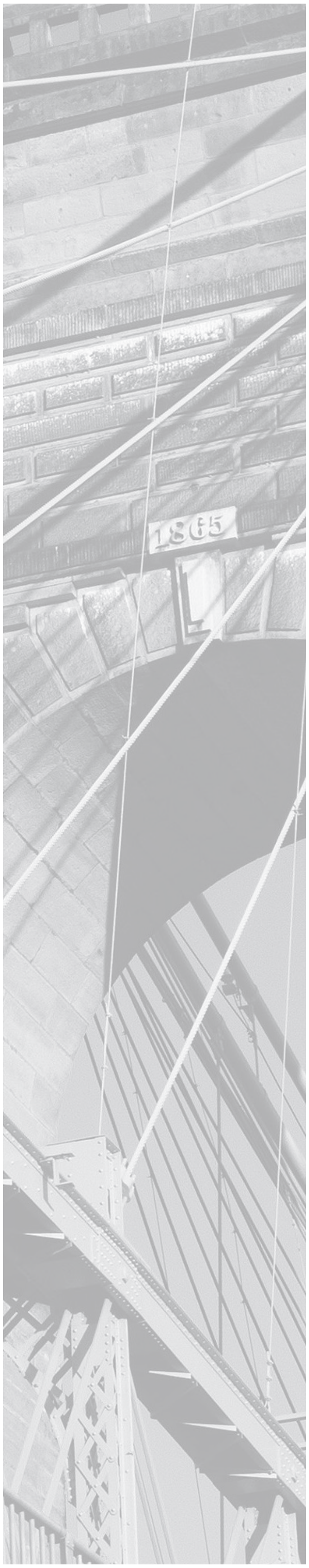
Renaissance Investment Management

Quarter Ending 12/31/2024

International Small Cap Equity
Quarter-End Review—4Q2024



International equities rose in 2024 for the second consecutive year but underperformed their U.S. peers. Weak international economic growth, political turmoil, tariff threats, and a strong U.S. dollar all contributed to the relative underperformance of international stocks. Although international equities are facing headwinds, earnings per share are expected to grow 9% year-over-year in 2025, marking the fastest growth rate since the pandemic rebound in 2021. Valuations are also compelling as the discount that international equities trade versus their U.S. peers reached 40% in December, the largest discount in over fifteen years. Emerging markets outperformed developed markets in 2024, helped by Chinese equities which posted their first positive annual gain since 2020.

Trade tensions have been front of mind for many investors and are likely to ratchet higher in 2025 after President-elect Donald Trump takes office on January 20. Trump has called tariffs “the most beautiful word in the dictionary” and floated ideas such as a 10% tariff on all imports into the United States and a 60% tariff on all Chinese imports. Whether such tariffs are practical or simply a threat to gain concessions from other countries remains unclear. However, a threat of a 25% tariff on goods from Canada and Mexico was quickly met with action by both countries’ leaders, proving just how effective threats can be. Countries running large trade deficits with the United States are likely to be the most at risk, given Trump’s focus on trade balances. This would put countries like China in the center of Trump’s crosshairs. However, China decreased its dependence on the United States following the trade war in Trump’s first term, with the percent of China’s exports bound for the United States decreasing from 19% in 2017 to 15% in 2023. Some of Trump’s most consistent threats have been against China, Mexico, Canada, and Europe. While the United States does have an advantage in negotiations given the sheer size of

GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES[1][2]

Region	Ending Weight[3]	Change from 9/30/2024	International Small Cap Equity Additions & (International Small Cap Equity Deletions)[4]
North America	30.0%	+0.3%	(Primo Brands)
Western Europe	29.5%	+2.4%	Cushman & Wakefield, Marex Group, Materialise, Travis Perkins (Société BIC, Ubisoft Entertainment)
Asia/Pacific	23.8%	-4.5%	Atour Lifestyle Holdings, FinVolution Group (Nihon Kohden, Scorpio Tankers, THK, WNS Holdings)
Middle East & Africa	7.6%	+0.2%	Radware (Sapiens International)
Central & South America	7.3%	+1.4%	Bladex
Cash	1.8%	+0.1%	
Eastern Europe	0.0%	0.0%	
Developed Markets	71.7%	-5.2%	
Emerging Markets	26.5%	+5.1%	
Cash	1.8%	+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

