PARADICE

International Small Cap

STRATEGY



Philosophy and Process



STRATEGY OBJECTIVE

Our objective is to compound capital at double digit rates over a full business cycle. We focus on both return and risk, aiming to minimize downside in adverse periods. We expect this combination of double-digit compounding and thoughtful risk management to outperform equity benchmarks over a long time horizon. Our objective is achieved by applying a proven, value- focused philosophy to our fundamental investment approach which emphasizes active ownership to influence outcomes and create value

INVESTMENT PHILOSOPHY

We invest with a long-term view, allowing for the growth of our intrinsic values of the businesses we own to be the primary driver of our returns. This leads us to prefer competitively advantaged businesses we believe are capable of generating high returns on capital and growing their value at double digits annually. Our focus on asymmetric investment outcomes requires our investments to be financially sound, typically characterized by strong balance sheets and conservative management. We view paying low prices as both reducing risk and simultaneously increasing our return opportunity, therefore we generally seek to invest only when these businesses are trading at a substantial discount to our determination of their intrinsic value.

INVESTMENT PROCESS

Screening and Idea Generation

Our investment approach begins with the belief that international small cap markets offer attractive investment opportunities due to market inefficiencies in this vast, under-researched universe. We define our investable universe as international companies with less than \$10 billion market capitalizations, and which have sufficient size and trading liquidity relative to our assets under management. This encompasses thousands of potential investment opportunities, allowing us to be highly selective. To this initial universe the investment team applies quantitative and qualitative screens to both identify potential investments and eliminate companies with undesirable characteristics.

Screens typically start with trading liquidity where the team filters for a minimum of \$1 million a day. Numerous quantitative screens are then run in Bloomberg to narrow the universe and identify businesses we believe have attractive characteristics across dimensions including valuation, profitability, earnings growth, cash conversion, return on capital and leverage. Additional screens often include 52-week lows, spin-offs, rights issues and poor performers to uncover situations where there may be some dislocation in the market, an area the team views as fertile ground for opportunity.

The subset for consideration is further reduced based on qualitative characteristics and industry attributes. The team is biased toward developed countries which tend to have better minority shareholder rights, stronger currencies, and deeper capital markets fostering both new issues and more M&A. We also prefer sectors/industries we have determined exhibit structural growth and higher than normal returns over time, as well as businesses with low capital intensity and high returns on invested capital over a normal business cycle. Commodities, utilities and other high fixed asset industries where the marginal price is set by the market or returns are regulated by governments are generally avoided.

Our filters eliminate thousands of securities from consideration, leaving an investable universe of 500-1000 businesses. While not completely static, this universe of interest does not change significantly from year to year. From this subset we roll up our sleeves and get to work on the fundamental research and business analysis.



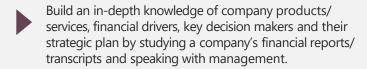
INVESTMENT PROCESS (CONTINUED)

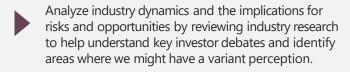
Fundamental Research, Business Analysis and Integration of ESG

The team's internal proprietary research is the backbone of our investment process and the primary driver of security selection. With a fundamental bottom-up approach, we conduct thorough analysis on each potential investment to identify well capitalized, competitively advantaged businesses trading at undemanding valuations. As generalist analysts, we leverage our experience across geographic and industry lines, affording us a broad perspective. It is rare that we encounter a business that does not share many characteristics with others previously studied. This lends a powerful cumulative benefit to the team's knowledge base, quality of analysis, and research efficiency.

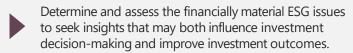


Through our research the team seeks to:









Ultimately the team's research is aiming to uncover companies that encapsulate these four elements:

A high quality enterprise

In our view, a high quality enterprise operates with an enduring business model through which it has created a competitive advantage and, ideally, leading market share. Environmental and social impact are critical dimensions of business endurance and are analyzed through the lens of sustainable cash flows. The company has a track record or high probability of delivering attractive or improving returns on invested capital as it reinvests its free cash flow.

Led by an adept management team

We favor management teams that implement value accretive strategies, are focused on compounding per-share value over the long term and are aligned with minority shareholders.

• Offering a financial margin of safety

Management utilizes reasonable amounts of financial and/ or operating leverage, providing a margin of safety as well as resiliency. This resiliency is defensive to the extent it mitigates equity impairment in tough times, and offensive in affording a skillful management team the ability to act opportunistically in such periods by thinking and acting countercyclically.

At a discount to the investor

The price paid, the fourth element, is key to the team's investment process as we endeavor to pay a discount relative to our assessment of the intrinsic value of a security. This judgment is often informed by comparable company analysis, M&A precedent, and/or discounted cash flow analysis, all of which help the team to determine a fair multiple to apply to normalized earnings. Additional considerations include the company's competitive position and growth dynamics, the company's communicated strategic targets and an assessment of management's ability to achieve them, and the team's understanding of through-cycle margins in the subject company's industry or particular line of business. Our valuation assessment is approached in a manner comparable to that taken by a strategic or financial buyer of the entire business. Buyouts of our portfolio companies serve as both an idiosyncratic driver of returns for the strategy and a validation of our valuation and overall investment process.

