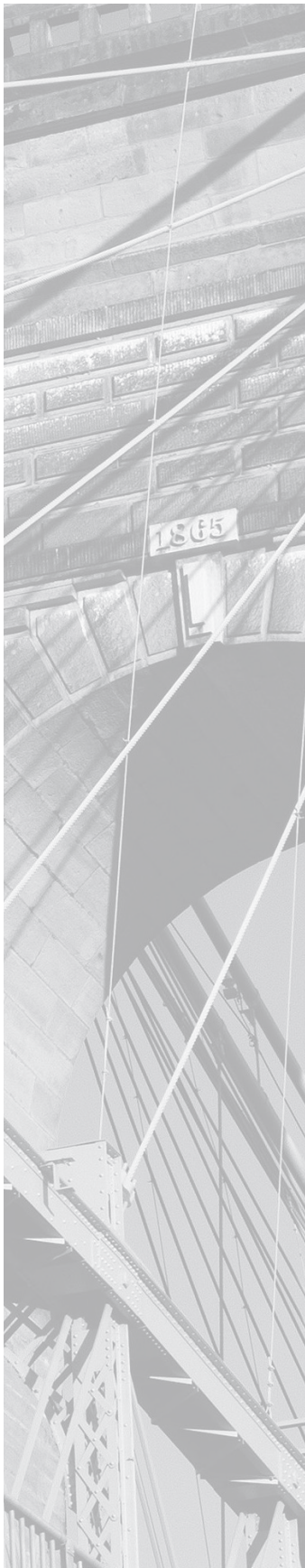


# International Equity ADR Quarter-End Review—2Q2024



International equities rose for the third consecutive quarter, helped by decelerating inflation, an interest rate cut by the European Central Bank (ECB), and stepped-up support from the Chinese government for its beleaguered property market. Emerging markets outperformed developed markets by the widest margin since the third quarter of 2020 and now lead developed markets year to date. Meanwhile, the U.S. dollar continued to rise during the quarter, boosted by the continued depreciation of the Japanese yen.

Elections in Mexico, India, and Europe caused bouts of volatility during the quarter. In Mexico, current president Andres Manuel Lopez Obrador's (AMLO) protégé, Claudia Sheinbaum, won the presidential election, marking the first time a woman has been elected president in the country. However, Mexican stocks and the peso sold off as AMLO's Morena party performed better than expected in the election and may continue to push through some of the controversial reforms that AMLO sought to implement during his presidency. Notably, markets also sold off in 2018, as it became clear that AMLO would be elected president but subsequently recovered, posting good returns over the next five years. Sheinbaum's more business-friendly tone should help drive investor confidence when she takes office in October. In India's general election, Prime Minister Narendra Modi's BJP party lost its majority in the lower house of parliament and will be forced to rely on the support of its allies to pass legislation as Modi tries to make good on his promise to turn India into the world's third-largest economy. While Indian stock markets endured wild swings following the election, they ultimately continued their march higher to new all-time highs. France also entered a period of uncertainty following the surprise decision by President Emmanuel Macron to call for snap elections after the poor performance by centrist

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

Region	Ending Weight <sup>(3)</sup>	Change from 3/31/2024	International Equity ADR Additions & (International Equity ADR Deletions) <sup>(4)</sup>
Western Europe	47.5%	-1.6%	AerCap Holdings, Prysmian (International Game Technology, Whitbread)
Asia/Pacific	28.8%	+2.1%	
North America	14.8%	-0.2%	
Central & South America	5.8%	-1.1%	
Middle East & Africa	1.7%	+0.4%	Teva Pharmaceuticals (Perion Network)
Cash	1.3%	+0.3%	
Eastern Europe	0.0%	0.0%	
Developed Markets	74.7%	0.0%	
Emerging Markets	24.0%	-0.3%	
Cash	1.3%	+0.3%	

<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

# International Equity ADR Quarter-End Review—2Q2024



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

Ticker	Company Name	Average Weight <sup>(3)</sup>	Contribution to Return
--------	--------------	-------------------------------	------------------------

### TOP FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

TSM	Taiwan Semiconductor Manufacturing	2.86%	0.69%
GLNG	Golar LNG	1.80%	0.51%
HTHIY	Hitachi	2.37%	0.50%
TCEHY	Tencent	1.74%	0.37%
PRMY	Prysmian	1.96%	0.36%

### BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

PERI	Perion Network	0.20%	-0.61%
STLA	Stellantis	2.04%	-0.60%
EADSY	Airbus	2.25%	-0.54%
GBOOY	Grupo Financiero Banorte	1.86%	-0.52%
ASAI	Sendas Distribuidora	1.17%	-0.50%

<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>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

parties in the European Union's parliamentary election. The far-right National Rally party appears likely to secure the most votes in France's two-round election process that ends on July 7. While the party has pushed a more moderate, business-friendly tone, much of its platform outside of border tightening is unclear. It is unlikely that global election volatility will be ending soon, as voters head to the polls in the United Kingdom in early July and the United States in November.

