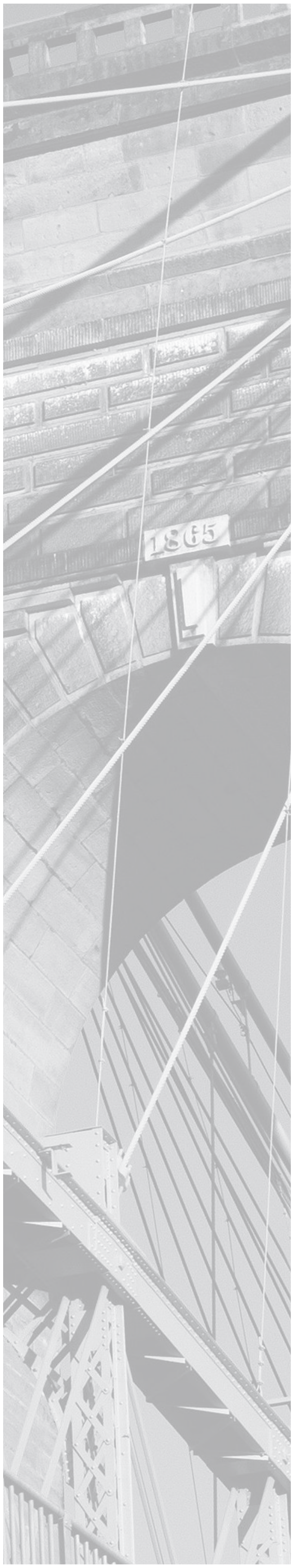
Renaissance®
Investment Management
Month Ending 2/28/2023

# International Equity ADR
## Intra-Quarter Commentary—February 2023




International equity markets gave back some of their strong January gains as investors feared that the battle to bring down inflation might last longer than expected. To be sure, global inflation is well off its peak from last year, but price increases are still outside the comfort zone for many central banks. The U.S Federal Reserve raised rates another 25 basis points in February, while the European Central Bank hiked its main refinancing rate 50 basis points and pledged to "stay the course in raising interest rates significantly at a steady pace." Most national equity indices were in the red for February, with developed markets faring better than emerging markets.

China led the decline in emerging markets following a strong rally that began in November of last year as the canceling of China's restrictive COVID-19 policies generated anticipation for a bounce back of China's economy in 2023. Economic statistics continue to support the case for a rebound. For example, the February manufacturing Purchasing Managers' Index (PMI) climbed to 52.6 from 50.1 in January, according to China's National Bureau of Statistics, above the 50-point mark that separates expansion and contraction in activity. The PMI level was the highest reading since April 2012. Nevertheless, geopolitical tensions with the United States over China's Russia and Taiwan policies, as well as continued government regulation, have tempered investors' enthusiasm for Chinese equities.

Equity index returns for February partly reflected weaker energy and commodity prices. Brent crude oil is down slightly for the year, natural gas prices have fallen dramatically given the warmer-than-expected winter and Europe's ability to find alternative sources outside Russia, and coal and nickel prices are down double-digits for the year. Certain industrial metals that are tied more closely to the reopening of the Chinese economy, such as iron ore and copper, are higher year-to-date

### GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES[1][2]

| Region | Ending Weight[3] | Change from 1/31/2023 | International Equity ADR Additions & (International Equity ADR Deletions)[4] |
|---|---|---|---|
| Western Europe | 51.6% | +0.6% | No International Equity ADR portfolio additions or deletions during the period. |
| Asia/Pacific | 29.3% | -0.7% | |
| North America | 11.9% | +0.4% | |
| Central & South America | 3.7% | -0.2% | |
| Middle East & Africa | 1.9% | 0.0% | |
| Cash | 1.5% | -0.1% | |
| Eastern Europe | 0.0% | 0.0% | |
| Developed Markets | 77.4% | +1.1% | |
| Emerging Markets | 21.1% | -1.0% | |
| Cash | 1.5% | -0.1% | |

(1) 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.

(2) 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.

(3) 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.

(4) 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.

