Renaissance®
Investment Management
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Why Invest In International Now?

In light of the strong performance from U.S. stocks over the past five years, it's reasonable for an investor to ask "Why international stocks now?". We are convinced that the reasons for investing internationally are even more compelling today than they were twenty years ago. Permit us to illustrate the most significant reasons for investing internationally today.

1. The Opportunity Set is Dramatically Larger

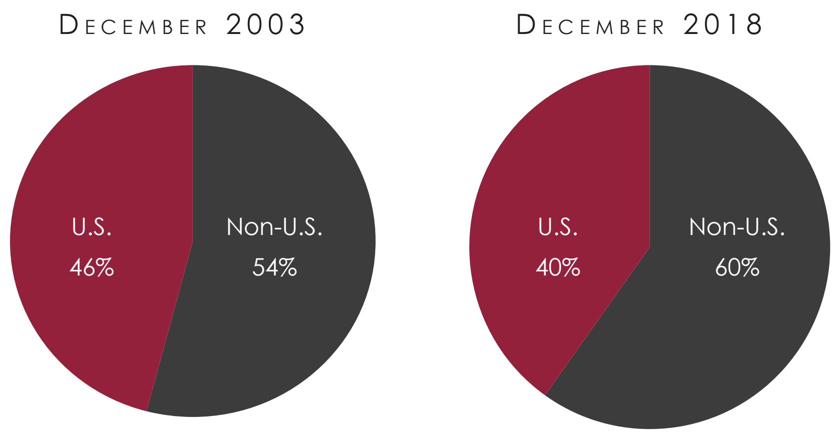
As of the end of December 2018, 60% of the weight of the world stock market capitalization consisted of non-US companies. Investing has become a more global activity over the past twenty years, with many more investment opportunities becoming apparent in both developed and developing countries. The largest companies in many industries are in fact foreign rather than U.S.-based. For example, of the 15 largest banks in the world, 10 are outside the U.S. Other industries dominated by foreign firms include Metals and Mining (12 of top 15), Airlines (11 of top 15), Automobiles (12 of top 15), Diversified Telecommunication Services (12 of top 15) and Pharmaceuticals (8 of top 15). *Source: MSCI All Country World Index, ranked by index weight as of 12/31/18.*

While the market value weight of foreign stock markets as a percentage of world equity markets has increased over time, U.S. investors have tended to overweight their portfolios toward U.S. securities simply as a matter of habit (the so-called "home country bias"). This has resulted in neglecting the significantly attractive investment opportunities available today in overseas markets.

2. The Growth Opportunities are Greater

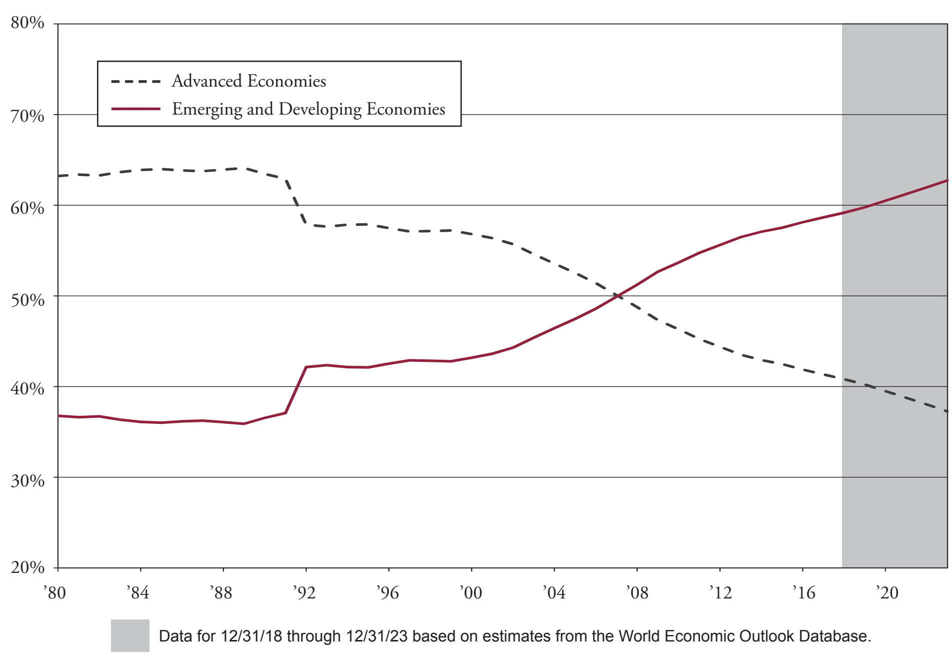
The growth potential in many so-called emerging markets today is a generational opportunity to take advantage of unprecedented demographic and political change. While population growth stagnates in many developed nations, a number of emerging countries are experiencing robust population growth, with positive effects for their economies. As incomes rise in emerging markets, an increasingly large number of consumers will be able to purchase automobiles, televisions, mobile phones and other products and services demanded by middle class consumers. Infrastructure such as bridges, roads and airports will need to be built, creating demand for experienced industrial companies from both emerging and developed countries. According to International Monetary Fund (IMF) data, emerging and developing economies account for an increasingly larger percentage of world GDP (see Chart II), and this trend presents attractive growth potential for an investor in international stocks.