Inflation continues to dominate headlines, with central bankers increasingly pushing back on aggressive rate-cut predictions. Core inflation in the Eurozone dropped from its peak of 7.5% in March 2023 to under 3% year-over-year (y/y) for the past three months, which allowed the ECB to cut interest rates in June for the first time since 2019. Lower interest rates should support a rebound in the European economy, which has recently shown signs of emerging from its slump which began after Russia's invasion of Ukraine. The Swiss National Bank and the Bank of Canada are two other major central banks that cut interest rates this year, while the U.S. Federal Reserve held interest rates steady, as the deceleration of inflation slowed in the United States. The Fed's lack of rate cuts has put upward pressure on the U.S. dollar, with the U.S. Dollar Index appreciating 4.5% this year. A significant amount of this appreciation has been against the Japanese yen, which has reached its lowest level against the dollar since 1986. Although the Bank of Japan raised interest rates in March, the yen has been at the mercy of the Federal Reserve, which began the year with markets expecting four rate cuts in 2024. However, the Fed has held rates steady and is now expected to cut rates only twice, maintaining a wide interest rate differential between Japan and the United States and imposing consistent downward pressure on the yen.



## International Equity ADR Quarter-End Review—2Q2024



The investment case for emerging markets has long been twofold—discounted valuations and faster economic growth than their developed-market peers. However, the growth gap between emerging and developed markets shrank during 2019-2022. A pick-up in GDP growth in emerging markets and slower growth in developed markets caused this gap to widen again in 2023, and growth is expected to continue at a steady rate over the next several years. The valuation discount for emerging markets also nearly disappeared in early 2023, with emerging markets nearly reaching parity with developed markets. Yet, the discount has expanded back to over 10%, making emerging markets more attractive as the faster growth and cheaper valuation narratives have returned. China weighed negatively on emerging markets over the past three years, as the country's property market bust led to economic turmoil. However, China's central government recently made its most meaningful attempt yet to stabilize the property market, as it targeted both demand and supply by relaxing mortgage rules and urging local governments to buy unsold homes to alleviate oversupply. All eyes will be on the third plenum of the Chinese Communist Party's Central Committee in mid-July. The event has typically been used to announce reforms and address structural issues in the economy. Investors will be looking for policy announcements that address the property sector, local government debt, and weak domestic consumption.

Our portfolio returns were negative on an absolute basis and lagged our benchmark in the second quarter. Stock selection detracted from performance during the quarter, as negative selection in Consumer Staples and Financials offset strong selection in Energy and Industrials. Our overweight allocations in Mexico and France, two under-performing countries, and our underweight allocations in India and Taiwan, two top performers, led country allocation to detract from relative performance during the month.

Our best contributing stock during the quarter was **Taiwan Semiconductor Manufacturing** (Taiwan). The owner of the world's most advanced semiconductor fabrication plants is benefiting from the company's technology leadership to carve out a dominant position in the Artificial Intelligence (AI) semiconductor market. Another strong performer was **Golar LNG** (Bermuda) as its Gimi floating production storage and offloading unit (FLNG) is expected to begin natural gas processing in the third quarter, while the company hopes to announce a new contract for its Hilli FLNG sometime this year. Our weakest performer during the quarter was **Perion Network** (Israel), a digital advertising solutions provider. Management shocked investors in April by announcing that recently implemented changes to Microsoft Bing would dramatically impact Perion's ability to derive revenue through the web browser, which accounts for nearly a third of the firm's business. Furthermore, management had not made any indication of these developments during their February earnings call. We opted to sell our shares. Another weak performer was automobile manufacturer **Stellantis** (Netherlands). Management talked down margin expectations for the first half of 2024 as the European market remains challenged, but an increase in new product launches and refreshed models in the second half of the year should allow the company to gain back market share.

During the quarter, we purchased **AerCap** (Ireland), the world's largest lessor of airplanes. Frequent issues at Boeing and supply chain challenges at Airbus should lead to an undersupply of aircraft through at least 2030. This coincides with a period of high demand for the company's fleet of aircraft, helping to push up lease rates. The lack of new supply is also helping the company to book gains on the sale of its older aircraft, with management using much of the proceeds to buy back its undervalued stock.

The global economy has been surprisingly resilient in the face of higher interest rates, with both the global services and manufacturing PMIs moving further into expansionary territory, reducing pressure on central bankers to quickly cut interest rates and continue their fight against inflation. Yet, with inflation continuing to decelerate, it appears to be only a matter of time before the

# International Equity ADR Quarter-End Review—2Q2024

Fed and the Bank of England join the ECB in cutting rates. This should boost economic growth and investor sentiment, which may help serve as an offset to the political and election risk that looks to remain elevated in the back half of the year.

## DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of June 30, 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.

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.

## REFERENCED INDICES

**Purchasing Managers Index**—The Purchasing Managers' Index (PMI) measures the activity level of purchasing managers. A reading above 50 indicates expansion, while a reading below 50 indicates contraction.

**U.S. Dollar Index**—The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

## 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).