CONTRIBUTORS TO RETURN[1][2]

Ticker	Company Name	Average Weight[3]	Contribution to Return
TOP FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY			
CLS	Celestica	3.20%	1.79%
PLYA	Playa Hotels & Resorts	2.48%	1.29%
PRMB	Primo Brands	2.49%	0.62%
OSW	OneSpaWorld Holdings	2.96%	0.54%
IMAX	IMAX	2.15%	0.48%
BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY			
ERO	Ero Copper	1.57%	-0.79%
NEXNY	Nexans	2.40%	-0.73%
STNG	Scorpio Tankers	1.34%	-0.63%
SPNS	Sapiens International	1.41%	-0.57%
CSTM	Constellium	1.15%	-0.55%

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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

its economy and uneven trade balances, it too would likely experience economic damage from excessive tariffs and a tit-for-tat trade war, as these countries and regions are the destination of nearly two-thirds of U.S. exports.

Heightened political risk led to stock market selloffs in several countries during the year. This included Mexico, where the Morena party won the presidency, a supermajority in the lower house, and a majority in the Senate, as well as Japan, where the Liberal Democratic Party lost its majority in the lower house for the first time in fifteen years. While headline risk for these two counties looks likely to subside in 2025, others continue to be mired in turmoil. Following a short-lived declaration of martial law, South Korea is on its third president in less than a month. France has been mired in a political crisis that started last summer when President Macron made an ill-advised attempt to shore up support in Parliament by calling for snap elections. The elections backfired, further splintering the French parliament, and ultimately led to the collapse of France's government for the first time since 1962. The earliest that new elections can be held is in the summer of 2025, meaning that the political crisis will continue for the foreseeable future. The severity of the government crisis is reflected in French bond yields, which briefly surpassed the bond yields of perennial European Union problem child, Greece. Meanwhile, the spread of French versus German bond yields also reached its highest level since 2012. This is noteworthy, as Germany, which has been the model of stability in Europe, saw its government collapse in December. The country will hold parliamentary elections in February, with investors keeping a keen eye on potential gains by the far-right Alternative for Germany party.

Our portfolio returns were negative on an absolute basis but ahead of our benchmark in the fourth quarter. The sell-off was broad based with all economic sectors in the benchmark logging negative returns. Stock selection was positive, as good selection in Consumer Discretionary and Communication Services offset negative selection in Materials and Financials. From a country perspective, Canada and the Netherlands contributed the most to returns, while France and the United Kingdom detracted the most.

The top contributor to our portfolio performance during the quarter was **Celestica** (Canada), as the provider of electronic manufacturing services benefits from ongoing investments in AI infrastructure and high-bandwidth networking solutions. Celestica is well positioned to capitalize on emerging opportunities in next-generation data centers and networking technologies. Another strong performer was **Playa Hotels & Resorts** (Netherlands). Shares of the owner and operator of resorts in the Caribbean and Mexico rose after reporting they had entered into an exclusivity agreement with Hyatt regarding strategic alternatives. Our weakest performer during the quarter was **Ero Copper** (Canada) after the miner cut 2024 copper production guidance due to power disruptions that impacted the ramp-up of its Tucuma mine. With the power issues resolved, management is confident in meeting their 2025 production guidance, which calls for copper production to double over the next year. Another weak performer was electric cable manufacturer **Nexans** (France) after reporting weaker-than-expected third-quarter sales. However, management flagged these issues as company specific and expects catch-up sales in the fourth quarter, as underlying demand remains strong.

