A Commitment to Quality Through Market Cycles

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Overview

Despite a turbulent market landscape, PineStone remains steadfast in its long-standing investment philosophy: a disciplined, bottom-up approach rooted in high-quality, fundamentally sound businesses. Below is an update on fund performance, portfolio positioning, and insights into how PineStone navigates shifting macroeconomic headwinds—all while staying true to their principles.

Foundations of Performance

Since the inception of the NYLI PineStone International Equity Fund in 2017, PineStone has delivered relative outperformance. Central to this track record is the firm's deep alignment with clients—through employee ownership and co-investment in the funds—and its experienced, cohesive investment team, which has seen no turnover whatsoever in the past decade. Led by CEO & CIO Nadim Rizk, the team brings a unique perspective on market volatility. This stability has been instrumental in PineStone's ability to hold—and deeply understand—long-term positions in several names since inception.

NYLI PineStone International Equity Fund: Q1 Underperformance in Context

While PineStone International has delivered over 230 basis points[1] of annualized added value since its launch in September 2017, the first quarter of 2025 saw notable underperformance relative to the MSCI EAFE Index. This, the team explained, was primarily attributable to two factors:

1. **Market Rally in Unowned Names**: Sectors such as aerospace & defense, banks, insurers, energy, and utilities surged due to geopolitical tensions (notably the Russia-Ukraine conflict) and steepening yield curves in Europe. Many of the companies leading the charge—like Germany's Rheinmetall and various European banks—are names PineStone typically does not invest in due to their capital intensity, cyclical nature, and dependence on government spending, interest rates, or capital markets activity.
2. **Profit-Taking in Long-Term Winners**: High-quality holdings like Taiwan Semiconductor, InterContinental Hotels Group, and Novo Nordisk experienced short-term pullbacks after years of exceptional performance. These corrections were partly driven by sentiment, valuation, and macro headlines, but the team remains confident in the long-term value of these businesses.

Portfolio Adjustments: Trimming, Not Turning

Despite being a low turnover manager, PineStone does rigorous maintenance work on all of its portfolio companies. Recent modest adjustments may reflect valuation discipline rather than shifts in conviction. Taiwan Semiconductor, for instance, has been trimmed due to valuation and portfolio construction purposes, despite its core role in global AI chip manufacturing. Similarly, Bunzl and EssilorLuxottica were reduced, the latter after a strong run-up fueled by excitement over smart eyewear. Proceeds have been reallocated toward companies like Japan's Keyence (factory automation sensors) and Amadeus Group (travel technology ecosystem)—each offering attractive valuations and strategic tailwinds, in our view.

Notably, the team has also increased exposure to consumer staples like Nestlé and L'Oréal. These additions weren't based on a macro "themes" but rather our view on valuation and bottom-up fundamentals. Nestlé's resilience, driven by its exposure to attractive, growing categories such as coffee and pet care, exemplifies the type of durable business PineStone favors—especially in inflationary or protectionist environments where local-for-local manufacturing insulates the business from adverse impacts due to tariffs.

Focus on Fundamentals

PineStone's emphasis on balance sheet strength and pricing power has historically provided a strong defense during downturns. The International Equity fund's downside market capture of just 89% since inception[1] ranks in the second percentile among eVestment International Large Cap peers, reflecting the fund's historical performance during market downturns.

Final Thoughts: Quality Over Hype

While short-term noise, macro uncertainty, and headline risk continue to rattle global equity markets, PineStone remains focused on its north star: seeking to invest in companies that generate and sustain high return on invested capital (ROIC). The team is resolute in maintaining this approach—resisting market fads in favor of building enduring portfolios that we believe have the potential to weather storms and thrive over time. As the firm continues to seek incremental quality upgrades, the message to investors is clear: patience, discipline, and deep conviction in quality will remain PineStone's guiding principles.

For more information, visit the NYLI PineStone International Equity Fund product webpage.

To access the most up-to-date information about a specific fund, simply click on the fund's name. This will take you to a detailed page that includes the prospectus, the fund's investment objectives, its performance history, key risk factors, Morningstar ratings, and other essential details.

Please note that the returns shown are based on past performance. Past performance is not indicative of future results. The current performance of the fund may be higher or lower than the performance data shown. The return on investment and the principal value of the fund will vary, and when shares are sold, they may be worth more or less than their original cost. For the most recent month-end performance data, please visit www.NewYorkLifeInvestments.com

[1] Morningstar as of 3/31/25

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The investment strategies, practices and risk analyses used by the Subadvisor may not produce the desired results or expected returns. The investments selected by the Subadvisor may underperform the market in which the Fund invests or other investments own fees and expenses

NYLI PineStone International Equity Fund: Foreign securities can be subject to greater risks than U.S. investments, including currency fluctuations, less liquid trading markets, greater price volatility, political and economic instability, less publicly available information, and changes in tax or currency laws or monetary policy. These risks are likely to be greater for emerging markets than in developed markets. Because the Fund typically invests in relatively few holdings, a larger percentage of its assets may be invested in a particular issuer or in fewer companies than is typical of other mutual funds. This may increase volatility of the Fund's NAVs. The Fund will be more susceptible to adverse economic, political, regulatory or market developments affecting a single issuer than a fund that is invested more broadly. The Fund may also invest in securities issued by other investment companies which may subject the Fund indirectly to the risks of that investment company. The Fund also will bear its share of the underlying investment company's fees and expenses, which are in addition to the Fund's

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