

International Small Cap Equity Intra-Quarter Commentary—August 2022



International equities fell during the month of August as central banks continued their hawkish rhetoric, geopolitical tensions over Taiwan flared, and the European energy crisis caused natural gas prices in Europe to spike. Emerging markets performed better than developed markets, helped by news that the U.S. and China reached an audit inspection agreement. This agreement should end a dispute that has lasted more than a decade and decreases the risk that Chinese ADRs will be forced to delist from U.S. exchanges.

The U.S. dollar continued its march higher, trading above parity with the euro for the first time since 2003 and at its highest level against the Japanese yen since 1998. Federal Reserve officials uniformly pushed back on the notion of a pivot in 2023 as they prioritize controlling inflation even at the expense of economic growth. While inflation in the U.S. has come off its highs, it remains well above the Fed's target of 2%. Conversely, inflation in Europe continues to accelerate with Eurozone CPI reaching a record high of +9.1% year-over-year in August. Eurozone inflation has now increased in 13 of the last 14 months, heightening expectations for an interest rate increase of 75 basis points in September and a more aggressive European Central Bank going forward. The persistently high inflation is in large part due to rising energy prices as Russia continues to decrease the supply of natural gas via its pipelines to Europe, causing European natural gas prices to rise more than 240% year-to-date. Positively, Europeans have been able to fill their gas storage capacity more quickly than expected, giving hope that extreme gas conservation methods such as forced factory shutdowns may be avoided during the winter.

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

| Region | Ending Weight ⁽³⁾ | Change from 7/31/2022 | International Small Cap Equity Additions & (International Small Cap Equity Deletions) ⁽⁴⁾ |
|-------------------------|------------------------------|-----------------------|--|
| North America | 27.9% | +0.7% | No International Small Cap Equity portfolio additions or deletions during the period. |
| Asia/Pacific | 27.3% | -0.5% | |
| Western Europe | 25.5% | -0.2% | |
| Middle East & Africa | 10.4% | -0.5% | |
| Central & South America | 5.1% | +0.3% | |
| Cash | 3.8% | +0.2% | |
| Eastern Europe | 0.0% | 0.0% | |
| Developed Markets | 78.3% | -0.3% | |
| Emerging Markets | 17.8% | +0.1% | |
| Cash | 3.8% | +0.2% | |

⁽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 |
|--------|--------------|-------------------------------|------------------------|
|--------|--------------|-------------------------------|------------------------|

TOP FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

| | | | |
|------|--------------------------------------|-------|-------|
| EURN | Euronav | 2.45% | 0.40% |
| ASAI | Sendas Distribuidora | 2.07% | 0.28% |
| ERF | Enerplus | 2.17% | 0.21% |
| PERI | Perion Network | 1.99% | 0.16% |
| OMAB | Grupo Aeroportuario del Centro Norte | 2.15% | 0.14% |

BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

| | | | |
|-------|-------------------------|-------|--------|
| TRMR | Tremor International | 1.46% | -0.38% |
| MX | Magnachip Semiconductor | 1.43% | -0.38% |
| SPNS | Sapiens International | 1.65% | -0.29% |
| RNMBY | Rheinmetall | 2.18% | -0.29% |
| INVVY | Indivior | 2.15% | -0.29% |

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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

China's zero-COVID policy continues to negatively impact its economy with the most recent lockdown of Chengdu representing the largest city to have the measure imposed since the two-month lockdown of Shanghai that started in April. The Chinese government is attempting to offset the negative impact of their lockdown policy with broad-based stimulus measures such as infrastructure spending, automobile subsidies, and rate cuts. While stimulus actions should help, the on-again, off-again lockdowns continue to have a negative impact on consumer sentiment, which remains near all-time lows. Geopolitical tensions involving China and Taiwan also returned to the headlines. China responded angrily to U.S. House Speaker Nancy Pelosi's visit to Taiwan by conducting military drills around the island nation. Tensions flared even further when Taiwanese soldiers fired on Chinese drones in Taiwan's air space, which increased the risk of armed conflict.

Our portfolio performance for August was negative on an absolute basis but finished ahead of our benchmark. Emerging markets performed better than developed markets in the portfolio, as positive returns from Brazil and Mexico were offset by negative returns from Israel and Germany. The Energy and Consumer Staples sectors contributed the most to returns, while the Information Technology and Communication Services sectors detracted the most from performance.

Our best performing stock during the month was oil tanker **Euronav** (Belgium). The Russia/Ukraine war has caused a dislocation in the energy markets, forcing tankers to travel longer distances, which has put upward pressure on tanker rates. Another strong performer was **Sendas Distribuidora** (Brazil), an operator of wholesale cash and carry stores. While the company's wholesale value proposition positions it well for an economic downturn, its new store openings

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should also lead to long-term revenue growth going forward. The worst performing stock in the portfolio during August was **Tremor International** (Israel) after the company reported weaker-than-expected guidance for the second half of 2022, as management anticipates clients pulling back on ad spending. However, revenue from its connected TV segment was +30% year-over-year, and growth in the second half of the year should be supported by ad spending for the World Cup and midterm elections in the U.S. **Magnachip** (South Korea) was a weak performer during the month as the company's earnings continue to be impacted by wafer supply shortages. However, the company was able to secure an additional foundry to supply wafers and expects supply issues to ease at the end of 2022.

Given that inflation remains elevated across most of the globe, volatility is likely to remain high throughout the rest of the year. While there have been some positives with regard to inflation such as improving supply chains and key commodities coming well off their recent highs including corn (-17%), wheat (-37%), and WTI oil (-25%), central banks are likely to continue tightening until they see a meaningful drop in inflationary readings.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of August 31, 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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REFERENCED ETFs

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

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.