

International Small Cap Equity Quarter-End Review—2Q19



International equities rose during the second quarter, showing surprising resiliency as trade tensions between the United States and China turned decidedly more negative. Although headline-induced volatility led to swings in the market, the MSCI ACWI ex USA Small Cap Index returned 12% during the first half of 2019, marking its second best start to a year in the past decade.

Investors were caught off guard in early May when talks between the United States and China broke down, causing President Trump to announce that the United States would be increasing tariffs on Chinese goods. Tensions escalated further when the United States issued a ruling that placed China-based Huawei, the world's largest telecommunication equipment manufacturer, on its Entity List, banning the company from buying parts and components from United States companies. In late May, President Trump turned his focus towards Mexico, as he threatened to put tariffs on Mexican goods as a tool to stop the flow of migrants crossing the border. Although these tariffs were ultimately avoided, the mixing of economic policy with immigration policy only

PERFORMANCE

	Quarter Ending 6/30/19	Year-to-Date 6/30/19
Institutional Composite (gross)	-0.78%	10.78%
(net)	-0.96%	10.39%
MSCI ACWI ex USA Small Cap ⁽⁵⁾	1.21%	11.60%

Source: Renaissance Research, Bloomberg, MSCI

GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES⁽¹⁾⁽³⁾

Region	Ending Weight ⁽²⁾	Change from 3/31/19	International Small Cap Equity Additions & (International Small Cap Equity Deletions) ⁽⁴⁾
North America	31.8%	-2.2%	(Norbord)
Western Europe	29.9%	+0.4%	Playa Hotels & Resorts (Orion Engineered Carbons)
Asia/Pacific	27.0%	+0.7%	Lexinfintech Holdings (Hutchison Telecommunications Hong Kong)
Central & South America	6.0%	-0.1%	
Middle East & Africa	5.3%	+1.2%	Radware
Eastern Europe	0.0%	0.0%	
Developed Markets	70.8%	-0.8%	
Emerging Markets	29.2%	+0.8%	

Source: Renaissance Research, FactSet

⁽¹⁾Based on a representative account of the strategy discussed and shown as supplemental information to the GIPS compliant presentation. Portfolio characteristics (e.g., sector weights, valuation, growth rate) are based on a representative account that we believe is illustrative of the strategy. Characteristics and/or holdings may not be the same for all accounts invested in the strategy due to factors such as pending trades or account restrictions. Additions/Deletions reflect security transactions completed by the date stated on this presentation, and the securities mentioned may not be held by all accounts invested in the strategy.

⁽²⁾Weights as of the end of the presentation period, which only include the equity portion of the portfolio. Cumulative total weighting may not add up to 100% due to weights being rounded to the nearest decimal place.

⁽³⁾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 MSCI Emerging Market Index) or exhibits risk characteristics (e.g., economic, geopolitical and regulatory risks) similar to emerging market countries.

⁽⁴⁾Any securities referenced should not be considered a recommendation to purchase or sell a particular security. These securities may represent a portion or all 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. 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. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. Portfolio holdings may not be current recommendations to buy or sell any security, and may no longer be held in the representative account. To request a complete list of portfolio holdings recommendations for the past year, the calculation methodology, or a list showing the contribution of every holding to the representative account's performance for the time period stated, please contact Renaissance at compliance@reninv.com.

⁽⁵⁾Primary benchmark.

International Small Cap Equity

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CONTRIBUTORS TO RETURN⁽¹⁾⁽³⁾

Company Name	Average Weight ⁽²⁾	Contribution to Return	Comments
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TOP FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

Fly Leasing	2.63%	0.61%	Investors pushed the stock higher following positive 1Q19 earnings and management's commitment to further reduce balance sheet leverage.
BRP	2.16%	0.60%	After reporting above-peer group revenue growth in 1Q19, shares have rallied as management announced a large share repurchase program, improving margin trends and better-than-expected full year earnings-per-share guidance.
Jumbo	2.57%	0.42%	The Greek retail store operator reported that profits for the first half of 2019 increased 9% year-over-year, helped by a better-than-expected gross margin due in part to stable transportation costs.
Topdanmark	2.54%	0.38%	Improving trends in life insurance underwriting led management to raise 2019 earnings outlook on the 1Q19 conference call.
Cosan Limited	2.28%	0.36%	Strong performance from its Ethanol division, which posted 1Q19 sales volume growth of 30% year-over-year, helped propel the stock higher.

BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

Hutchison Telecommunications Hong Kong	1.22%	-0.56%	Investors worry that management's decision to turn more aggressive with regard to pricing may reduce margins going forward.
Gran Tierra Energy	1.74%	-0.56%	Production issues including blockades from local farmers in Colombia are causing the firm to take production offline, impacting the 2019 production outlook.
Hudbay Minerals	2.03%	-0.54%	Private equity firm Waterton Global Resource Management, which recently purchased 11.9% of Hudbay, announced that they would now nominate four directors instead of the original plan of eight, thus diminishing its ability to maximize shareholder value from the board's standpoint.
Nexa Resources	1.83%	-0.45%	Market concerns that global economic growth is slowing as the United States and China spar in trade negotiations are causing zinc prices to trend lower, hurting this top five global zinc miner at a time when operating costs are rising at the firm.
Norbord	1.40%	-0.40%	A weak housing market in the United States and lower oriented strand board (OSB) prices in the 1Q19 have hurt the shares.

Source: Renaissance Research, FactSet

added to the unpredictability of the Trump administration. Encouragingly, the quarter ended on a positive note as Trump and China's President Xi agreed to a trade ceasefire, a resumption of trade talks and an easing of restrictions against Huawei. While rising global trade had a positive impact on the global economic expansion in 2017, rising nationalism and tariffs have caused this growth engine to nearly completely stall in 2019.

The uncertainty created by tariffs and the threat of additional tariffs have caused global economic growth to slow as businesses delay investment decisions until they have a clearer picture of what future policies will look like. The majority of the world began experiencing a growth slowdown

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⁽²⁾Average weights over the presentation period, which only include the equity portion of the portfolio.

⁽³⁾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 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. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. Portfolio holdings may not be current recommendations to buy or sell a security and may no longer be held in the representative account. To request a complete list of portfolio holdings recommendations for the past year, the calculation methodology, or a list showing the contribution of every holding to the representative account's performance for the time period stated, please contact Renaissance at compliance@reninv.com.

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in the middle of 2018, brought on in part by rising trade tensions. However, the United States economy remained resilient until early 2019 when the negative impact from higher tariffs and interest rates caused the composite Purchasing Managers Index to slow substantially. However, this weakening economic growth may have an unforeseen benefit as it could make the United States more willing to compromise on a trade deal with China. A recent positive in the global economy has been Europe, whose economy began to see signs of stabilization in early 2019 and, while still uninspiring, has begun to see some positive signs of growth. France, where protests over President Macron's economic reform policies have lost popular support, has helped lead the European growth prospects higher. China's economic stimulus is another positive that could lead to a global growth rebound in the second half of 2019 as Chinese authorities have taken many steps to stimulate their economy, including tax cuts and lower interest rates, whose lagged impact should begin to be reflected in economic indicators.

The appreciation of the U.S. dollar over the past five years has been an enormous headwind to U.S.-based international investors. The U.S.-dollar-based MSCI ACWI ex USA Small Cap Index has trailed its local currency counterpart by an average of 3.4% per year since the middle of 2014. Much of the strength in the U.S. dollar can be attributed to the U.S. Federal Reserve's (the Fed) hawkish interest rate policy, and the belief that the Fed would continue to increase interest rates into the foreseeable future. However, investor interest rate expectations changed over the past year as the Fed signaled in January that they were likely to pause interest rate increases as trade complications between the United States and China began to take a toll on the Fed's economic outlook. This change of direction has left investors certain that the Fed will cut interest rates at their upcoming July meeting. While other major central banks, including the European Central Bank and the Bank of Japan, kept interest rates at or near zero over the past five years, the Fed's strategy of raising interest rates now gives the U.S. far more room for interest rate cuts if necessary. The reversal of the Fed, from raising to potentially lowering interest rates, could cause the strength in the U.S. dollar to reverse, providing a tailwind for U.S.-based international investors.

Brexit headlines took a negative turn during the quarter, as Prime Minister Theresa May, who has attempted to lead the United Kingdom through the tumultuous Brexit process, stepped down as leader of the Conservative Party. Boris Johnson, the current front-runner to be the next Prime Minister, presents a new wildcard for investors as he has pledged to take the United Kingdom out of the European Union on October 31 with or without a deal. This additional uncertainty has caused the United Kingdom Economic Sentiment Indicator to tumble to its lowest level since 2013.

