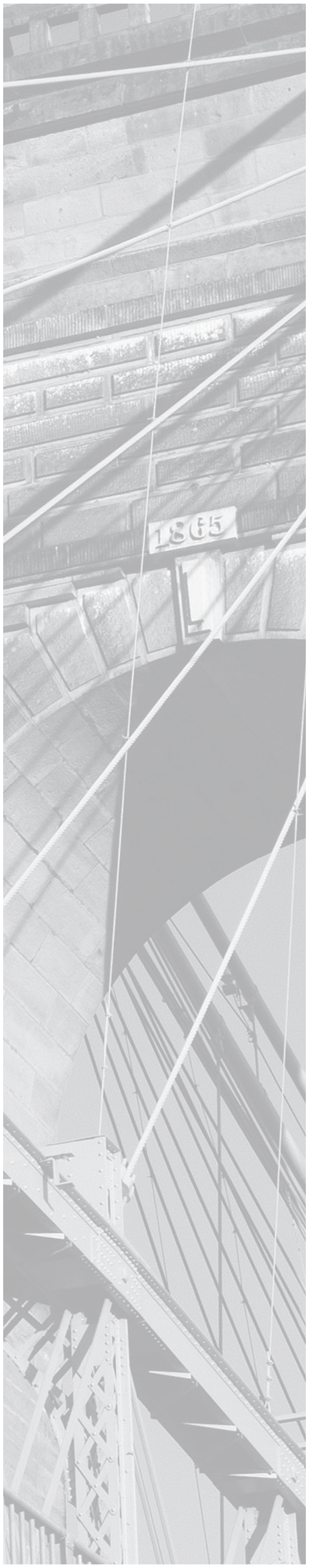
International Small Cap Equity
Quarter-End Review—4Q2023



International equities rallied in the fourth quarter, recouping their losses from the third quarter and capping off their best year since 2019. Inflation has decelerated across much of the globe, which should allow many central banks to begin cutting interest rates in 2024, while investors are increasingly confident that the widely predicted recession that was expected to hit in 2023 may have been avoided altogether.

Emerging markets trailed developed markets by over 9% in 2023, marking their third straight year of underperformance. Emerging market indices continue to be weighed down by China, which accounts for nearly 30% of the iShares MSCI Emerging Markets ETF and has fallen 55% since February 2021. Although China ended its COVID lockdowns a year ago, its economy has not rebounded with the vigor that developed market economies exhibited when they bounced back following their own lockdowns. This may be partially attributed to a lack of meaningful consumer stimulus, but the continuing property crisis in China also shares blame, as authorities attempt to slowly deflate a bubble that helped propel economic growth for many years. Given the influence that the property sector has on its overall economy, China's GDP is expected to expand only 4.2% in 2024 according to forecasts from the International Monetary Fund (IMF)—a far cry from the 7.7% growth the economy averaged during the decade before the pandemic outbreak. A November meeting between U.S. President Biden and China's President Xi helped relations between the two rival countries; however, tensions may remain elevated as the U.S. presidential election nears in 2024. Meanwhile, tougher restrictions on China are one of the few policies on which Republicans and Democrats tend to agree. While many Chinese equities are trading at attractive valuations, heightened geopolitical risks will likely dampen investor enthusiasm in the near term.

GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES[1][2]

Region	Ending Weight[3]	Change from 9/30/2023	International Small Cap Equity Additions & (International Small Cap Equity Deletions)[4]
Asia/Pacific	31.7%	+3.6%	Kurita Water Industries, Venture
North America	24.9%	-1.4%	
Western Europe	21.8%	-4.0%	(Euronav, Vitesco Technologies)
Central & South America	9.8%	+1.7%	
Middle East & Africa	9.7%	-0.3%	
Cash	2.1%	+0.4%	
Eastern Europe	0.0%	0.0%	
Developed Markets	70.8%	-1.5%	
Emerging Markets	27.1%	+1.2%	
Cash	2.1%	+0.4%	

(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

Renaissance®
Investment Management
Quarter Ending 12/31/2023

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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			
AFYA	Afya	2.29%	0.85%
TGLS	Tecnoglass	2.20%	0.83%
ARCO	Arcos Dorados	2.51%	0.83%
OEC	Orion	2.24%	0.68%
KOF	Coca-Cola FEMSA	2.62%	0.64%
BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY			
INDV	Indivior	1.62%	-0.80%
PTXKY	PT XL Axiata	2.19%	-0.46%
VET	Vermilion Energy	1.92%	-0.41%
IGT	International Game Technology	2.63%	-0.33%
ERF	Enerplus	1.86%	-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 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

Even though inflation remains above central banks' targets, it is under better control now than it was one year ago when it was still rising in the Eurozone and the United Kingdom and it had just peaked in the United States. This has led central banks to pivot from talk of additional rate hikes to consideration of potential rate cuts. Indeed, the U.S. Federal Reserve recently shifted course, signaling its openness to rate cuts in 2024, even as the European Central Bank and the Bank of England have continued to push back against the perception that they will cut rates. However, as inflation in Europe peaked several months after the U.S. and is firmly in a decelerating trend, it may only be a matter of time before central bankers in Europe shift as well.

The Bank of Japan has continued to buck the rate-hike trend and did not increase its benchmark interest rate in 2023, maintaining its negative interest rate policy. This put pressure on the Japanese yen, leading its value to depreciate to levels not seen since 1990. The weak yen has been a boon to many export-driven companies in Japan, helping to propel the Nikkei 225 Index to its highest level since 1990 in local currency. However, the Bank of Japan is now looking to exit its negative interest rate policy as early as April 2024, causing a divergence between the Bank of Japan, which would be raising interest rates, and most other central banks, which would be cutting interest rates. The turnaround in global interest rate policies could result in a reversal of trends for the yen and cause some of the weakness of the past few years to unwind.

