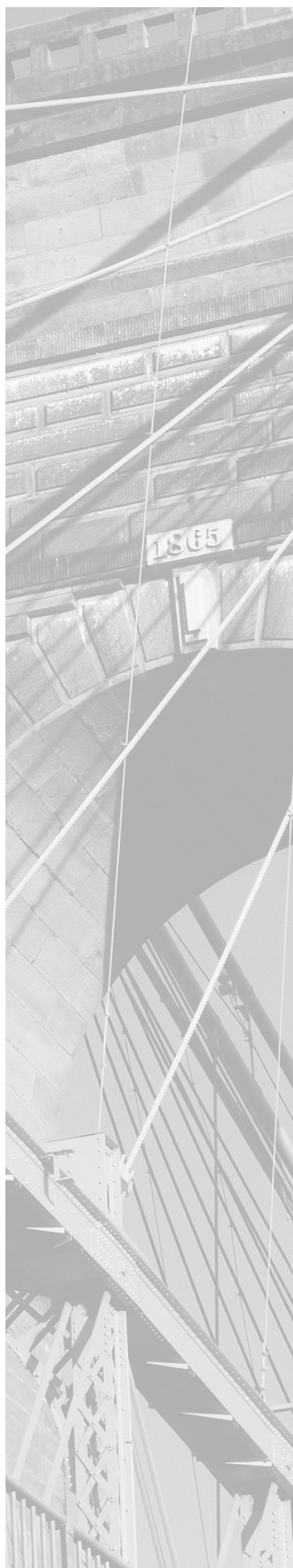


# International Equity ADR Intra-Quarter Commentary—October 2022



International equity markets across the globe rebounded in October, taking some of the sting out of an otherwise painful year. The major factors weighing on markets changed little during the month, with global inflation showing no signs of slowing down and the war in Ukraine continuing unabated. Market gains were widespread with the notable exception of China, which ended the month lower as investors digested the news that President Xi was re-elected to a third term, further solidifying his rule over China. As we have seen for most of the year, value-oriented stocks performed better than growth-focused stocks.

Many economists are penciling in a global recession for 2023, with higher interest rates capping growth prospects. In the past, China had been a large contributor to global growth, but the country's adherence to its zero-COVID policy has strained consumer sentiment and dampened hope for a rebound in its economy any time soon. Although China's third-quarter GDP showed better-than-expected growth of 3.9% year-over-year (y/y), the country will be unable to realize its full economic potential until lockdowns are over. China's October Purchasing Managers Index (PMI) for manufacturing dropped to 49.2 from 50.1 according to the National Bureau of Statistics, with levels below 50 indicating an economic contraction.

Inflation readings across the globe continued to paint a recessionary picture. Eurozone inflation came in at a 10.7% annual rate in October, marking the 12th consecutive month that inflation has set a record, and pushing the European Central Bank's (ECB) 2% inflation target out of reach for the foreseeable future. Per Eurostat, energy prices rose 41.9% y/y in October, up from 40.7% the previous month, and prices of food, alcohol, and tobacco rose 13.1% y/y compared

## GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES<sup>(1) (2)</sup>

Region	Ending Weight <sup>(3)</sup>	Change from 9/30/2022	International Equity ADR Additions & (International Equity ADR Deletions) <sup>(4)</sup>
Western Europe	49.3%	+1.9%	Publicis Groupe (Veolia Environnement)
Asia/Pacific	28.7%	-4.2%	(Vipshop)
North America	13.7%	+2.8%	AXIS Capital, Golar LNG (Canadian Pacific Railway)
Central & South America	5.0%	+0.4%	
Cash	1.8%	-1.0%	
Middle East & Africa	1.5%	+0.1%	
Eastern Europe	0.0%	0.0%	
Developed Markets	75.7%	+4.4%	
Emerging Markets	22.5%	-3.5%	
Cash	1.8%	-1.0%	

<sup>(1)</sup> Based on a representative account of the strategy discussed. Portfolio characteristics (e.g., sector weights, valuation, growth rate) are based on a representative account that we believe is illustrative of the strategy. All accounts in the strategy are invested identically in the same securities unless a client has imposed restrictions. Characteristics and/or holdings on a given date may vary due to pending trades.

<sup>(2)</sup> Renaissance determines an issuer's country classification based on company filings and data provided by third-party sources such as Bloomberg or FactSet. Renaissance considers an issuer to be located in an emerging market country if the issuer is domiciled or incorporated in an emerging market country (as defined by the iShares MSCI Emerging Markets ETF) or exhibits risk characteristics (e.g., economic, geopolitical and regulatory risks) similar to emerging market countries.

<sup>(3)</sup> Weights as of the end of the presentation period. Cumulative total weighting may not add up to 100% due to rounding of percentages to the nearest decimal place.

