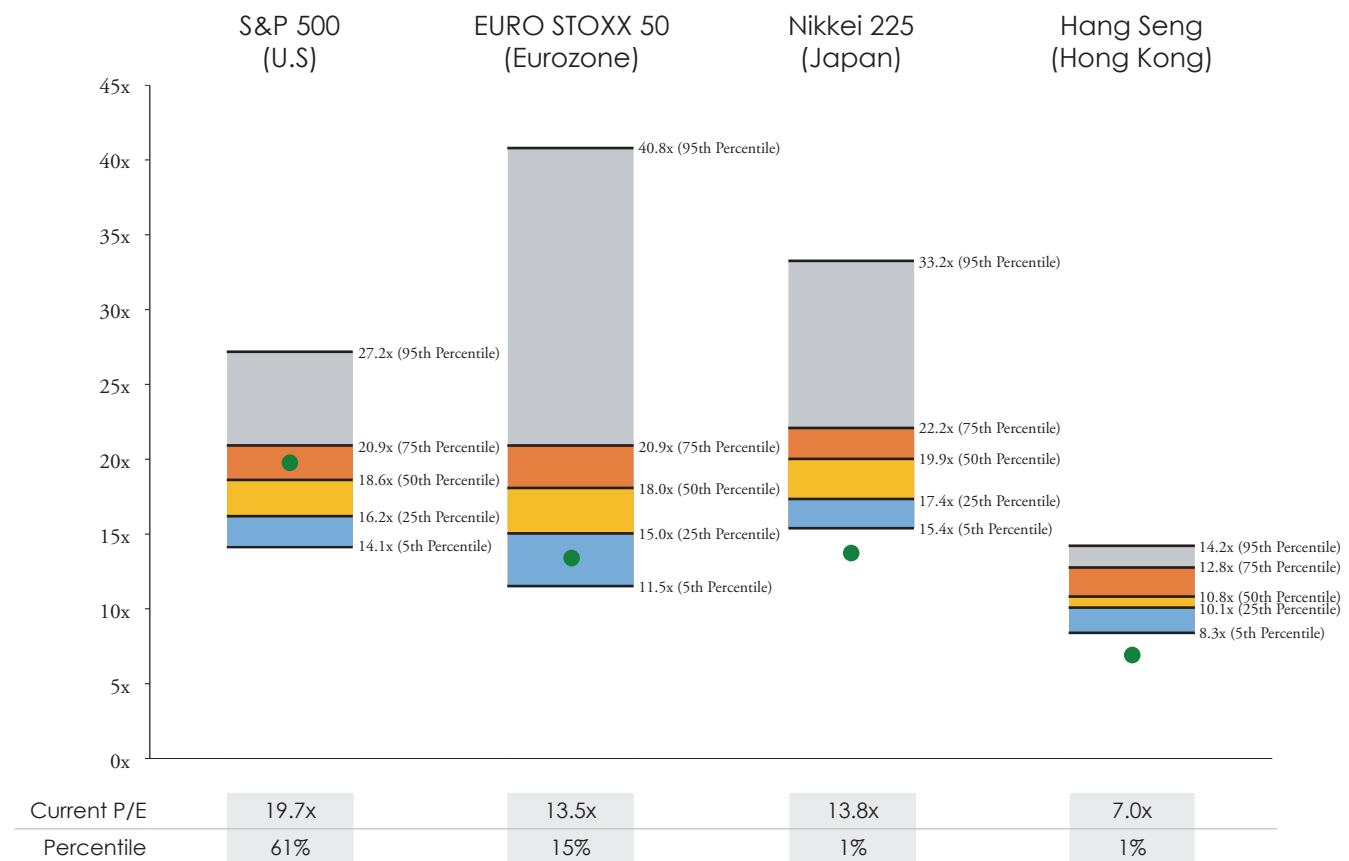


Many Central Banks around the world, including the Federal Reserve, have raised interest rates this year in order to control recent surges in inflation. As a result, trailing Price to Earnings ratios of most equity markets have generally declined, with the trailing P/E ratio of the S&P 500 dropping to 19.7x on May 11 from 24.1x at the beginning of the year.