Portfolio returns were positive on an absolute basis but trailed our benchmark. The positive returns were broad based, with all eleven sectors in our benchmark recording positive performance. Stock selection was negative overall, as good stock selection in Consumer Discretionary and Consumer Staples was offset by weak selection in Health Care and Energy. In contrast to

our benchmark, our emerging markets holdings outperformed our developed markets holdings. Emerging markets were helped by good returns from Colombia and Uruguay, while developed markets were hurt by negative returns from United Kingdom and Australia.

Our best contributing stock during the quarter was **Afya** (Brazil). The medical school operator reported strong third quarter results, with revenues of its undergrad programs up 25% year-over-year (y/y), helped by an increasing number of students and rising tuition. Another notable contributor was **Tecnoglass** (Colombia). Although the window manufacturer saw margins contract in the third quarter due to the appreciation in the Colombian peso, management expects that a large backlog and resilient demand will lead to double-digit y/y revenue growth in 2024. Our weakest stock was **Indivior** (United Kingdom), a pharmaceutical company focused on treatments for opioid dependency such as Sublocade, which saw sales growth of 55% y/y in the third quarter. However, the company announced that it reached an agreement to settle its final major anti-trust litigation claim for a larger-than-expected amount. Another weak performer was **PT XL Axiata** (Indonesia). A rational competitive environment is allowing the telecom provider to raise prices for its wireless services, but higher interest expenses and lease payments are having a negative impact on free-cash-flow generation.

During the quarter, we purchased **Venture** (Singapore), an electronic manufacturing services provider that has industry-leading margins given its high-margin/low-volume strategy and focus on co-developing products with its customers. The company's main manufacturing facilities are in Malaysia, which should allow it to capture additional customers who are looking to diversify their supply chains outside of China. Conversely, we sold **Euronav** (Belgium) after the owner and operator of oil tankers agreed to be acquired by Compagnie Maritime Belge.

Although international equities had a positive year in 2023, they lagged their U.S. counterparts, continuing a trend that has held for eleven of the past fifteen years. Part of the outperformance of U.S. equities may be attributed to a strong U.S. economy versus that of the Eurozone, where annual real GDP growth has averaged less than 1% per year over the past fifteen years—nearly a full percentage point behind the U.S. However, the outperformance of the U.S. economy has been helped by an unsustainable rise in its national deficit that is in sharp contrast to Europe, which underwent a period of austerity following the 2007-2008 Global Financial Crisis. The healthier financial picture of European governments versus the deteriorating federal balance sheet in the U.S. should give Europe the ability to better cope with future economic downturns, as they can turn to added fiscal stimulus. A strong U.S. dollar has also weighed on international equities for much of the past fifteen-year period as the Federal Reserve has been among the most hawkish of central banks during the past two interest-rate cycles. However, the Fed now appears to be the first major central bank to consider cutting interest rates, putting downward pressure on the dollar at the end of 2023 that could carry into 2024. U.S. equities also benefited from expanding price-to-earnings multiples over the past fifteen-year period and are currently trading at a 21% premium to their fifteen-year average. In contrast, international equities have not seen multiple expansion and are trading at a slight discount to their fifteen-year average. This divergence has caused the international equity market valuation discount versus the U.S. to expand to 35% at the end of 2023, its widest discount in over fifteen years. Given these factors, we believe it is an excellent time to invest in international equities.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of December 31, 2023 and are subject to change at any time due to changes in market or economic conditions.

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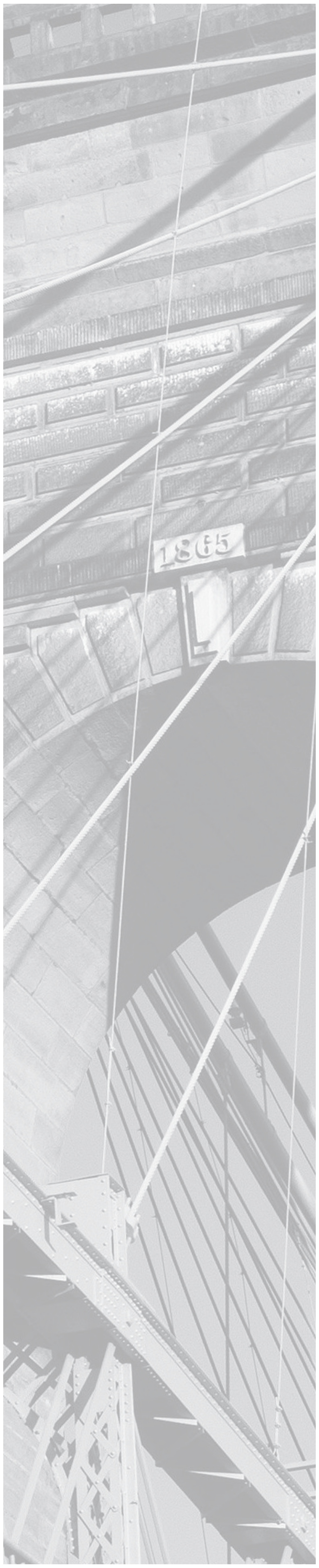

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REFERENCED ETFs

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.

REFERENCED INDICES

U.S. Dollar Index—The U.S. Dollar Index is a measure of the value of the U.S. dollar relative to the value of a basket of currencies of the majority of the U.S.'s most significant trading partners.

STOCK REFERENCES

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