

International Small Cap Equity Month-End Review—July 2019



International equities fell during July as equity markets digested weakening economic trends globally. An offset to the negative economic headlines is the potential for further monetary stimulus from central bankers. In response to these weakening reports, the U.S. Federal Reserve cut rates by .25%, marking the first rate cut for the central bank since 2008. Unfortunately, after the interest-rate reduction, investors grew concerned with Chairman Powell’s “mid-cycle” rate cut narrative, implying that further rate cuts are not a foregone conclusion. Hoping for more rate cuts in the future, investors reacted by selling equities as the month closed. The MSCI ACWI ex USA Small Cap Index fell .7%, marking its second down month of 2019. Weakness across many European small cap equity markets contributed to the MSCI EAFE Small Cap index declining .7%, with the MSCI Portugal and Ireland small cap indices down 8.6% and 7.8%, respectively. The improving political reform agenda in Brazil helped lift the MSCI Brazil Small Cap Index 8.8%; however offsetting this was the 9% drop in the MSCI India Small Cap Index, which contributed to the MSCI Emerging Markets Small Cap Index’s fall of 1.5%.

PERFORMANCE

	Month Ending 7/31/19	Year-to-Date 7/31/19
Institutional Composite (gross)	-1.04%	9.63%
(net)	-1.10%	9.17%
MSCI ACWI ex USA Small Cap ⁽⁵⁾	-0.67%	10.86%

Source: Renaissance Research, Bloomberg, MSCI

GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES⁽¹⁾⁽³⁾

Region	Ending Weight ⁽²⁾	Change from 6/30/19	International Small Cap Equity Additions & (International Small Cap Equity Deletions) ⁽⁴⁾
North America	32.2%	+0.4%	No International Small Cap Equity portfolio additions or deletions in July 2019.
Asia/Pacific	28.5%	+1.5%	
Western Europe	27.3%	-2.7%	
Central & South America	6.3%	+0.3%	
Middle East & Africa	5.7%	+0.4%	
Eastern Europe	0.0%	0.0%	
Developed Markets	69.2%	-1.6%	
Emerging Markets	30.8%	+1.6%	

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.

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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

Huami	2.11%	0.37%	Growth looks likely to accelerate as Xiaomi begins shipping its new Xiaomi Band 4, which Huami manufactures, in the third quarter.
ChipMOS Technologies	2.11%	0.35%	Shares of the semiconductor testing and packaging company rallied as investors began looking for the Trump administration to ease the blacklisting restrictions of Huawei, a major customer of ChipMOS.
Cosan Limited	2.68%	0.25%	Brazilian assets continue to be supported by a positive regulatory environment, as President Bolsonaro pushes forward his pension reform plans.
Taiyo Yuden	2.12%	0.16%	Demand for multi-layer ceramic capacitors (MLCCs) from 5G base stations and automotive applications should drive sales for the Japanese manufacturer of MLCCs.
WNS Holdings	2.54%	0.16%	The business process management company saw its operating margin rise by four percentage points year-over-year in the first quarter as it benefitted from both operating leverage and increased productivity.

BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

Luxfer Holdings	2.05%	-0.41%	Lower energy prices caused investors to worry that demand for the company's SoluMag product, which is used in oil and gas fracking, would fall.
Mercer International	1.79%	-0.31%	High inventories caused pulp prices to fall during the month, but lack of new capacity coming online should help support pulp prices in the future.
Nexa Resources	1.60%	-0.23%	Fears of a global growth slowdown caused zinc prices to fall, hurting the outlook of the Brazilian mining and smelting company.
Hudbay Minerals	1.80%	-0.19%	The copper and zinc miner announced that its CEO, who had been with the company since 1996 and CEO since 2016, would be stepping down.
Aperam	1.71%	-0.19%	Shares of the European stainless steel manufacturer fell as cheap imports, mainly from Indonesia, took market share and negatively impacted prices.

Source: Renaissance Research, FactSet

Political and trade issues continued to grab headlines, with the “No-Deal” Brexit camp receiving a shot of adrenaline as Boris Johnson, a political wildcard and hard Brexit supporter, became the newest prime minister of the United Kingdom following Theresa May’s resignation. He remains committed to the United Kingdom exiting the European Union by the October 2019 deadline, which has caused the British pound to continue its march lower against the U.S. dollar. The British pound is now within reach of its January 2017 lows, as investors continue to shun the currency that was once considered a beacon of strength from a global standpoint. Within our international small cap portfolio, we remain underweight in the United Kingdom in relation to our benchmark as the weakness in the pound and increasing odds of a hard Brexit weigh heavily on our outlook.

Not unlike the Brexit situation in the United Kingdom, the ever-changing narratives surrounding

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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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the U.S. and China trade negotiations are causing concerns for investors. According to economic advisers, the well-documented trade tensions between the two superpowers are negatively affecting the global economic landscape. This is no more evident than in the recent July Purchasing Managers' Manufacturing Indices of the United States and China, both showing a deteriorating trend from when the conflict between the countries escalated in 2018. On a positive note, trade representatives continue to meet to discuss a resolution, and we remain hopeful that a deal will be completed that is beneficial to both parties.

The positive effects of monetary and fiscal stimuli from such sources as the Federal Reserve and Chinese authorities, coupled with recent comments from the European Central Bank of a future rate cut, could not rescue global equities in July from the damage brought on by trade tensions. Unfortunately, in this environment, our portfolio performance trailed the benchmark return. In July, our holdings in the Information Technology and Energy sectors contributed the most to returns, while the Materials and Financials sectors detracted the most from returns.

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.

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International Small Cap Equity Month-End Review—July 2019



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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.

MSCI Brazil Small Cap Index—The MSCI Brazil Small Cap Index is designed to measure the performance of the small cap segment of the Brazilian market.

MSCI EAFE Small Cap Index—The MSCI EAFE Small Cap Index is a free float adjusted market capitalization index which measures small cap equity performance across Developed Markets countries around the world, excluding the US and Canada.

MSCI Emerging Markets Small Cap Index—The MSCI Emerging Markets Small Cap Index is a free float-adjusted market capitalization index which measures small cap equity performance across emerging market countries.

MSCI India Small Cap Index—The MSCI India Small Cap Index is designed to measure the performance of the small cap segment of the Indian market.

MSCI Ireland Small Cap Index—The MSCI Ireland Small Cap Index is designed to measure the performance of the small cap segment of the Irish.

MSCI Portugal Small Cap Index—The MSCI Portugal Small Cap Index is designed to measure the performance of the small cap segment of the Portuguese market.

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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