CHART I: WORLD STOCK MARKET CAPITALIZATION



Data ending 12/31/18
Source: FactSet Market Aggregates

CHART II: ADVANCED VS EMERGING & DEVELOPING GDP
(Percent of World, Based on Purchasing Power Parity)



Source: International Monetary Fund, World Economic Outlook Database, October 2018

3. Overseas Markets have Lagged the U.S. Recently

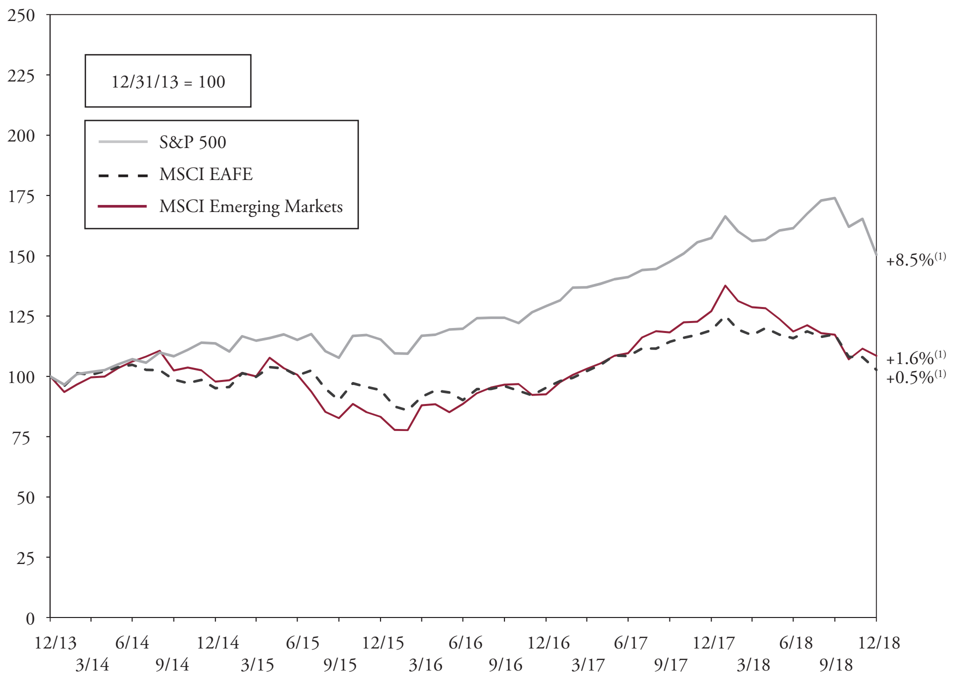
Experienced investors know that rebalancing portfolios toward lagging asset classes can both reduce risk and increase returns over time. The rebound in global stock markets over the past five years presents just such an opportunity today. While the U.S. stock market has been the strongest performer over this period, developed and emerging market indices have been relative underperformers, presenting an attractive entry point for investors looking to take advantage of the larger opportunity set and greater growth opportunities in international markets.