*Sources: Renaissance Research, FactSet*

# International Equity ADR
## Intra-Quarter Commentary—February 2023

### CONTRIBUTORS TO RETURN[(1)(2)]

| Ticker | Company Name | Average Weight[(3)] | Contribution to Return |
|---|---|---|---|
| **TOP FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR** | | | |
| RNECY | Renesas Electronics | 2.08% | 0.48% |
| PUBGY | Publicis Groupe | 2.05% | 0.23% |
| STLA | Stellantis | 1.98% | 0.21% |
| LNVGY | Lenovo Group | 1.61% | 0.18% |
| CSTM | Constellium | 1.73% | 0.17% |
| **BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR** | | | |
| CPRI | Capri Holdings | 1.92% | -0.57% |
| BABA | Alibaba Group | 1.50% | -0.32% |
| GELYY | Geely Automobile | 1.37% | -0.28% |
| KB | KB Financial Group | 1.57% | -0.27% |
| GLNCY | Glencore | 2.00% | -0.23% |

(1) 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.
(2) 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.
(3) Average weights over the presentation period.

*Sources: Renaissance Research, FactSet*

but are still lower on a year-over-year basis. Lower commodity prices should help tame inflation going forward, giving central bankers some breathing room.

February portfolio returns were negative but ahead of our benchmark. All eleven economic sectors in the benchmark were down for the month, led lower by Consumer Discretionary and Materials, while Industrials and Energy were the best performing sectors. Within our portfolio, we enjoyed positive stock selection, mostly in the Information Technology and Materials sectors, while selection was weakest in the Consumer Discretionary and Health Care sectors. As was the case with our benchmark, our developed market stocks performed better than our emerging market holdings. France was our best contributing developed market, while the United Kingdom was a laggard. Within emerging markets, China detracted the most from our performance, while Mexico was slightly additive.

**Renesas Electronics** (Japan) and **Publicis Groupe** (France) were our two best-contributing holdings for the month. Semiconductor manufacturer Renesas gained on better-than-expected earnings and guidance. As seen over the last few quarters, management continues to control inventories with channel inventories below target levels for both auto and non-auto products. The company plans to scale back production in the first quarter, but it expects gross margins to remain high even with the decline in utilization. Analysts are becoming increasingly confident that the company can pass through the current down cycle without seeing much of a decline in earnings. Publicis, one of the world's largest advertising agencies, is expecting organic growth of 3%–5%

in 2023, ahead of market expectations. Industry-leading margins, a healthy 4% dividend yield, and a strong balance sheet should keep investors positive on the company.

**Capri Holdings** (United Kingdom) was our worst performing stock for the month after the fashion retailer reported lower-than-expected third quarter earnings, which were impacted by weakness in Michael Kors, its largest segment. The majority of the negative market reaction was centered on Kors wholesale as U.S. department stores are cutting orders and are resistant to price increases. Fiscal year 2023 guidance was also lowered, with operating margins dropping approximately 2% to 16%. The share price of China's leading internet retailer **Alibaba** fell steadily during the month ahead of reporting a good set of earnings at month end. The December ending quarterly earnings handily beat consensus estimates, and the company should benefit from the reopening of China's economy, although cost controls will be important to improving margins.

Given that inflation remains elevated across most of the globe, market volatility is likely to remain high for the year. While there have been some positives regarding inflation, such as improving supply chains and key commodities declining, central banks will continue to tighten until they see a meaningful drop in inflationary readings. With U.S. inflation expected to run at 4.0% in 2023, Germany at 5.9%, and the United Kingdom at 6.9% according to estimates compiled by FactSet, equity markets will face an uphill battle to overcome investor skepticism that the worst is over.

## DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of February 28, 2023 and are subject to change at any time due to changes in market or economic conditions.

### GICS® 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.

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 appropriate 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.

### REFERENCED ETF

**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.

*Continued*

# International Equity ADR
## Intra-Quarter Commentary—February 2023

## REFERENCED INDEX

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

**Manufacturing Purchasing Managers' Index** —The Manufacturing Purchasing Managers' Index (PMI) measures the activity level of purchasing managers in the manufacturing sector. A reading above 50 indicates expansion in the sector; below 50 indicates contraction.

## STOCK REFERENCES

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. Nonperformance-based criteria have been used to select the securities listed unless otherwise stated. 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.

Renaissance Investment Management
800.837.3863 ■ 513.723.4500 ■ Fax: 513.723.4512 ■ www.reninv.com