

International Small Cap Equity Intra-Quarter Commentary—July 2024



International equities had a strong start to the third quarter despite a selloff in tech stocks which have largely powered market gains this year. Investors rotated into other sectors, as expectations for rate cuts uplifted industries that have been impacted by central bank tightening cycles worldwide. Economic weakness across the globe lends support to the belief that central banks will start easing monetary policy in the coming months.

The eurozone showed modest growth in services in July, but a significant decline was seen in manufacturing activity according to the Purchasing Managers' Index (PMI). Germany, in particular, saw a drop in manufacturing activity due to continued weakness in new orders that caused its Composite PMI to fall back into contraction after three straight months of growth. France saw slight services growth due to hosting the Paris Olympics, while manufacturing declined due to political uncertainty and weak demand. Overall, the eurozone faces stagnation risks, with manufacturing struggling since June 2022 as a result of the Russia-Ukraine conflict. In addition, energy costs and competition from China continue to challenge the region. The European Central Bank is signaling that it is monitoring the economy closely, keeping interest rates high but hinting at further potential rate cuts as inflation has been easing. On a positive note, the U.K. saw a significant expansion in manufacturing, reaching a two-year high.

China's manufacturing activity declined for the third consecutive month in July, with the NBS Manufacturing PMI dropping slightly from June's level. The continued economic slowdown comes despite the Chinese Communist Party's pledge to implement pro-growth measures, including boosting consumption and addressing overcapacity issues. However, further stimulus

GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES⁽¹⁾⁽²⁾

Region	Ending Weight ⁽³⁾	Change from 6/30/2024	International Small Cap Equity Additions & (International Small Cap Equity Deletions) ⁽⁴⁾
Asia/Pacific	30.0%	-0.4%	
North America	29.9%	+0.1%	
Western Europe	24.0%	+1.2%	Ubisoft Entertainment (Indivior)
Middle East & Africa	7.2%	-0.7%	
Central & South America	7.1%	+0.1%	
Cash	1.8%	-0.3%	
Eastern Europe	0.0%	0.0%	
Developed Markets	76.1%	+1.1%	
Emerging Markets	22.0%	-0.8%	
Cash	1.8%	-0.3%	

⁽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
TOP FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY			
NEXNY	Nexans	2.35%	0.39%
TYOYY	Taiyo Yuden	1.86%	0.30%
GLNG	Golar LNG	2.74%	0.29%
SPNS	Sapiens International	2.20%	0.29%
TCCPY	TechnoPro Holdings	1.69%	0.27%
BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY			
INDV	Indivior	0.45%	-0.43%
SIMO	Silicon Motion Technology	2.36%	-0.35%
UBSFY	Ubisoft Entertainment	1.24%	-0.34%
YUEIY	Yue Yuen Industrial	1.80%	-0.32%
CAMT	Camtek	1.99%	-0.26%

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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

from the Chinese government may be necessary if sluggish economic data persists, especially given potential trade tensions and impending tariffs.

Our portfolio performance was positive on an absolute basis but lagged the benchmark. Strong stock selection in Industrials and Information Technology offset weak selection in Health Care and Communication Services. As was the case with the benchmark, our emerging markets holdings produced negative returns, but our underweight position led to positive allocation effect. The portfolio had strong stock selection in Bermuda and Mexico, while selection in Canada, Hong Kong, and the United Kingdom hurt performance.

Our best performing stock for the month was **Nexans** (France), a French producer of electrical cables that is capitalizing on investments in electrical grid infrastructure and renewable energy. The company's stock has performed well, with management forecasting substantial margin improvements in 2025 as cost inflation subsides and legacy projects conclude. Our weakest performing stock for the month was **Indivior** (United Kingdom), a British pharmaceutical company focused on buprenorphine-based treatments for opioid dependence. The company has generated good overall revenue growth driven by new drug releases. However, one of the new drugs fell short of projections due to external factors such as Medicaid patient disenrollments and a cyberattack on Change Healthcare, which impacted U.S. market expansion. Consequently, we have decided to divest our position in favor of more promising risk-reward opportunities.

International equity and currency markets are expected to remain volatile as investors adjust to the conclusion of the synchronized tightening cycle, with central banks worldwide shifting to more

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localized policy measures. Weakness in the manufacturing sector across much of the globe has hurt economic growth and should lead to additional calls for stimulus in China and interest rate cuts in the eurozone.

DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of July 31, 2024 and are subject to change at any time due to changes in market or economic conditions.

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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 ETF

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

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. Nonperformance-based criteria have been used to select the securities listed unless otherwise stated. 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.