

## Q4 2023 - International Small Cap Value Quarterly Update

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Hi, uh, my name is Jason Doctor. I'm a portfolio manager here at Pzena. Um, I work on our International Small Cap Value portfolio. I'm also an analyst at the firm where I cover pharma and some of our financial names in our portfolios.

The fourth quarter was really an interesting time, I think, for the international small cap space. Um, similarly to what you saw in the US, you saw really big run-ups in shares in December as you started to see some of those concerns around, um, inflation begin to abate—not just in the US, but also in, in Europe. Um, this reflected itself in the portfolio in a couple of ways. Um, the first is obviously we, we did have some businesses, uh, like Transcontinental, for example, that, that really benefited from, um, expectations of lower ongoing inflation.

Transcontinental is a packaging manufacturer. Most of their business is selling, uh, flexible films to, um, US dairy manufacturers. So the ability for them to really, repick that business led those shares to be some of our best performing during the quarter. Um, additionally, a strong performer for us was, uh, Rexel, which is really a broad-based exposure to industrial production within Europe, and again, sort of the expectations of a higher likelihood of a, uh, soft landing really helped those shares perform well. Conversely, um, we, we do have a large financials exposure in our book. Um, an example of that would be Bank of Ireland, which, you know, we really think is a wonderful business. Uh, it's part of an oligopoly in Ireland, which we think is structurally a market that has some growth to it. We do think it's a high ROE business because people sometimes link banks with, uh, the direction of interest rates. The shares underperformed during the quarter. We think this is sort of a, a little bit of a shortsighted way to think about the business. We think in the long term, really, ROE is a function of market structure, and that's, that's a three-player market.

Um, so that's sort of what, what we saw in our own portfolios. In the index itself, um, you know, I think one of the things that really stood out was some of the sectors that are negatively correlated with interest rates, like real estate, performed extremely strongly during the quarter, and, uh, we do not have material exposure to those spaces.

So that's really what we saw in the portfolio during the quarter. Um, for international small cap, it really remains a story of we own a portfolio of 40 to 50 names. They're very idiosyncratic in their nature. We're really not trying to capture any particular kind of macro exposure. It's truly a bottoms-up portfolio that we've constructed.

Um, so we're still really excited about what we see out there, um, and we still think the, the embedded alpha in the portfolio is extremely high.

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