

International Equity ADR Intra-Quarter Commentary—August 2023



Global equity markets stumbled during the month of August due to uncertainty surrounding the actions of central banks in their efforts to combat persistent inflation while simultaneously promoting economic growth. Developed markets outperformed emerging markets for the month and are well ahead year to date, with the iShares MSCI EAFE ETF up 11.0%—more than double the iShares MSCI Emerging Market ETF gain of 4.2%. Emerging markets are being dragged down by China, which has failed to capitalize on the reopening of its economy following pandemic lockdowns. In addition to longstanding issues with its overbuilt real estate market, newer concerns including weakening exports, record-high youth unemployment, and tensions with the West are weighing negatively on investors' appetite for Chinese stocks.

The inflation situation in Europe remains fragile, with prices down from their October 2022 peak but well ahead of the European Central Bank's (ECB) 2% inflation target. Eurozone consumer prices rose 5.3% year-over-year in July in a slight deceleration from the June increase of 5.5%. Inflation has remained above the ECB target for over two years, and most of the eurozone's twenty member countries are still above target. The ECB will meet in mid-September to decide whether to raise rates further or to pause after nine consecutive rate hikes.

Adding a wrinkle to the battle against inflation is the strengthening U.S. dollar which rose in August. Weaker local currencies can lead to domestic inflation as imports become more costly. Certain currencies such as the Mexican peso and Brazilian real have rallied against the greenback this year, but other major currencies such as the Japanese yen and Chinese renminbi have been weaker, which could cause inflation to rise in those countries.

GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES⁽¹⁾⁽²⁾

Region	Ending Weight ⁽³⁾	Change from 7/31/2023	International Equity ADR Additions & (International Equity ADR Deletions) ⁽⁴⁾
Western Europe	50.0%	-0.4%	Rolls-Royce Holdings (Capri Holding)
Asia/Pacific	26.4%	-0.2%	
North America	16.3%	+1.0%	
Central & South America	4.7%	-0.5%	
Cash	2.4%	+1.5%	
Middle East & Africa	0.2%	-1.5%	Perion Network (Tremor International)
Eastern Europe	0.0%	0.0%	
Developed Markets	74.9%	-1.4%	
Emerging Markets	22.6%	-0.1%	
Cash	2.4%	+1.5%	

⁽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



CONTRIBUTORS TO RETURN⁽¹⁾⁽²⁾

Ticker	Company Name	Average Weight ⁽³⁾	Contribution to Return
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TOP FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

CPRI	Capri Holdings	1.10%	0.49%
RYCEY	Rolls-Royce	0.48%	0.18%
JAZZ	Jazz Pharmaceuticals	1.50%	0.14%
ICLR	ICON	1.84%	0.06%
NOMD	Nomad Foods	1.71%	0.06%

BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

TRMR	Tremor International	1.28%	-0.86%
IFNNY	Infineon Technologies	2.02%	-0.44%
XNGSY	ENN Energy	0.95%	-0.38%
DOOO	BRP	1.94%	-0.36%
RNECY	Renesas Electronics	2.08%	-0.34%

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⁽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

Portfolio returns in August were negative on both an absolute and a relative basis versus our benchmark. Apart from the Energy sector, which was slightly positive, benchmark returns were negative across all economic sectors. Within our portfolio, Health Care holdings were positive for the month as they benefited from investors' gravitation toward more defensive stocks. All other sectors in our portfolio posted negative returns. Our Information Technology stocks detracted the most from performance, with uncertainty about the supply/demand balance in semiconductors affecting our chip holdings. By country, Israel and China detracted the most from returns, while the United Kingdom and Ireland performed the best.

Our best contributing stock during the month was **Capri Holdings** (United Kingdom). Capri, the owner of fashion brands Michael Kors, Jimmy Choo, and Versace agreed to be acquired by Tapestry, the owner of Coach and Kate Spade. We subsequently sold our shares. Our weakest stock was **Tremor International** (Israel) which fell on worse-than-expected second-quarter earnings and a diminished outlook that highlighted macro issues in the advertising technology space. Given management's poor execution over the last few quarters and an absence of evident near-term catalysts, we decided to exit our position.

Most equity markets remain positive for the year, and investors have steadfastly climbed a wall of worry to achieve those returns. Looking toward the end of the year, the possibility that the central banks of the United States and the eurozone may at least pause their historic rate hikes could signal that the worst is over from an inflation perspective. However, markets tend to reflect company earnings more than interest rates, and it will be up to companies to continue growing their bottom lines for equity markets to continue higher.



DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of August 31, 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.

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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 ETFs

iShares MSCI EAFE ETF—The iShares MSCI EAFE ETF seeks to track the investment results of an index composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada.

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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