

International Small Cap Equity Intra-Quarter Commentary—October 2022



International equity markets across the globe rebounded in October, taking some of the sting out of an otherwise painful year. The major factors weighing on markets changed little during the month, with global inflation showing no signs of slowing down and the war in Ukraine continuing unabated. Market gains were widespread with the notable exception of China, which ended the month lower as investors digested the news that President Xi was re-elected to a third term, further solidifying his rule over China. As we have seen for most of the year, value-oriented stocks performed better than growth-focused stocks.

Many economists are penciling in a global recession for 2023, with higher interest rates capping growth prospects. In the past, China had been a large contributor to global growth, but the country's adherence to its zero-COVID policy has strained consumer sentiment and dampened hope for a rebound in its economy any time soon. Although China's third-quarter GDP showed better-than-expected growth of 3.9% year-over-year (y/y), the country will be unable to realize its full economic potential until lockdowns are over. China's October Purchasing Managers Index (PMI) for manufacturing dropped to 49.2 from 50.1 according to the National Bureau of Statistics, with levels below 50 indicating an economic contraction.

Inflation readings across the globe continued to paint a recessionary picture. Eurozone inflation came in at a 10.7% annual rate in October, marking the 12th consecutive month that inflation has set a record, and pushing the European Central Bank's (ECB) 2% inflation target out of reach for the foreseeable future. Per Eurostat, energy prices rose 41.9% y/y in October, up from 40.7% the previous month, and prices of food, alcohol, and tobacco rose 13.1% y/y compared

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

Region	Ending Weight ⁽³⁾	Change from 9/30/2022	International Small Cap Equity Additions & (International Small Cap Equity Deletions) ⁽⁴⁾
North America	29.6%	+1.4%	
Asia/Pacific	26.1%	-1.1%	
Western Europe	21.2%	-0.1%	
Middle East & Africa	12.9%	-0.4%	
Central & South America	7.5%	+0.4%	
Cash	2.6%	-0.2%	
Eastern Europe	0.0%	0.0%	
Developed Markets	74.4%	0.0%	
Emerging Markets	22.9%	+0.2%	
Cash	2.6%	-0.2%	

No International Small Cap Equity portfolio additions or deletions during the period.

⁽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. All accounts in the strategy are invested identically in the same securities unless a client has imposed restrictions. Characteristics and/or holdings on a given date may vary due to pending trades.

⁽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 represent a portion of the companies held in a representative account in this strategy as of the date stated and are intended for informational purposes only. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. 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. To request a complete list of holdings recommendations for this strategy over the past year or a list showing the contribution of every holding to the performance of the representative account for the time period stated, please contact Renaissance at compliance@reninv.com.

Sources: Renaissance Research, FactSet

International Small Cap Equity

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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

OMAB	Grupo Aeroportuario del Centro Norte	2.50%	0.63%
CLS	Celestica	2.10%	0.59%
NOA	North American Construction Group.	1.95%	0.54%
IGT	International Game Technology	2.09%	0.51%
ERF	Enerplus	2.25%	0.46%

BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

SIMO	Silicon Motion Technology	1.67%	-0.34%
TRVG	trivago	1.52%	-0.23%
BICEY	Societe BIC	2.35%	-0.21%
AITUY	Anritsu	1.62%	-0.12%
TSEM	Tower Semiconductor	3.62%	-0.11%

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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 as of the date stated and are intended for informational purposes only. The reader should not assume that investments in the securities identified or discussed were or will prove to be profitable. 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. To request a complete list of holdings recommendations for this strategy over the past year or a list showing the contribution of every holding to the performance of the representative account for the time period stated, please contact Renaissance at compliance@reninv.com.

⁽³⁾Average weights over the presentation period.

Sources: Renaissance Research, FactSet

to 11.8% in September. To counter the record inflation, the ECB raised its benchmark rate 75 basis points to 1.5% late in the month and indicated that more rate hikes are planned.

Our portfolio performance was positive for the month on both an absolute and a relative basis. From a sector standpoint, our Energy and Consumer Staples holdings contributed the most to returns, while Communication Services and Health Care were least additive. Regionally, our North America holdings contributed the most to returns, while our Middle East & Africa holdings contributed the least.

Our best performing stocks during the month were **Grupo Aeroportuario del Centro Norte** (Mexico) and **Celestica** (Canada). Mexican airport operator Grupo Aeroportuario rose ahead of 3Q22 earnings, which came in better than expected as adjusted EBITDA grew almost 30% year-over-year with domestic traffic jumping 26% and international traffic climbing 4%. Electronics manufacturer Celestica gained after beating analysts' third-quarter estimates and raising 2023 guidance to EPS \$1.95-2.05, comfortably ahead of the FactSet consensus of \$1.85.

Silicon Motion Technology (Hong Kong) and **trivago** (Germany) were our weakest performing stocks in October. Along with other semiconductor stocks, Silicon Motion Technology shares were lower as industry sentiment is turning negative and earnings are expected to decline going into next year. In addition, the proposed merger of MaxLinear and Silicon Motion is in limbo pending Chinese regulatory approval. Investors sold shares of trivago ahead of its earnings release, but the travel search company surprised the market, with management commenting that inflation/lower

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disposable incomes are causing consumers to search for more affordable accommodations, which helps the company as it is a price comparison tool.

Looking toward the rest of the year, talk of a global recession is growing, and equity markets are cautious. The rapid rise in central bank interest rates may stem the rise in inflation, but it will take time before inflation returns to targeted levels. Based on third-quarter company earnings reported so far, many firms have been able to maintain earnings growth, but investors are leery that the many headwinds facing companies will result in lower earnings going into next year. We remain confident that finding quality companies exhibiting good growth prospects and trading at reasonable valuations will lead to long-term success for our portfolio.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of October 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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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.

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REFERENCED INDICES

(Indices 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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