4. The Current Valuation of International Markets is Very Attractive

Profit growth has rebounded around the world since the global recovery began almost ten years ago. However, the recovery in stock prices has not been uniform, with the result that markets around the world present dramatically different valuation pictures today. While the U.S. stock market trades at among the highest P/E ratios in the world today, companies in international developed and emerging markets trade on average at significantly lower multiples of earnings. Investor returns depend in part on the initial valuation when an investment is made, and today's valuation levels in international securities suggest attractive relative return potential going forward. Importantly, investing at low multiples also tends to reduce the risk of investing in markets in the process of peaking in price.

The above are a few of the reasons why we find opportunities in international markets to be especially compelling today. We believe that a disciplined process of systematically investing in high-quality companies around the world that exhibit good growth potential, strong earnings acceleration and reasonable valuation is likely to result in favorable returns for the long-term investor.

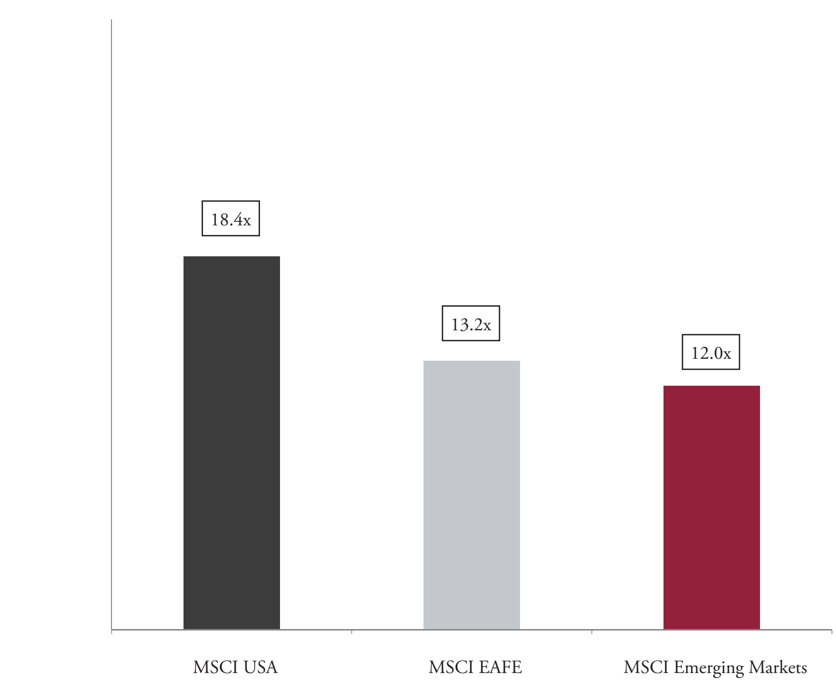
CHART III: U.S. INDICES HAVE FARED BETTER THAN GLOBAL MARKETS RECENTLY



Data from 12/31/13–12/31/18.
(1)Annualized 5-year total return ending 12/31/18.
Source: FactSet, MSCI

CHART IV: MARKET VALUATIONS AROUND THE WORLD

Trailing 1-Year Price-to-Earnings Ratio



Data as of 12/31/18
Source: MSCI

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Diversification does not guarantee a profit or protect against a loss.

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REFERENCED INDICES

(Indices are unmanaged and are not available for direct investment.)

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MSCI EAFE—The MSCI EAFE Index is a free float-adjusted market capitalization index that is designed to measure equity market performance of the developed markets excluding the United States and Canada.

MSCI Emerging Markets—The MSCI Emerging Markets Index is a free float-adjusted market capitalization index that is designed to measure equity market performance in the emerging markets.

MSCI USA Index—The MSCI USA Index is a free float adjusted market capitalization index that is designed to measure the performance of the large and mid-cap segments of the U.S. equity market.

S&P 500 Index— The S&P 500 Stock Index is a market capitalization weighted index and consists of 500 stocks chosen for market size, liquidity and industry group representation.

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