



## International Small Cap Equity

### Reflection on The First Complete Year of Live Performance

The Vitruvian Capital Management International Small Cap Equity Strategy completed the first full year of live investment performance at the end of July.

For the last three and one-half years, the team has applied our time-tested investment philosophy to developed non-US markets. That philosophy, which has produced consistent returns in the US market for over ten years, consists of the following principles:

- **Insight:** Insightful perspectives from informed market participants: Management, Investors, Analysts provide the basis for company specific analysis
- **Breadth:** This broad collection of independent performance drivers is more dependable than a few 'factor-based' selection criteria
- **Focus:** Understanding where our competitive advantage lies ensures robust, consistent, and superior results

Data science and machine learning techniques apply this philosophy across a universe of 4000+ small cap stocks from 23 different countries. The process 'pillars' focus our analysis in three different sources of insightful data:

- **Management** - Monitor management for signs of confidence and competence.
- **Investors** - Measure the portion of investor motivation driven by information for each stock.
- **Analysts** - Use analyst data combined with proprietary price and volatility models to determine potential upside.

We began adopting our philosophy to non-US markets in 2016 and started a simulated 'paper' portfolio at the beginning of 2017. Once comfortable with the effectiveness of our methods in non-US developed markets, and had built the necessary investment infrastructure, we seeded the strategy in July of 2020.

<b>Trailing Returns* - Gross of Fees</b>	<b>QTD</b>	<b>YTD</b>	<b>1 Year</b>	<b>3 Year</b>
VCM International Small Cap Equity	2.28%	15.66%	43.13%	11.35%
MSCI EAFE Small Cap	1.71%	11.16%	39.20%	9.18%

Performance represent the combination of live and simulated returns from 2018 through 2021:  
 12/31/2017 to 7/16/2020 - simulated  
 7/17/2020 to 7/31/2021 - live

The strategy returned 43.13% during the twelve months ending July 2021, outperforming the MSCI EAFE Small Cap Index return of 39.20% by 3.93%

If you link these returns to those of the simulated portfolio the team ran for the previous two and a half years and you have one of the most competitive track records in the International Small Cap space, with an estimated top decile ranking in the Morningstar Foreign Small/Mid Blend category

The team has found that our process is even more effective in international markets. The added risk management dimensions of country and currency exposures dilutes the effect of any one risk factor on the portfolio, and simplifies the task of isolating individual stock selection in portfolio returns. Based on



attribution from the Axioma Worldwide risk model, over 90% of our outperformance resulted from stock selection. Other portfolio exposures essentially balanced out.

- During the past year, the process favored higher quality companies, benefitting performance about 0.50-0.75%
- The slight portfolio overweight to Asia offset this performance by underperforming by about the same amount. Most of the underperformance came from Hong Kong during the past 2 months where the crackdown by China against large technology companies and for-profit education firms has weighed on the market.
- Sector exposures, while balanced, were generally beneficial, with our overweight to industrial firms worldwide being the largest positive contribution.

Top and Bottom Individual Stock Contributions - 7/31/2020 - 7/30/2021					
Ticker	Company	Country	Sector	Portfolio Weight	Contribution
6361-JP	Ebara Corp	Japan	Industrials	1.34%	1.32%
CHC-AS	Charter Hall Group	Australia	Real Estate	1.71%	1.17%
9104-JP	Mitsui O.S.K.Lines	Japan	Industrials	0.94%	1.04%
354-HK	Chinasoft Intl Ltd	China	Information Technology	0.74%	1.00%
7616-JP	Colowide Co Ltd	Japan	Consumer Discretionary	1.12%	0.84%
7729-JP	Tokyo Seimitsu Co	Japan	Information Technology	0.14%	-0.20%
777-HK	Netdragon Websoft	China	Information Technology	0.17%	-0.24%
6240-JP	Yamashin-Filter Co	Japan	Industrials	0.29%	-0.26%
9672-JP	Tokyotokeiba Co	Japan	Consumer Discretionary	0.70%	-0.27%
6754-JP	Anritsu Corp	Japan	Information Technology	0.96%	-0.33%

Country Allocation and Contribution - 7/30/2020							
Country	Portfolio Weight	Over/Under	Contribution	Country	Portfolio Weight	Over/Under	Contribution
Japan	29.78%	3.18%	-0.14%	Finland	0.70%	-1.19%	-0.22%
United Kingdom	15.10%	-2.38%	0.12%	Denmark	0.00%	-0.85%	-0.10%
Australia	8.05%	-0.30%	-0.04%	Singapore	0.00%	-1.65%	-0.27%
Sweden	7.79%	-0.75%	-0.07%	Hong Kong	1.70%	0.19%	-0.05%
Switzerland	3.65%	-1.49%	-0.09%	Belgium	0.60%	-0.99%	0.07%
Germany	4.63%	-0.59%	0.13%	Austria	2.51%	1.77%	0.30%
France	3.11%	-0.65%	0.06%	New Zealand	0.99%	-0.09%	-0.02%
Italy	4.76%	0.99%	0.12%	Ireland	0.56%	-0.16%	-0.01%
Israel	0.63%	-1.05%	-0.11%	China	2.32%	1.76%	-0.53%
Netherlands	3.84%	1.04%	0.02%	Portugal	0.93%	0.95%	-0.14%
Norway	0.64%	-1.45%	0.11%	ETFs	3.00%	3.00%	0.00%
Spain	2.97%	1.25%	0.01%				

The International Small Cap Equity investment segment offers unique opportunities for active management. Inasmuch as US small cap stocks are underfollowed, international small cap is even more neglected, offers a wider selection of opportunities to invest in, and more tools for risk management. Our investment process provides a natural solution for investors where more traditional methods have struggled. We continue to develop further analytical innovations to address the opportunities presented to us by small cap stocks globally to ensure that our success continues.