

# International Equity ADR Quarter-End Review—1Q2026



International equities started the year strong before falling in March as the Iran war sparked a market selloff. Even with negative returns in March, the worst month since 2022, international equities rose during the quarter and outpaced U.S. equities, continuing a trend that started in the beginning of 2025. The outperformance occurred despite the U.S. dollar rising for the third consecutive quarter, as the Iran war caused investors to weigh the impact that higher energy prices would have on inflation and interest rates.

Policymakers in China set their 2026 GDP growth target at 4.5% to 5%, a reduction from the target of “around 5%” that had held for several years. This also marked the lowest growth target on record and reflects the Chinese government’s attempt to transform the economy to a higher-quality growth model. Part of the transition has been an effort by the government to reduce industrial overcapacity and stop excessive competition and price wars that have led to a deflationary environment. The campaign appears to be having an impact on inflation, with China’s Producer Price Index rising month-over-month for the last five months and the year-over-year (y/y) rate of decline narrowing. While the government’s efforts are likely to weigh on short-term economic growth, they should result in consolidation and higher profitability for industries including automakers, e-commerce, batteries, and solar panels, which have all been hurt by price wars. Given the lower growth targets and a lack of recent stimulus, Chinese equities have weakened over the past two quarters. However, a positive outcome from the delayed Trump/Xi meeting could once again help spark momentum in Chinese equities.

While the Iran war has pushed tariffs and trade deals out of recent headlines, the European Union has signed several significant deals this year. This includes a free-trade agreement with

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

Region	Ending Weight <sup>(3)</sup>	Change from 12/31/2025	International Equity ADR Additions & (International Equity ADR Deletions) <sup>(4)</sup>
Western Europe	46.1%	0.8%	Autoliv, Babcock International Group, CaixaBank, GSK, National Bank of Greece (Janus Henderson Group, Roche, VINCI)
Asia/Pacific	37.0%	-1.4%	(PT Bank Rakyat Indonesia)
North America	9.5%	-0.1%	
Middle East & Africa	4.5%	0.4%	
Central & South America	2.0%	0.2%	
Cash	0.9%	0.0%	
Eastern Europe	0.0%	0.0%	
Developed Markets	73.7%	1.3%	
Emerging Markets	25.4%	-1.3%	
Cash	0.9%	0.0%	

<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

FTI	TechnipFMC	2.53%	1.08%
TSEM	Tower Semiconductor	1.81%	0.83%
TIGO	Millicom International Cellular	2.40%	0.73%
GLPEY	Galp Energia	1.75%	0.57%
BAESY	BAE Systems	2.08%	0.43%

### BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

CGEMY	Capgemini	1.35%	-0.48%
TCEHY	Tencent	2.02%	-0.41%
EADSY	Airbus	1.81%	-0.36%
PUBGY	Publicis Groupe	1.53%	-0.36%
FELTY	Fuji Electric	2.38%	-0.35%

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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

Mercosur, a block of South American countries, that took twenty-five years of negotiations to pass, as well as agreements with India and Australia. These trade deals should help future growth by opening new markets and decreasing the European Union's dependence on trade with the United States, where trade policy remains highly volatile after the Supreme Court ruled against many of President Trump's tariffs. While a prolonged period of higher energy prices will likely weigh on European growth, the economy was seeing strong momentum as the March Eurozone Manufacturing PMI reached its highest level in nearly four years. The unemployment rate in the Eurozone also reached an all-time low in January, while wage growth has not experienced a spike comparable to that in 2022, which caused sticky inflation and forced the European Central Bank to rapidly raise interest rates. Shareholder returns have also improved, with European companies buying back stock at record levels, which should provide a tailwind for shares.

In Japan, Prime Minister Sanae Takaichi's gamble to hold snap elections just three months into her term paid off as her Liberal Democratic Party (LDP) secured over two-thirds of the seats in Japan's House of Representatives, its biggest win since the party was formed seventy years ago. The victory was significant, as it gives the LDP a supermajority and an opportunity to push forward constitutional reform that could shift Japan away from post-World War II pacifism and boost future defense spending. It also gives the LDP a mandate to implement other parts of its domestic agenda that include tax cuts and increased government spending. While these policies could boost growth, they may also expand Japan's already high debt levels. Such concerns have caused Japanese government bond yields to continue climbing and the Japanese yen to hover near multi-decade lows against the dollar. The rise in interest rates and weak currency puts the

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Bank of Japan in a bind, as raising rates too rapidly could cause a spike in government bond yields, while pausing rate hikes could weaken Japan's currency and cause further inflation.

Our portfolio returns were positive on an absolute basis and in line with our benchmark in the first quarter. Our overweight to the Energy sector helped returns, while our overweight to the Consumer Discretionary sector was a detractor. Stock selection was positive, as good selection in the Consumer Discretionary and Financials sectors offset negative selection in the Materials and Industrials sectors. The portfolio saw positive returns in both developed and emerging markets. Positive returns from the United Kingdom, Israel, and Luxembourg were offset by negative returns in France, China, and the Netherlands.

The top contributor to our performance during the quarter was **TechnipFMC** (United Kingdom), a technology provider to the energy industry with primary operations in subsea services and surface technologies. Recent contract wins, improving earnings visibility, continued strong subsea demand, and the surge in energy prices has supported the stock price rally. Another strong performer during the quarter was **Tower Semiconductor** (Israel), as investors rewarded its stronger-than-expected results and growing recognition as a key beneficiary of accelerating AI demand. Momentum in its RF infrastructure and silicon photonics businesses remains strong, with customer demand far outpacing current supply, prompting the company to accelerate capacity expansion that should materially lift margins over time. The largest detractor from performance was **Capgemini** (France), as a solid quarter that featured its book-to-bill increasing to 1.2x was not enough to offset concerns over the impact of AI on the future of the IT services industry. Despite the concerns, management remains confident that AI can help boost growth, with AI bookings accounting for 10% of total bookings in the fourth quarter, up from 5% a year ago. Another poor performer was **Tencent** (China). Tencent declined after reporting solid fourth quarter results that included double-digit y/y revenue and profit growth but also highlighted that the company would be entering an investment cycle focused on AI. Looking ahead, the company remains well positioned as its gaming business continues to grow globally and its expanding AI ecosystem and massive user base create new monetization opportunities.

During the quarter, we purchased **Babcock International** (United Kingdom), an aerospace, defense, and nuclear engineering services company. Babcock should be a key beneficiary of the United Kingdom's civil nuclear renaissance that includes the construction of new large-scale nuclear power stations and planned small modular reactors. Rising defense budgets in Europe are also benefiting its Marine, Land, and Aviation segments. Conversely, we sold **PT Bank Rakyat** (Indonesia) during the quarter, as the macro situation in Indonesia has deteriorated following questionable political appointments by Indonesia's president and a sharp sell-off of the rupiah due to the potential loss of independence for the country's central bank.

While future market behavior will depend on the longevity of the Iran war, the initial impact of the conflict can be seen in global PMIs. March readings for the United States, Eurozone, and Japan all weakened month-over-month, highlighted by rising input costs and a fall in sentiment in the services sector. Central banks will likely remain in "wait-and-see" mode as they assess the impact of higher energy prices but will be cautious not to wait too long as they seek to avoid another prolonged period of elevated inflation. Although sustained high energy prices will likely weigh on global growth, estimates of international earnings continue to be strong, with 2026 EPS growth expected to be over 20%, higher than the growth of U.S. peers. Strong growth and discounted valuations continue to make international equities a compelling investment.

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## DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of March 31, 2026 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.

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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 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

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

**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

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