

## Q2 2024 - International Small Cap Value Quarterly Update

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Hi, uh, my name is Jason Doctor. I'm one of the portfolio managers on our International Small Cap Value product. Um, I'm here to talk a little bit about the SEC performance during the second quarter of this year. Uh, really, I think when you look at the, uh, non-U.S. small-cap markets generally during the second quarter, they were relatively subdued. Um, very slightly negative performance.

Um, our portfolio itself performed a little bit better than the index. We were slightly positive, um, for the quarter. Thought it was a pretty interesting quarter in the sense of you really saw the impact of some of the political news we saw in Europe. Um, in June especially in France, for example, um, pull, uh, indexes down pretty sharply. June was a pretty rough, uh, rough month for the product. I think, you know, the news, um, early in the third quarter of sort of the normalization of politics in France is a relatively positive sign, um, for things in the short term.

Uh, really, when you look at the portfolio itself, you know, we really like to think of the international small-cap portfolio as something that's made up of a series of idiosyncratic bets. When you look at where the contributors were this quarter, I thought it was interesting because they were pretty disparate businesses. You had Yuu, which is a, um, a contract manufacturer of athletic gear; you had, um, Foster Electric, which manufactures, um, speakers for consumer products; and VTEC, which is a little bit of a diversified set of sort of direct consumer businesses, um, toys, things like that.

What was interesting is, you know, all three of them really performed almost on a bottoming of expectations, meaning results themselves weren't very good, but they weren't worse than people were expecting, and the forward guidance was actually a little bit better.

Conversely, if you look at the things that underperformed for the product during the quarter, things like Signify or WCK IPS—you know, Signify is a commercial lighting business; WCK IPS manufactures semiconductor capital equipment. Um, what was interesting was even though there were two very disparate businesses, you still sort of are waiting to find the bottom there. Um, and so as a result, when they reported, results were a little bit worse than people expected, but the guidance was materially worse. So, even though the two end markets are very different, sort of where the controversy is today there, um, kind of feels the same, i.e., you know, when does demand stop getting worse?

When you look at the portfolio as a whole, I think it's a place we're still really excited about, both when you look at sort of where valuation spreads are for the international small caps, as well as where the sort of first quintile breakpoint is for us, i.e., how cheap a stock needs to get to be in the portfolio. One is at all-time highs, one is at sort of all-time lows. Um, those are things that augur really well for the future returns, um, of the product, and we're just really excited to be able to go out there and find all these niche, idiosyncratic ideas to fill the portfolio with. [Music]