has not given investors reason for optimism. Eurozone firms' input prices are at their highest level in more than two decades. Thus, it came as little surprise this time around when Federal Reserve Chairman Jerome Powell, with much circumlocution, intimated that tapering is imminent. Perhaps to be on the safe side he should take a lesson from his European counterpart, Christine Lagarde, and claim it is merely a "recalibration" of stimulus efforts. Whatever the language, not many misunderstood when Powell said he was "frustrated" at current inflation pressures. He has to be hoping that investors do not get frustrated, too.