During the quarter, we purchased **Atour Lifestyle** (China), an operator of mid to upper-midscale hotel brands in China. Atour should see continued market-share gains as demand in China shifts toward midscale hotels and away from economy hotels, which still account for over 80% of hotels in China. The company also continues to see strong demand from its franchisees, which should help support the company's aggressive target for hotel openings over the next five years. Conversely, we sold **Scorpio Tankers** (Marshall Islands), given falling tanker rates and the company's announcement that they bought a 5% stake in an oil tanker company, a surprising use of capital after management signaled they would aggressively buy back their own shares.

Although Europe saw a strong initial economic recovery following the pandemic, the war in Ukraine and subsequent rise in energy prices caused Europe to enter a period of low growth. While the eurozone reported its highest GDP growth in two years during the third quarter, growth still lagged that of the United States. One factor in the continued underperformance of the eurozone economy has been tepid European consumers, who have reverted to saving instead of spending. This is in contrast to the United States where the savings rate has remained below pre-pandemic levels over the past three years. Meanwhile, a positive for Europe is that inflation has dropped to a more manageable level, allowing the European Central Bank to signal that it will continue cutting interest rates. This should help spur economic growth and lead to higher consumer confidence and spending. The situation is similar in China, where a property market bust has had negative consequences across the entire economy. Weak economic growth caused interest rates to steadily fall, putting pressure on the Chinese yuan. While any rapid depreciation of the yuan could cause capital flight, it would also help offset the impact from potential tariffs and support Chinese exports in the case of a trade war. Stimulus measures put in place in the second half of 2024 are beginning to have a positive impact on the Chinese economy, as the December official non-manufacturing PMI rose to its highest level since March. The government also signaled that it will look to increase stimulus in 2025, with a recent Politburo meeting readout indicating a "more moderately loose" monetary policy for the first time since 2011 and a more proactive fiscal policy as it looks to expand consumption and boost domestic demand. If the Chinese government follows through and delivers on stimulus expectations, the Chinese economy could boost international markets in 2025 after being a drag for much of the last four years.

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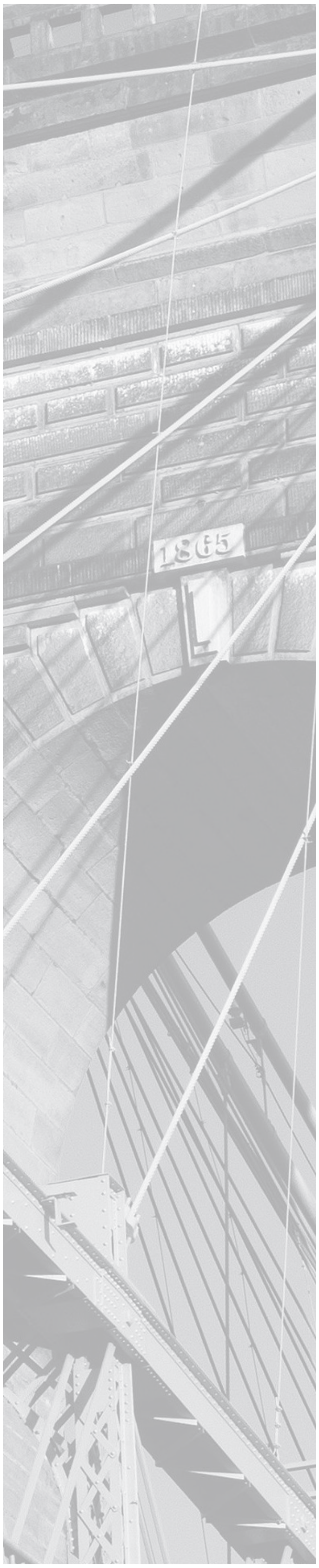

DISCLOSURES

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GICS® SECTOR INFORMATION

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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

Purchasing Managers Index—The Purchasing Managers' Index (PMI) measures the activity level of purchasing managers. A reading above 50 indicates expansion, while a reading below 50 indicates contraction.

STOCK REFERENCES

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