

International Small Cap Equity Intra-Quarter Commentary—August 2023



Global equity markets stumbled during the month of August due to uncertainty surrounding the actions of central banks in their efforts to combat persistent inflation while simultaneously promoting economic growth. Developed markets outperformed emerging markets for the month and are well ahead year to date, with the iShares MSCI EAFE ETF up 11.0%—more than double the iShares MSCI Emerging Market ETF gain of 4.2%. Emerging markets are being dragged down by China, which has failed to capitalize on the reopening of its economy following pandemic lockdowns. In addition to longstanding issues with its overbuilt real estate market, newer concerns including weakening exports, record-high youth unemployment, and tensions with the West are weighing negatively on investors' appetite for Chinese stocks.

The inflation situation in Europe remains fragile, with prices down from their October 2022 peak but well ahead of the European Central Bank's (ECB) 2% inflation target. Eurozone consumer prices rose 5.3% year-over-year in July in a slight deceleration from the June increase of 5.5%. Inflation has remained above the ECB target for over two years, and most of the eurozone's twenty member countries are still above target. The ECB will meet in mid-September to decide whether to raise rates further or to pause after nine consecutive rate hikes.

Adding a wrinkle to the battle against inflation is the strengthening U.S. dollar which rose in August. Weaker local currencies can lead to domestic inflation as imports become more costly. Certain currencies such as the Mexican peso and Brazilian real have rallied against the greenback this year, but other major currencies such as the Japanese yen and Chinese renminbi have been weaker, which could cause inflation to rise in those countries.

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

Region	Ending Weight ⁽³⁾	Change from 7/31/2023	International Small Cap Equity Additions & (International Small Cap Equity Deletions) ⁽⁴⁾
North America	27.5%	+1.6%	Golar LNG
Asia/Pacific	26.0%	+3.2%	
Western Europe	24.8%	-3.2%	
Middle East & Africa	11.0%	-1.3%	(Tremor International)
Central & South America	8.1%	-0.3%	
Cash	2.5%	-0.1%	
Eastern Europe	0.0%	0.0%	
Developed Markets	70.9%	-1.6%	
Emerging Markets	26.6%	+1.7%	
Cash	2.5%	-0.1%	

⁽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

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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

CAMT	Camtek	2.42%	0.54%
SPNS	Sapiens International	2.13%	0.24%
PTXKY	PT XL Axiata	2.34%	0.21%
PRMW	Primo Water	1.99%	0.15%
CLS	Celestica	3.22%	0.14%

BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY

TRMR	Tremor International	1.37%	-0.93%
TGLS	Tecnoglass	2.25%	-0.45%
DOOO	BRP	1.98%	-0.37%
WBRBY	Wienerberger	2.01%	-0.35%
ASAI	Sendas Distribuidora	1.70%	-0.34%

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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

Portfolio returns in August were negative on both an absolute and relative basis to our benchmark. Benchmark returns were negative across all economic sectors. Within the portfolio, our Energy and Financials holdings were positive for the month, but all other sectors in our portfolio posted negative performance. Our Consumer Discretionary stocks detracted the most from returns followed by Communication Services. By country, Israel and Colombia detracted the most from returns, while Indonesia and Taiwan contributed the most.

Our best contributing stock during the month was **Camtek** (Israel). The developer and manufacturer of high-end inspection and metrology equipment for the semiconductor industry is benefiting from advanced packaging demand for AI chips. Our weakest stock was **Tremor International** (Israel) which fell on worse-than-expected 2Q23 earnings and a diminished outlook with management highlighting macro issues in the advertising technology space. Given management's poor execution over the last few quarters and an absence of near-term catalysts, we decided to exit our position in Tremor.

Most equity markets remain positive for the year, and investors have steadfastly climbed a wall of worry to achieve those returns. Looking toward the end of the year, the possibility that the central banks of the United States and the eurozone may at least pause their historic rate hikes could signal that the worst is over from an inflation perspective. However, markets tend to reflect company earnings more than interest rates, and it will be up to companies to continue growing their bottom lines for equity markets to continue higher.



DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of August 31, 2023 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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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 appropriate 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.

REFERENCED ETFs

iShares MSCI EAFE ETF—The iShares MSCI EAFE ETF seeks to track the investment results of an index composed of large- and mid-capitalization developed market equities, excluding the U.S. and Canada.

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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