

International Equity ADR Intra-Quarter Commentary—August 2024



Global equity markets rebounded in August after a challenging start to the month, although the recovery was uneven. Information Technology stocks, once leading the charge, continued to see momentum fade as markets became increasingly influenced by interest rate movements. Defensive stocks and those positioned to benefit from potential rate cuts gained traction, as global economic weakness reinforced expectations that central banks may begin easing monetary policy in the coming months.

Although Eurozone inflation is declining, the European Central Bank remains concerned that the headline inflation rate understates challenges for policymakers. While recent data indicates decelerating inflation, rising prices in services continue to fuel strong inflation. Even as the growth outlook has weakened, many believe a soft landing is more likely than a recession. Investors anticipate a rate cut in September, citing weaker growth as further justification for the move.

China's manufacturing sector contracted for the fourth consecutive month in August, signaling continued economic weakness amidst a persistent property sector downturn. The official Manufacturing Purchasing Managers' Index (PMI) fell to 49.1, indicating that factory activity is contracting. The ongoing real estate crisis, plunging property investments, and sluggish home sales have exacerbated the economic slowdown as well. Sales at major property developers dropped sharply, while PMI component indexes for production, new orders, and employment also deteriorated. Economists further downgraded China's growth forecasts, highlighting concerns about weakened domestic demand, overcapacity, and rising trade tensions. Despite government efforts to promote advanced manufacturing, the broader economy remains fragile, with experts calling for bold stimulus measures to avoid long-term stagnation akin to that in Japan during the 1990s.

GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES ⁽¹⁾ ⁽²⁾

| Region | Ending Weight ⁽³⁾ | Change from 7/31/2024 | International Equity ADR Additions & (International Equity ADR Deletions) ⁽⁴⁾ |
|-------------------------|------------------------------|-----------------------|--|
| Western Europe | 48.4% | +2.4% | Millicom International Cellular, Pearson (Glencore) |
| Asia/Pacific | 28.9% | -0.1% | |
| North America | 15.0% | -0.1% | Gildan Activewear (BRP) |
| Central & South America | 5.2% | -0.6% | (Sendas Distribuidora) |
| Middle East & Africa | 1.9% | -0.1% | |
| Cash | 0.7% | -1.9% | |
| Eastern Europe | 0.0% | 0.0% | |
| Developed Markets | 76.9% | +1.8% | |
| Emerging Markets | 22.4% | -0.9% | |
| Cash | 0.7% | -0.9% | |

⁽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

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CONTRIBUTORS TO RETURN⁽¹⁾⁽²⁾

| Ticker | Company Name | Average Weight ⁽³⁾ | Contribution to Return |
|--------|--------------|-------------------------------|------------------------|
|--------|--------------|-------------------------------|------------------------|

TOP FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

| | | | |
|-------|--------------------------|-------|-------|
| HTHIY | Hitachi | 2.63% | 0.34% |
| ACGL | Arch Capital Group | 1.88% | 0.32% |
| TGLS | Tecnoglass | 1.89% | 0.29% |
| RYCEY | Rolls-Royce | 2.25% | 0.28% |
| BKRKY | PT Bank Rakyat Indonesia | 1.49% | 0.23% |

BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL EQUITY ADR

| | | | |
|-------|---------------------------------|-------|--------|
| TOELY | Tokyo Electron | 1.33% | -0.22% |
| ASR | Grupo Aeroportuario del Sureste | 1.50% | -0.18% |
| DOOO | BRP | 0.34% | -0.14% |
| STNG | Scorpio Tankers | 1.92% | -0.13% |
| CSTM | Constellium | 1.64% | -0.12% |

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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 performance for the month was positive on an absolute basis but lagged the benchmark during the month. Strong selection in Industrials and Financials helped portfolio performance. However, selection in Information Technology and Energy detracted from overall performance. As was the case with the benchmark, our developed markets holdings outperformed our emerging markets holdings. Western Europe contributed the most to returns, benefiting from strong performance in France and the United Kingdom, while North America detracted from the portfolio's absolute returns due to underperformance in Mexico.

Our best performing stock during the month was **Hitachi** (Japan). Hitachi is a manufacturer of electrical equipment that is benefiting from the digital and green transformation, which is driving both revenue growth and margin expansion. Further, the company recently announced a partnership with Microsoft, Google Cloud, and NVIDIA for a generative AI solution named Hitachi IQ. Our weakest performer was **Tokyo Electron** (Japan). Tokyo Electron is a manufacturer of semiconductor production equipment and flat panel display manufacturing equipment. Shares of the company have been under pressure due to a broader sell-off in semiconductor names. However, PC and smartphone markets are beginning to show signs of recovery, and the company is seeing overall progress in inventory adjustments for semiconductors.

International equity and currency markets are likely to remain volatile as investors adjust to the end of the synchronized tightening cycle, with central banks transitioning to more regionally specific policy measures. The slowdown in the manufacturing sector in many parts of the world has dampened economic growth, prompting further calls for stimulus in China and potential interest rate cuts in the Eurozone.



DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of August 31, 2024 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.

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 INDEX

Manufacturing Purchasing Managers' Index (PMI)—The Manufacturing Purchasing Managers' Index 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

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