

Title: International Small Cap Update 2Q2025

Description: Portfolio Manager Jason Doctor provides an update on the second quarter for our International Small Cap Focused Value strategy.

Transcript:

Hi uh my name is Jason Doctor. I'm one of the portfolio managers on our international small cap value product and I am here to talk about the performance during the second quarter of 2025.

The second quarter was uh for the product a pretty exciting one as we saw strong returns for smaller cap stocks outside of the US. Um really this was driven by a couple of things. The first was just a little bit of relief that um Europe was sort of finally starting to get its act together on some economic stimulus programs um higher defense spending and we started to see them be a little bit more thoughtful uh long-term around non-tariff barriers and protecting the automotive industry.

Um, in the context of that, uh, you know, some of our best performers during the quarter were, uh, UMAOR, a Belgian, uh, metallurgy and recycling business that really sort of sits right in the middle of that EV controversy as they, uh, they make catalytic converter components, but they also, um, have invested a large sum of money in battery materials where really the concern has been would that investment be uh, in the money.

Signify is a little bit more of a broader European industrial recovery idea. Um, given it is generally making a broad scope array of lighting for both uh residential, consumer and industrial uses in Europe where we're really betting on um sort of a recovery in capital spending starting to drive a return to more normal levels of demand there in the product.

Um, one of the biggest underperformers during the quarter was WhizAir where we had a really idiosyncratic situation where we continued to see them suffer from the pains associated with a gear turbo fan engine they've bought from Pratt and Whitney that just isn't working as well as it's supposed to. It's one of those things where the manufacturer is compensating them for uh for the lack of of planes but really the inefficiencies across the

network are much greater than just the cost of not having the capacity you expected to have.

Um going forward I think we you know we continue to see the non-US smaller company space as a place where valuations remain really uh disjointed from what we think the long-term cash flow characteristics of the business are. You know, it is exciting to see in places like Germany, we're starting to see some real signs of of a willingness to to execute on fiscal stimulus and the stocks are responding to that really really strongly, which is exactly the kind of thing you would expect when you're buying things at sort of the extreme valuations that we're buying things at today.

Um, so you know that that's really where we are with the portfolio today. You know, we remain really excited about the opportunity set in non-US smaller companies. We think it is the cheapest part of the world. Um we think it is a place where our style of sort of structured discipline value investing works really really well. Um, and we continue to see it as a place where uh we continue to think we can outperform.