

# International Equity ADR Intra-Quarter Commentary—February 2024



For the month of February, international equity markets recorded strong returns that were driven by notable performance in several sectors and regions, as market participants parsed through better-than-expected earnings. Emerging markets outperformed developed markets, as Chinese equity markets rebounded in response to government stimulus and regulatory measures. Other Asian markets also performed well, including Taiwan, South Korea, and Japan. Growth stocks handily outperformed value stocks for the month, as tech stocks continue to lead the current bull market.

Japanese stocks have been a large driver of global equity returns recently, as the Nikkei 225 reached its highest point in almost 35 years. The bull market in Japanese stocks is a result of improving valuations caused by changes in corporate governance and improved shareholder returns. The likelihood of continued gains for the index is high, as 37% of Nikkei 225 members are trading below their book value, according to Bloomberg. With this backdrop, the Bank of Japan appears to be abandoning its negative interest rate policy and yield curve control policies. However, the exact timing of such action is becoming increasingly uncertain. Despite the central bank's shift away from an accommodative stance during its January meeting, recent weak macroeconomic indicators may prompt the central bank to reconsider any aggressive rate hikes.

During February, Chinese equities responded as policymakers intensified their stimulus measures. Banking regulators have started exerting pressure on banks to increase property loans that are needed to support the floundering property market. Likewise, China's sovereign wealth fund has pledged to increase its purchase of ETFs, while the Chinese Securities Regulatory Commission has been urging other long-term funds to enter the market more vigorously. In addition, Chinese regulators have

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

Region	Ending Weight <sup>(3)</sup>	Change from 1/31/2024	International Equity ADR Additions & (International Equity ADR Deletions) <sup>(4)</sup>
Western Europe	50.9%	+2.0%	BAE Systems
Asia/Pacific	25.4%	-0.9%	(Kulicke & Soffa Industries)
North America	14.8%	-0.4%	
Central & South America	6.9%	-0.2%	
Middle East & Africa	1.3%	-0.4%	
Cash	0.7%	-0.1%	
Eastern Europe	0.0%	0.0%	
Developed Markets	74.9%	+0.1%	
Emerging Markets	24.4%	-0.1%	
Cash	0.7%	-0.1%	

<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

TOELY	Tokyo Electron	2.02%	0.53%
RYCEY	Rolls-Royce	2.26%	0.46%
CRH	CRH	2.73%	0.46%
STLA	Stellantis	2.23%	0.40%
ICLR	ICON	1.87%	0.40%

### BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

PERI	Perion Network	1.47%	-0.40%
NTOIY	Neste	1.00%	-0.24%
SONY	Sony	1.55%	-0.20%
WTBDY	Whitbread	1.89%	-0.17%
GLNCY	Glencore	1.43%	-0.17%

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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

relaxed share buyback rules and announced curbs on short-selling as they look to rejuvenate their struggling stock market. Although China's official non-manufacturing PMI climbed to 51.4 in February and is still in expansionary territory, its manufacturing PMI experienced a slight dip to 49.1 from 49.2 in January. On the bright side, this decline was smaller than the usual seasonal decrease expected in February due to the Lunar New Year holiday.

Our portfolio performance for the month was positive on both an absolute and relative basis. Information Technology was our leading contributor, as the portfolio benefited from an overweight to semiconductor companies. Industrials was another leading sector as the portfolio received help from the recovery in long-haul air travel, which is boosting wide-body flight hours. Energy and Communication Services were our two largest sector detractors, as portfolio holdings reported mixed fourth-quarter results and lower-than-expected forward guidance.

Our best performing holding during the month was **Tokyo Electron** (Japan), as long-term demand for its chipmaking equipment is poised to expand due to the proliferation of artificial intelligence (AI) systems. Tokyo Electron's sophisticated etching and deposition tools are necessary to produce the memory chips required to support the data-intensive nature of AI. Our worst performing stock was **Perion Network** (Israel), an advertising technology company, which reported mixed fourth-quarter numbers and weaker-than-expected 2024 guidance. However, the company is well prepared for and poised to benefit from Google's phaseout of third-party cookies on its Chrome web browser.

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Despite pockets of weakness, investors appear to have accepted the probability of a soft landing, as a global recession seems unlikely at this point. As a result, international equities remain attractive due to rising earnings expectations that are reflected in second-half 2024 optimism. Stronger earnings and more accommodative monetary policies around the globe should combine to provide a favorable backdrop for equities going forward.

## DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of February 29, 2024 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 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.

## REFERENCED INDEX

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

Nikkei 225 Index—The Nikkei is short for Japan's Nikkei 225 Stock Average, the leading and most-respected index of Japanese stocks. It is a price-weighted index composed of Japan's top 225 blue-chip companies traded on the Tokyo Stock Exchange. The Nikkei is equivalent to the Dow Jones Industrial Average (DJIA) Index in the United States.

## 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](mailto:compliance@reninv.com).