

Hi, my name is Matthew Ring and I'm a portfolio manager for the international small cap focused value product at Pzena Investment Management. The first quarter of 2026 had a lot of volatility due to the ongoing conflict in the Middle East and the resultant oil price shock. In that environment, investors tend to favor a risk-off attitude and this affects small cap stocks greatly. In that environment, our portfolios underperformed. This was mostly led by two sectors, the industrials and the consumer discretionary names.

A good example of that would be Samsonite, which is a luggage manufacturer. This was affected both by fears around the upcoming travel — or result — or a slowdown in travel due to the conflict as well as higher raw material prices that could go into their luggage that would then pressure margins. What we like about Samsonite is that a lot of their sales are really non-discretionary related to travel. Over 40% of their portfolio is actually the TUMI brand of briefcases and other products like that which are not directly related to air travel. Their earnings have been very strong and they've demonstrated a very strong ability to pass through pricing increases as we went through the tariff shocks a few years back. So we like the position, we were able to add to that on the weakness.

On the positive side, financials were the strong sector performer. This was led by insurance company Sabre and other banks that we continue to hold in the portfolios and they offset some of that weakness from the selloff in the month of March.

During the quarter, we added two new positions to the portfolio. Discount retailer B&M and food ingredient maker Tate & Lyle. B&M is going through a retail turnaround under new management. Basic blocking and tackling such as inventory management, pricing, SKU reduction, better featuring products in the stores is going to allow them to recover their margins from 8% now towards something closer to their historical 12%.

We also added Tate & Lyle. Tate & Lyle is an ingredient manufacturer who's been weak on their underlying customers' sluggish demand profile across the globe. Tate & Lyle has also been punished because of a poorly received acquisition. Tate & Lyle is ultimately just as important to its food consumers — to the food customers that it serves — because of their ability to reduce the amount of ingredients on a label, to come up with new formulations, to add new proteins or fibers to a product, and that strength in working with their customers will show through in their earnings. We funded these by selling our positions in Rexel and KH Neochem who had performed strongly and reached the midpoint of the universe.

A couple of emerging themes in the portfolio and things that we're looking forward to over the rest of the year. We continue to see companies screening as victims of uncertainty related to the development of AI. One of the examples in our portfolio is Teleperformance which is a call center operator really at the heart of the AI controversy. We see a couple of different buckets. Teleperformance falls into one of them where we think there will be massive disruption, change in competitive environment, but Teleperformance is also trading at a 25% free cash flow yield and has new credible leadership who is leading the charge on a lot of their AI development, has a chance to be a winner here in this space as well. On the other side, you see companies that may be unfairly punished by AI fears and we've seen a lot of disruption in the global transportation industry, in the asset management space in other parts of — in ad agencies and IT services.

Those don't feature strongly in the portfolio today, but they're emerging themes that we continue to see screening up across the Pzena opportunity set.

Additionally, the ongoing conflict in the Middle East continues. Our direct exposure to this in the international small cap portfolio is through the chemical space where we own specialty chemical manufacturers. And some of those will — while there will be pressure from higher energy costs — the portfolio that we've curated across this and other portfolios tends to be more on the specialty side where we've already proven their ability to pass through costs and thinking about prior controversies with these stocks such as destocking, Chinese competition, tariff effects and we are confident that they'll be able to pass through these prices on an ongoing basis.

One more company I'd mention would be Wizz Air which also is affected by the travel demand, has hedges in place for a lot of its current route structure and then the ability to reprice as necessary with higher oil prices if they tend to persist. So these are small portfolio, small positions and small total exposure in the portfolios but represent meaningful upside as both the company takes action to offset any pressures they have as well as a recovery and potentially an end to the conflict.

All in all, we see a great portfolio of companies, strong franchises with strong balance sheets and generally depressed earnings that we expect to recover over time and increase the value of the portfolios.