For the quarter, portfolio performance was negative on an absolute basis and trailed the benchmark on a relative basis. Our overweight to the Energy sector, the worst-performing sector in the benchmark during the quarter, caused a negative allocation effect. However, we remain positive on oil prices going forward as OPEC production cuts, which are expected to be extended through at least the end of the year, are helping to rebalance oil markets and support oil prices. Several changes were made to the portfolio during the quarter. Among those was the purchase of **Lexinfintech** (LX), a Chinese financial technology firm whose focus on lending to educated young adults should lead to stable asset quality and increasing loan demand in the future. **Radware** (RDWR), a cybersecurity firm, was also purchased during the quarter. Increasing subscription revenues should result in more consistent earnings, while the company should benefit over the long-term from growing demand for cybersecurity. Another purchase during the quarter was all-inclusive resort owner and operator **Playa Hotels and Resorts** (PLYA). The company's margins should expand as it increases its high-margin direct channel sales and moves away from selling through tour operators. We sold **Hutchison Telecommunications Hong Kong** (HUTCY) as competition in the mobile market in Hong Kong was pressuring service revenues. **Orion Engineered Carbons** (OEC), a manufacturer of carbon black, was sold as destocking of carbon black in China has negatively impacted sales volumes. The deceleration of housing construction in the United States has caused OSB (oriented strand board) prices to fall, resulting in the sale of **Norbord** (OSB), a

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manufacturer of OSB. (See “Geographical Exposure & Portfolio Changes” for a complete list of buys and sells.)

While sudden and unexpected policy changes have caused increased volatility over the past year, we believe that shares of companies that are trading at attractive valuations and exhibiting good growth characteristics will outperform over the long term.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of the date listed on this presentation and are subject to change at any time due to changes in market or economic conditions.

STOCK REFERENCES

If securities are referenced, they should not be considered a recommendation to purchase or sell a particular security. These securities may represent a portion or all 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. 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. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. Portfolio holdings may not be current recommendations to buy or sell any security, and may no longer be held in the representative account. To request a complete list of portfolio holdings recommendations for the past year, the calculation methodology or a list showing the contribution of every holding to the representative account's performance for the time period stated, please contact Renaissance at compliance@reninv.com.

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 suitable 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.

MSCI DATA

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REFERENCED INDICES

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

MSCI ACWI ex USA Small Cap Index—The MSCI All Country World ex USA Small Cap is a free float-adjusted market capitalization index that is designed to measure equity market performance of small cap stocks in the global developed and emerging markets, excluding the United States.

Purchasing Manager's Index (PMI)—The Purchasing Managers Index (PMI) is an indicator of economic health for manufacturing and service sectors. Levels above 50 are considered expansionary and levels below 50 are considered contractionary.

GICS[®] SECTOR INFORMATION

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.

GIPS Compliant Presentation International Small Cap Equity Institutional Composite

Year	International Small Cap Equity Institutional Composite		MSCI-ACWI ex USA	Net Composite	Benchmark	Annual	As of Year End or Current Quarter		
	Gross-of-Fee Return	Net-of-Fee Return	Small Cap Benchmark	3 Year Annualized Standard Deviation	3 Year Annualized Standard Deviation	Asset Weighted Composite Dispersion	Number of Portfolios In Composite	Market Value of Composite (Millions)	Market Value of Firm's Assets (Millions) ***
			Return	Deviation	Deviation				
2005*	6.80%	6.74%	10.91%			NMF**	1	\$0.1	\$2,796.6
2006	28.18%	27.70%	26.70%			NMF**	1	\$0.1	\$5,450.2
2007	52.24%	51.70%	10.74%			NMF**	2	\$0.2	\$7,661.8
2008	-45.21%	-45.35%	-50.23%			NMF**	3	\$0.2	\$4,358.6
2009	76.92%	76.50%	62.91%			NMF**	3	\$0.3	\$4,403.0
2010	23.97%	23.80%	25.21%			NMF**	2	\$0.3	\$3,800.2
2011	-16.40%	-16.47%	-18.50%	25.93%	23.86%	NMF**	6	\$0.4	\$2,862.3
2012	19.95%	19.84%	18.52%	20.15%	19.98%	0.40	6	\$0.5	\$2,409.8
2013	48.27%	48.13%	19.73%	19.51%	16.67%	0.56	7	\$0.9	\$2,767.7
2014	-11.58%	-11.95%	-4.03%	15.05%	13.15%	0.34	9	\$11.8	\$2,986.2
2015	-1.34%	-2.05%	2.60%	14.06%	11.33%	0.28	9	\$11.4	\$2,703.8
2016	6.44%	5.66%	3.91%	12.91%	12.14%	0.14	10	\$12.8	\$1,762.0
2017	30.86%	29.93%	31.65%	11.77%	11.53%	NMF**	4	\$15.7	\$2,202.4
2018	-16.17%	-16.79%	-18.20%	13.55%	12.36%	NMF**	4	\$12.9	\$1,682.2
FINAL 12/31/2018									

* For period November 1, 2005 through December 31, 2005.

