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Hi, I'm Matthew Ring, a Portfolio Manager for our International Small Cap Focused Value Strategy at Pzena Investment Management. The international small cap asset class had a strong third quarter, continuing strong performance throughout 2025. In that environment, our portfolio slightly underperformed the broad and value benchmarks.

As usual, this was driven primarily by stock selection—particularly in industrials on the negative side and in information technology on the positive side. By stock, our biggest detractors were staffers SThree (S3) and Hays, where in this continued freeze of a hiring environment—where neither employers are making decisions nor employees are ready to switch jobs—the staffing market continues to be very depressed. We believe our position in SThree, where they've invested heavily in their IT services, the backend that they have enables them to come out much stronger from this downturn and take advantage of the cyclical depression in earnings to come out with a better company on the back end.

On the positive side, our investment in Wonik, a key equipment supplier to Samsung, was a very strong performer in the quarter. Samsung was able to qualify for high-bandwidth memory, and Wonik, as a supplier to Samsung's capex spending program, benefited significantly when Samsung announced they'd be back in the market buying more equipment.

In terms of portfolio actions during the quarter, we trimmed our position in Wonik as well as a few other stocks that had appreciated significantly and were approaching the midpoint of our universe. We added three new securities in the quarter:

Barry Callebaut, a chocolate distributor whose earnings are very steady. Because of the significant rise in cocoa prices, they've had to deploy more of their balance sheet to support hedges and inventory positions, which has depressed their reported earnings. We expect that as chocolate prices come down, they are able to conduct some refinancing, their earnings are going to recover, and we expect the stock to appreciate.

We also added Samsonite, the luggage maker that owns the Samsonite, TUMI, and American Tourister brands. Samsonite benefited significantly in the post-pandemic return to travel, but now lower volumes have pressured margins. In the long run, Samsonite will be beneficiaries of continued travel demand. Travel and luggage purchases tend to follow total revenue passenger miles flown by travelers, and we expect margins to recover as volumes pick up in the space.

And finally, we added italian food distributor, MARR. MARR is the largest food distributor by far in Italy. After the pandemic, they lost market share because they didn't have the right selection of produce, seafood, and other products their customers wanted, particulary lower price products. They also provided a lot more value-added services to their customers during the pandemic that they weren’t charging for. All of this pressured margins and volumes. They’ve been working to recover that by building back their brand with their key customers, providing the right selection and charging for those value added services.

Right now, we're seeing a widening of the opportunity set. As we talk about in this quarter's newsletter, the small cap around the world is one of the cheapest opportunity sets and asset classes out there. It's at over 30% discount to large caps in the space right now. This is a very fertile hunting ground for us to find great company specific idiosyncratic opportunities where earnings are depressed and we can expect a recovery. We're excited by the opportunity set that we see.

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