Based on its history since 2010, the S&P 500 P/E now ranks in the 61st percentile of observations, or still slightly above its average. However, many international markets are far below their own long-term averages, with a notable number selling at unprecedentedly low P/E ratios (see chart below).

## Market P/Es vs History 2010–Present



<sup>(1)</sup> Data from 1/1/2010–5/11/2022.  
Source: Renaissance Research, Bloomberg

Valuation is only one consideration among many in an investment decision, but it can be critically important in determining long-term returns. Historically low P/E ratios present the opportunity to reap future returns from P/E expansion as well as from dividends and earnings growth. We believe that selected international stocks and markets present such an opportunity at current levels.

We continue to find good long-term investment opportunities in many international markets, including Japan, Western Europe, and China. Our International ADR Strategy currently holds positions in 22 countries, with an average portfolio P/E 48% less than that of the S&P 500. While market volatility is expected to continue in the short term, we believe that patient investors will likely be rewarded with good long-term returns going forward.

## DISCLOSURES

This Market Update reflects the thoughts of Renaissance as of May 12, 2022. This information has been provided by Renaissance Investment Management. All material presented is compiled from sources believed to be reliable and current, but accuracy cannot be guaranteed. This is not to be construed as an offer to buy or sell any financial instruments and should not be relied upon as the sole factor in an investment making decision, nor should it be considered a recommendation. The views and opinions expressed are those of the Chief Investment Officer at the time of publication and are subject to change. There is no guarantee that these views will come to pass. As with all investments, there are associated inherent risks. Please obtain and review all financial material carefully before investing.

## PERFORMANCE

If Renaissance or benchmark performance is shown, it represents historically achieved results, and is no guarantee of future performance. Future investments may be made under materially different economic conditions, in different securities and using different investment strategies and these differences may have a significant effect on the results portrayed. Each of these material market or economic conditions may or may not be repeated. Therefore, there may be sharp differences between the benchmark or Renaissance performance shown and the actual performance results achieved by any particular client. Benchmark results are shown for comparison purposes only. The benchmark presented represents unmanaged portfolios whose characteristics differ from the composite portfolios; however, they tend to represent the investment environment existing during the time periods shown. The benchmark cannot be invested in directly. The returns of the benchmark do not include any transaction costs, management fees or other costs. The holdings of the client portfolios in our composites may differ significantly from the securities that comprise the benchmark shown. The benchmark has been selected to represent what Renaissance believes is an appropriate benchmark with which to compare the composite performance.

The value of an investment may fall as well as rise. Please note that different types of investments involve varying degrees of risk and there can be no assurance that any specific investment will either be suitable or profitable for a client or prospective client's investment portfolio. Investor principal is not guaranteed and investors may not receive the full amount of their investment at the time of sale if asset values have fallen. No assurance can be given that an investor will not lose invested capital. Consultants supplied with these performance results are advised to use this data in accordance with SEC guidelines. The actual performance achieved by a client portfolio may be affected by a variety of factors, including the initial balance of the account, the timing and amount of any additions to or withdrawals from the portfolio, changes made to the account to reflect the specific investment needs or preferences of the client, durations and timing of participation as a RIM client, and a client portfolio's risk tolerance, investment objectives, and investment time horizon. All investments carry a certain degree of risk, including the loss of principal and are not guaranteed by the U.S. government.

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## REFERENCED INDICES

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

**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.

**EURO STOXX 50 Index**—The EURO STOXX 50<sup>®</sup> Index represents the performance of the 50 largest companies among the 20 supersectors in terms of free-float market cap in Eurozone countries. The index has a fixed number of components and is part of the STOXX blue-chip index family. The index captures about 60% of the free-float market cap of the EURO STOXX Total Market Index (TMI).

**Hang Seng Index**—The Hang Seng Index is a freefloat-adjusted market-capitalization-weighted stock-market index in Hong Kong. It is used to record and monitor daily changes of the largest companies of the Hong Kong stock market and is the main indicator of the overall market performance in Hong Kong.

**Nikkei 225 Index**—The Nikkei 225 is a price-weighted equity index which consists of 225 stocks in the Prime Market of the Tokyo Stock Exchange.