** Not meaningful figure due to five or fewer accounts invested for the entire year.

*** Firm Assets do not include UMA program assets for GIPS purposes.

As of 12/31/2018, Renaissance managed an additional \$2,157.0 million in UMA programs, totaling \$4,199.2 in assets under management and shown as supplemental information to the GIPS compliant presentation.

Renaissance Investment Management (RIM) claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Renaissance has been independently verified for the periods from January 1, 2006 through June 30, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The International Small Cap Equity Institutional Composite has been examined for the periods from January 1, 2006 through June 30, 2018. The verification and performance examination reports are available upon request.

Firm Definition: The Renaissance Group LLC, which does business as Renaissance Investment Management (RIM), is a registered investment advisor established in 1978, with an office in Covington, KY. RIM is an affiliate of Affiliated Managers Group based in West Palm Beach, FL. RIM manages equity, tactical, balanced and fixed income assets for a variety of clients including high net worth, institutional and sub-advisory relationships. A complete list and description of the Firm's composites is available upon request.

Composite Composition: The International Small Cap Equity Institutional Composite portfolios consist of approximately 45-55 equities exhibiting a combination of strong earnings growth, reasonable valuation, rising earnings expectations and profitability. The initial universe begins with all American Depository Receipts (ADRs) and U.S. listed shares of foreign corporations with a market capitalization under \$3 billion. The International Small Cap Equity Institutional Composite was created on November 1, 2005 and includes all fee paying, fully discretionary, non-tax managed, non-wrap International Small Cap Equity accounts. RIM does not have non-fee paying portfolios. RIM will add new fully discretionary portfolios to the composite at the first full month under management. RIM will exclude terminated portfolios from the composite after the last full month they were under management. Composite dispersion is measured using an asset-weighted standard deviation of returns of the portfolios.

Calculation of Performance Returns: Performance is calculated using total returns. Monthly composite performance is asset-weighted using beginning-of-period values. Rates of return are time-weighted with geometric linking of monthly returns. Valuations and returns are computed and stated in U.S. dollars. Account performance is based on total assets in the account, including cash and cash equivalents. Performance is actual performance.

RIM has chosen to present performance both gross- and net-of-fees. The gross-of-fee performance returns are presented before deduction of management and custodial fees but after the deduction of all trading expenses. Net performance is reported after the deduction of all trading costs and actual RIM management fees. These gross- and net-of-fee investment results for the Renaissance International Small Cap Equity Institutional Composite include reinvestment of dividends and other earnings. Clients' returns will be reduced by the advisory fee and any other expenses that may be incurred in the management of the client's investment advisory account. For example, if the gross annualized return of an account over a five-year period were 5.0%, deducting one twelfth of an annual advisory fee of 90 basis points each month on the ending monthly account balance would produce a cumulative net return of 22.7%. The cumulative gross return at 5.0% per annum over a five-year period would be 28.3%. A \$1 million starting portfolio would thus have an ending net market value of \$1,227,096, \$56,262 less than the gross return ending value of \$1,283,359. There is no minimum asset size for inclusion in the composite. RIM uses trade date accounting and income is accrued. Actual performance may differ from returns, depending on the size of the account, brokerage commissions, investment guidelines and/or restrictions, inception date and other factors. After-tax results will vary from the returns presented herein for

those accounts that are subject to taxation. Policies for valuing portfolios, calculating performance and preparing compliant presentations are available upon request.

Standard Deviation: The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period. According to the GIPS Standards, this is not required for periods prior to 2011.

Investment Management Fees: RIM's fees are based on account size. The standard RIM fee schedule for the International Small Cap Equity Strategy for direct-managed accounts is as follows: All amounts – 1.00%. Investment advisory fees are described in Part 2A of RIM's Form ADV.

Benchmark: The MSCI All Country World ex USA Small Cap Index (net of foreign withholding taxes) is a free float-adjusted market capitalization index that is designed to measure equity market performance of small cap stocks in the global developed and emerging markets, excluding the United States. RIM compares its composite returns to a variety of market indices such as the MSCI All Country World ex USA Small Cap. This index is shown for comparison purposes only. We are not trying to explicitly manage to this benchmark. This index 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 index cannot be invested in directly. The returns of the index 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 index shown. The index has been selected to represent what RIM believes is an appropriate benchmark with which to compare the composite performance.

Other: Performance data quoted in any Renaissance presentation represents historically achieved results, and is no guarantee of future performance. 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 performance shown and the actual performance results achieved by any particular client. 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 suitable 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, duration 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 not guaranteed by the U.S. government.

Risks of International Small Cap Equity Strategy: International Small Cap Equity Institutional Composite returns may show a high level of variability. In addition to market risk, the majority of any additional risk in these portfolios is related to specific stock selection, and RIM will have significant exposure to individual securities.

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