

## Q3 2024 - International Small Cap Value Quarterly Update

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Hi, my name is Matthew Ring. I'm a portfolio manager for the International Small Cap strategy at Pzena Investment Management. Despite macro headwinds in both Europe and the Japanese markets, R-up strongly in the quarter. Our portfolio slightly lagged the indices, really for two factors. One was the lack of exposure to real estate, which, despite trading at really high levels of market multiples, reacted positively to the fact that interest rates were coming down. The second was the uncertainty in European markets, which drove exposures of some industrial names such as Signify or Whizz Air to be a little bit weaker in the quarter.

In that turmoil, we were able to position the portfolios to take advantage of the weakness. We added to positions such as Signify and Sanu on that weakness, and we also added new positions in Toyota Boku and in THK, a leading provider of linear motion systems for industrial applications. We take advantage of the weakness in both the markets and the company-specific issues that are facing both of those companies. As is our normal strategy, we funded these positions by selling into strength in positions such as Foster Electric or Danielli or U, which have performed well and in line with our thesis.

Generally, we're seeing a very cheap opportunity set. Small cap markets continue to be very cheap versus their large cap peers, and international markets remain very cheap relative to the US, particularly in Europe. Within that, we found some new exposures in some new types of industries, such as luxury or companies that were benefiting from the transition to electric vehicles or other energy transitions and have hit a road bump. We continue to scour the market for good opportunities to add to what we already think are high-return portfolios and add more idiosyncratic opportunities to these.

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