

# International Small Cap Equity Intra-Quarter Commentary—August 2024



**G**lobal equity markets rebounded in August after a challenging start to the month, although the recovery was uneven. Information Technology stocks, once leading the charge, continued to see momentum fade as markets became increasingly influenced by interest rate movements. Defensive stocks and those positioned to benefit from potential rate cuts gained traction, as global economic weakness reinforced expectations that central banks may begin easing monetary policy in the coming months.

Although Eurozone inflation is declining, the European Central Bank remains concerned that the headline inflation rate understates challenges for policymakers. While recent data indicates decelerating inflation, rising prices in services continue to fuel strong inflation. Even as the growth outlook has weakened, many believe a soft landing is more likely than a recession. Investors anticipate a rate cut in September, citing weaker growth as further justification for the move.

China's manufacturing sector contracted for the fourth consecutive month in August, signaling continued economic weakness amidst a persistent property sector downturn. The official Manufacturing Purchasing Managers' Index (PMI) fell to 49.1, indicating that factory activity is contracting. The ongoing real estate crisis, plunging property investments, and sluggish home sales have exacerbated the economic slowdown as well. Sales at major property developers dropped sharply, while PMI component indexes for production, new orders, and employment also deteriorated. Economists further downgraded China's growth forecasts, highlighting concerns about weakened domestic demand, overcapacity, and rising trade tensions. Despite government efforts to promote advanced manufacturing, the broader economy remains fragile, with experts calling for bold stimulus measures to avoid long-term stagnation akin to that in Japan during the 1990s.

## GEOGRAPHICAL EXPOSURE & PORTFOLIO CHANGES<sup>(1)(2)</sup>

Region	Ending Weight <sup>(3)</sup>	Change from 7/31/2024	International Small Cap Equity Additions & (International Small Cap Equity Deletions) <sup>(4)</sup>
Asia/Pacific	28.0%	-1.9%	(SUMCO)
North America	28.0%	-1.9%	(BRP)
Western Europe	27.8%	+3.8%	Dole, Paysafe
Middle East & Africa	7.4%	+0.2%	
Central & South America	7.2%	+0.1%	
Cash	1.5%	-0.3%	
Eastern Europe	0.0%	0.0%	
Developed Markets	76.1%	-0.1%	
Emerging Markets	22.4%	+0.4%	
Cash	1.5%	-0.3%	

<sup>(1)</sup> 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.

<sup>(2)</sup> 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.

<sup>(3)</sup> 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.

<sup>(4)</sup> 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](mailto:compliance@reninv.com).

Sources: Renaissance Research, FactSet

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## CONTRIBUTORS TO RETURN<sup>(1)(2)</sup>

Ticker	Company Name	Average Weight <sup>(3)</sup>	Contribution to Return
<b>TOP FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY</b>			
TGLS	Tecnoglass	2.28%	0.35%
TSEM	Tower Semiconductor	2.33%	0.21%
PTXKY	PT XL Axiata	1.99%	0.16%
CMPR	Cimpress	1.98%	0.15%
LTGHY	Life Healthcare Group	1.27%	0.14%
<b>BOTTOM FIVE CONTRIBUTORS—INTERNATIONAL SMALL CAP EQUITY</b>			
SUOPY	SUMCO	1.07%	-0.54%
OEC	Orion	1.60%	-0.53%
TYOYY	Taiyo Yuden	1.67%	-0.38%
NHNKY	Nihon Kohden	1.82%	-0.29%
DOOO	BRP	0.46%	-0.19%

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<sup>(2)</sup>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](mailto:compliance@reninv.com).

<sup>(3)</sup>Average weights over the presentation period.

Sources: Renaissance Research, FactSet

Portfolio performance for the month was negative on an absolute basis and lagged the benchmark during the month. Strong selection in Industrials and Financials helped portfolio performance. However, selection in Consumer Discretionary and Information Technology detracted from overall performance. Our emerging markets holdings outperformed our developed markets holdings. Middle East & Africa contributed the most to returns, benefiting from strong performance in South Africa, while Asia/Pacific detracted from the portfolio's absolute returns due to underperformance in Japan.

Our best-performing stock during the month was **Tecnoglass** (Columbia). Tecnoglass is a manufacturer of architectural glass and windows for both commercial and residential construction markets. The holding is performing well due to strong growth in the single-family residential segment, supported by favorable market conditions and benefits from the Florida sales tax waiver. Despite challenges in the multi-family and commercial sectors, the company is seeing increased activity in the high-rise market, leading to a record backlog. Our weakest performer was **SUMCO** (Japan). SUMCO is a manufacturer of silicon wafers that are necessary for semiconductor production. Shares of the company have been under pressure due to a broader sell-off in semiconductor names. However, the company is facing challenges as customer inventory levels remain elevated and management is seeing slow capacity expansion among customers. We opted to exit the position during the month.

International equity and currency markets are likely to remain volatile as investors adjust to the end of the synchronized tightening cycle, with central banks transitioning to more regionally

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specific policy measures. The slowdown in the manufacturing sector in many parts of the world has dampened economic growth, prompting further calls for stimulus in China and potential interest rate cuts in the Eurozone.

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## DISCLOSURES

The opinions stated in this presentation are those of Renaissance as of August 31, 2024 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.

## PERFORMANCE

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 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.

## REFERENCED INDEX

**Manufacturing Purchasing Managers' Index (PMI)**—The Manufacturing Purchasing Managers' Index measures the activity level of purchasing managers in the manufacturing sector. A reading above 50 indicates expansion in the sector; below 50 indicates contraction.

## 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](mailto:compliance@reninv.com).