

International Small Cap Equity Intra-Quarter Commentary—April 2022



International equities dropped for the fourth consecutive month, marking their worst monthly performance since the start of the pandemic. A stepped-up military effort by Russia in Ukraine, rising inflation readings worldwide, and renewed COVID lockdowns in China as part of its “zero-tolerance” policy weighed on investor sentiment. All eyes have turned toward the U.S. Federal Reserve which continues to signal a desire to raise interest rates in order to bring down inflation. As interest rates rise in the U.S. and lockdowns cause more supply disruptions, it was not a surprise to see a flight to quality during April. The strength in the U.S. dollar, which gained 4.7% in April against a basket of trade partner currencies, is one measure to keep a close eye on.

Energy prices rose for the month in spite of the rise in the greenback, with natural gas in the U.S. jumping 32% to \$7.24/MMBtu, a level not seen since 3Q08, and refined products such as diesel were up 18% as the summer driving season draws closer. The price of natural gas in Europe, which is dependent on Russian supplies, has remained elevated following the invasion of Ukraine in late February. Unfortunately, the lack of liquefied natural gas infrastructure across the European Union binds the continent to Russia, resulting in expectations of high natural gas prices for the foreseeable future.

The rise in energy prices over the past year continues to complicate central bankers’ plans, as prices have pushed up inflation readings across the globe. The higher prices will eventually cut into economic growth, as factories rely on natural gas, electricity, and oil to run production lines. The U.S. Federal Reserve raised the Fed Funds Rate by 25 basis points at its March meeting and has

GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES ^{(1) (2)}

Region	Ending Weight ⁽³⁾	Change from 3/31/2022	International Small Cap Equity Additions & (International Small Cap Equity Deletions) ⁽⁴⁾
North America	30.8%	+1.4%	
Asia/Pacific	27.3%	-2.2%	(Nippon Yusen Kabushiki Kaisha)
Western Europe	25.4%	+3.3%	Indivior, Millicom International Cellular (Aperam)
Middle East & Africa	8.9%	+2.0%	
Central & South America	5.4%	-1.6%	
Cash	2.2%	-3.0%	
Eastern Europe	0.0%	0.0%	
Developed Markets	78.9%	+4.2%	
Emerging Markets	18.9%	-1.2%	
Cash	2.2%	-3.0%	

⁽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. 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⁾ 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 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. Non-performance 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.

Source: Renaissance Research, FactSet

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CONTRIBUTORS TO RETURN⁽¹⁾⁽²⁾

Ticker	Company Name	Average Weight ⁽³⁾	Contribution to Return
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TOP FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

EURN	Euronav	2.09%	0.20%
SIMO	Silicon Motion Technology	1.73%	0.19%
CCOEY	Capcom	2.13%	0.18%
MX	Magnachip Semiconductor	1.58%	0.16%
RNMBY	Rheinmetall	2.57%	0.13%

BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

TIGO	Millicom International Cellular	0.93%	-0.42%
EBCOY	Ebara	2.21%	-0.42%
NPNYY	Nippon Yusen Kabushiki Kaisha	1.03%	-0.36%
IFS	Intercorp Financial Services	2.02%	-0.34%
NOMD	Nomad Foods	1.66%	-0.33%

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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, excluding spinoffs, 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.

⁽³⁾ Average weights over the presentation period.

Source: Renaissance Research, FactSet

signaled its desire to increase by an additional 50 basis points at its May meeting. Chairman Powell remains committed to quashing inflation through further rate increases even at the expense of causing a sharp slowdown in economic growth. According to FactSet Economics, the consensus analysts' estimate projects a Fed Funds Rate of 1.95% by the end of 2022, up 145 basis points from its current level. The European Central Bank (ECB) continued its accommodative monetary policy, keeping its Main Refinancing Rate at 0% at its March meeting. While likely to remain more accommodative than the U.S. due to the uncertain economic impact of the Russia/Ukraine war, the ECB looks likely to begin increasing interest rates as soon as the third quarter of this year. Facing headwinds from the COVID-induced lockdowns of major cities such as Shanghai, the Chinese government and its central bank have expressed a more stimulative nature to its monetary and fiscal policies going forward, which, in our minds, will be a positive from an allocation standpoint.

April portfolio performance was negative on an absolute basis but positive relative to our benchmark. Weak performance was broad based, with all sectors in the portfolio experiencing negative returns. As was the case with our benchmark, emerging market stocks outperformed developed market stocks, but both produced negative returns during the month.

The worst performing stock in the portfolio was **Millicom International** (Luxembourg) as the operator of telecom networks in Central and South America reported slower-than-expected subscriber growth. **Ebara** (Japan) was another weak performer during the month as investors fear that semiconductor capital expenditures will peak in 2022, causing growth of the company's precision

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machinery business to slow in the future. The best performing stock during the month was **Euronav** (Belgium) after a merger agreement with Frontline was announced that would create Europe's largest oil tanker company. **Silicon Motion** (Hong Kong) also performed well during the month after increasing 1Q revenue guidance and reports surfaced that the company was an acquisition target.

Risk and volatility will remain elevated until central banks are able to return inflation closer to targeted levels. Higher energy prices as a result of the Russia/Ukraine war and underinvestment in supply infrastructure by many energy companies continues to drive inflation higher. Although sell-offs and high volatility are unpleasant, they also present opportunities to purchase mispriced assets, and we continue to believe that a balanced investment approach that looks for stocks exhibiting both good growth and favorable valuation will benefit our clients in the long term.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of April 30, 2022 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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Indices other than ETFs are unmanaged and are not available for direct investment.

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.

STOCK REFERENCES

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