Through our research and analysis the team develops a "bench" of 50-100 deeply researched ideas we find most compelling, creating an investment thesis for each.



INVESTMENT PROCESS (CONTINUED)

Active Ownership/Engagement

As active investors, engagement is core to our investment process and helps to advance our compounding objective. Company engagement begins during the research process and continues Post-investment. Given the team's AUM and typical position size relative to the market cap of small cap companies, we tend to have a direct line of communication as a top shareholder. This often makes direct engagement the most effective approach. To best focus and prioritize our efforts in this area, the team believes engagements should have objectives that tie to value creation or risk management and are measurable in terms of milestones achieved. In addition to maintaining an ongoing dialogue with management, we may seek to influence the strategic direction of a company through Board discussions, proxy voting, and ESG recommendations.





Stock Selection and Portfolio Construction

The fundamentals and valuations of our "bench" companies are monitored closely as the team looks for the opportune time to invest. We aim to invest

with a sufficient discount to our determination of intrinsic value to advance the goal of generating a strong double-digit compounded return over a typical multi-year holding period. For example, if we conclude that a business will be conservatively worth X in 3 years' time, the buy price would typically be set at around 2/3 of X today, for a target mid-teens IRR. The team is resolute in this focus as years of experience in this space have taught us that the possibility of uncovering an intersection of quality and value exists across cycles, and that abandoning either component leads to less robust outcomes over time.

Portfolios typically hold 40-60 stocks. Portfolio construction is primarily informed by the team's expected return of each investment, which reflects a range of possible outcomes. Larger positions will typically feature lower perceived risk of permanent impairment of capital. As such, position sizing reflects not simply the largest potential upside, but downside minimization as well. Smaller positions may reflect narrower discounts to intrinsic value and/or a wider range of potential outcomes. The inclusion and sizing of investments incorporates considerations of adequate liquidity. While largely benchmark agnostic, the team is attentive to diversification by geography, region, sector and industry. Additionally, holdings are diversified across companies with a position size maximum of 10%.



INVESTMENT PROCESS (CONTINUED)



Sell Discipline

Mergers and acquisitions are frequent in the international small cap markets and drive much of our turnover. Outside of M&A, catalysts for a sell or trim decision include: our target valuation is approached/ reached/ exceeded, a structural change in the business or change to our investment thesis occurs, or better risk/reward opportunities arise.

If we determine that adverse developments are transitory in nature, then we are generally willing to maintain a position and potentially increase our stake. We trim or exit when we determine such headwinds to be structural, thus impacting our estimate of normal earnings power and reducing the perceived discount to fair value. For underperforming investments, we generally prefer to engage with management and/or the Board prior to selling shares. This enables us to re-assess the investment potential and opens the door for more active engagement if there is a way to rectify the situation.

Risk Management

We view risk as the chance of a permanent loss of capital. With this in mind, our risk management begins with the initiation of a position where we aim to limit company risk by investing in businesses we believe are demonstrating or positioned for success with limited financial leverage and solid opportunities to grow over time. A second layer of risk mitigation is seeking a discount to our assessment of fair value, to avoid overpaying for an asset. Ultimately, we believe paying the right price, at an attractive intersection of quality and value, is the biggest mitigator of risk.

In practice we address portfolio risk on three fronts:

Company Specific: Invest in opportunities with compelling investment theses which fulfill our fundamental criteria. Stay abreast of fundamentals and monitor for unintended business risks which may impact the thesis. Engage on material ESG issues to influence outcomes.

Portfolio Parameters: Invest only in publicly traded securities, with established maximums in individual companies, geographies and cash holdings.

Portfolio Characteristics: Monitor for concentration risk (sector, currency, geography) and adequate trading liquidity.





INVESTMENT TEAM

The International Small Cap Strategy, launched in October of 2020, is an extension of the team's Global Small Mid Cap Strategy which was established in 2010.

The investment team is composed of six investment professionals. All of the investment team members act as analysts, with a generalist approach to industry coverage. Team members are responsible for idea generation and fundamental research on underlying investment ideas. The team has an open and collaborative environment, where team members actively engage, discuss, and challenge each other.









For Institutional Investors Only - Not for Onward Distribution

DISCLOSURE

The information, analysis, and opinions expressed herein are for general and educational purposes only. Nothing contained should be construed as investment advice, nor should it be interpreted as an offer to sell or solicit any investment services. The asset classes and/or investment strategies described may not be suitable for all investors and investors should consult with an investment advisor to determine the appropriate investment strategy. All investments carry a certain risk, and there is no assurance that an investment will provide positive performance over any period of time. There is no guarantee that an investment in the strategy has or will be profitable. The strategy is actively managed and subject to change. Additional important risk disclosures can be found here: https://www.paradice.com/international/important-disclosures. 1109450770

PARADICE INVESTMENT MANAGEMENT LLC

250 Filmore St, Suite 425 Denver, CO 80206

+1-720-751-2100