<sup>(4)</sup> Any securities referenced should not be considered a recommendation to purchase or sell a particular security. These securities represent a portion of the companies held in a representative account in this strategy as of the date stated and are intended for informational purposes only. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. The past performance of these securities is no guarantee of future results. The specific securities identified and described may not represent all of the securities purchased, sold, or recommended for this strategy. To request a complete list of holdings recommendations for this strategy over the past year or a list showing the contribution of every holding to the performance of the representative account for the time period stated, please contact Renaissance at [compliance@reninv.com](mailto:compliance@reninv.com).

Sources: Renaissance Research, FactSet

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## CONTRIBUTORS TO RETURN<sup>(1)(2)</sup>

Ticker	Company Name	Average Weight <sup>(3)</sup>	Contribution to Return
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### TOP FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

ACGL	Arch Capital Group	2.17%	0.54%
IGT	International Game Technology	1.88%	0.46%
EADSY	Airbus	1.94%	0.44%
ASAI	Sendas Distribuidora	2.28%	0.39%
ASR	Grupo Aeroportuario del Sureste	2.10%	0.38%

### BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

XNGSY	ENN Energy	1.43%	-0.40%
GELYY	Geely Automobile	1.41%	-0.35%
WHGLY	WH Group	1.61%	-0.35%
TCEHY	Tencent	1.27%	-0.33%
BABA	Alibaba	1.34%	-0.31%

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<sup>(2)</sup> The securities listed should not be considered a recommendation to purchase or sell a particular security. These securities represent the top five and bottom five contributors by weight to the performance of a representative account in this strategy as of the date stated and are intended for informational purposes only. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. The past performance of these securities is no guarantee of future results. The specific securities identified and described may not represent all of the securities purchased, sold, or recommended for this strategy. To request a complete list of holdings recommendations for this strategy over the past year or a list showing the contribution of every holding to the performance of the representative account for the time period stated, please contact Renaissance at [compliance@reninv.com](mailto:compliance@reninv.com).

<sup>(3)</sup> Average weights over the presentation period.

Sources: Renaissance Research, FactSet

to 11.8% in September. To counter the record inflation, the ECB raised its benchmark rate 75 basis points to 1.5% late in the month and indicated that more rate hikes are planned.

Our portfolio performance was positive for the month on both an absolute and a relative basis. From a sector standpoint, our Industrials and Financials holdings contributed the most to returns, while Utilities and Communication Services detracted the most from performance. Our developed and emerging market holdings followed the same pattern as the benchmark, with developed stocks gaining for the month on positive returns from the United Kingdom, while emerging stocks slipped with our Chinese positions dragging down returns.

Our best performing stocks during the month were **Arch Capital** (Bermuda) and **International Game Technology** (United Kingdom). Insurer Arch Capital reported stronger-than-expected third quarter earnings even amid higher catastrophic losses associated with storms in the United States and Europe. The company's mortgage insurance side of its business also continues to do well, accounting for much of the firm's bottom line. Investors grew more encouraged about the 2023 prospects for global lottery and gaming company International Game Technology, which recently signed contracts with the states of Georgia and Texas, as well as Ontario, Canada.

**ENN Energy Holdings** (China) and **Geely Automobile** (China) were our weakest performing stocks in October. A natural gas supplier to both retail and commercial customers, ENN is well-positioned to take advantage of China's push toward cleaner energy, but uncertainty regarding

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China's economic growth has dampened near-term prospects for the company. Geely was weaker on fears of ongoing COVID lockdowns that threaten to put a dent in car sales. However, sales could be helped going forward after Chinese officials announced in late July efforts to increase car ownership quotas and loosen limits on car purchases. In addition, tax exemptions for electric vehicles will be extended, helping Geely's expanding lineup of electric vehicles.

Looking toward the rest of the year, talk of a global recession is growing, and equity markets are cautious. The rapid rise in central bank interest rates may stem the rise in inflation, but it will take time before inflation returns to targeted levels. Based on third-quarter company earnings reported so far, many firms have been able to maintain earnings growth, but investors are leery that the many headwinds facing companies will result in lower earnings going into next year. We remain confident that finding quality companies exhibiting good growth prospects and trading at reasonable valuations will lead to long-term success for our portfolio.

## DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of October 31, 2022 and are subject to change at any time due to changes in market or economic conditions.

## GICS<sup>®</sup> SECTOR INFORMATION

Sector Listing according to MSCI and S&P Dow Jones data: MSCI and S&P Dow Jones do not make any express or implied warranties or representations and shall have no liability whatsoever with respect to any GICS data contained herein.

## PERFORMANCE

If Renaissance or benchmark performance is shown, it represents historically achieved results, and is no guarantee of future performance. All performance is shown in U.S. dollars unless otherwise stated. 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.

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## REFERENCED INDICES

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

iShares MSCI Emerging Markets ETF—The iShares MSCI Emerging Markets ETF seeks to track the investment results of an index composed of large- and mid-capitalization emerging market equities.

## STOCK REFERENCES

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