

Q3 2024 - International Value Quarterly Update

[Music]

Hello, I'm Rakesh Bordia. I'm the co-portfolio manager on all of our International strategies. I'm here to talk about the last quarter and how the portfolios did overall. After two positive quarters, last quarter was also a positive quarter with international markets up almost 8%. However, as has been the case in the past, there was wide dispersion across countries, with the Netherlands down almost 5% and China up a whopping 23%. China continued to be very volatile in the quarter and essentially it was down for most of the year, and in the last month of the quarter it was up almost 40%, making it the strongest country in the quarter, up 23%.

China rallied on back of a stimulus announcement by the government. It was also an acknowledgment by investors that the government is eventually going to do something about the weak Chinese market, but it's unclear whether it changes the real fundamental problems in the Chinese economy. So this could be a short-term boost to the stock market. All in all, China did help the overall international markets by being very strong in the last week of the quarter.

Our portfolios outperformed both the MSCI Style Neutral index and the MSCI Value index by about 3% and 2% respectively. As is generally the case, our outperformance was driven primarily by stock selection. The three strongest performers for the quarter were Alibaba, **Rosche**, and Tesco. Alibaba was fairly strong on announcement of strong results as well as it was fueled by the China stock market rally. **Rosche** announced good results and increased their guidance for the year. They also reported positive indicators on new indications for the blockbuster drug Dupixent. Tesco was strong as it continued to perform really well on execution of the retail stores, as well as there is increased optimism that the competition is abating from the German discounters and the weaker inflation in the UK is also helping the stocks.

The biggest detractors in the quarter were Shell and Equinor, both energy names based in Europe. Both the stocks were weak, predominantly driven by weaker energy prices. We still continue to believe in their long-term fundamental earnings power and continue to own those names.

In terms of the portfolio changes, there were no major new names as well as complete sales from the portfolio, so the positions in the portfolio stayed broadly the same, and the additions and trims were primarily based on valuation. We added to the weaker positions of Equinor and Magna, and we financed those positions by trims of **Resona**, NatWest, and Nokia.

Overall, the markets continue to be very choppy. We at Pzena Investment Management focus on bottom-up, company-specific research focused on fundamentals, and while the market continued to be really choppy, it provides us with great opportunities to find great businesses at very attractive valuations. So we are very excited about the portfolio right now, which is trading at a fairly low multiple versus the market. Thank you very much.

[Music]