



Transcript: 2024 Outlook and investment strategy Wasatch Global Investors | Renaissance Global Small-Cap Fund

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[2024 outlook and investment strategy

Wasatch Global Investors | Renaissance Global Small-Cap Fund]

[What is your 2024 outlook for global equities?]

[Paul Lambert

Lead Portfolio Manager, Global Small-Cap

Wasatch Global Investors]

At Wasatch, we don't specialize in market forces, nor do we think investors do a good job of trying to time the cycle. That said, we continue to be very excited about global small-caps for a few reasons.

You need to go back to pre-pandemic and actually all the way back to about 2017 to where small-caps outperformed large-caps, and this is looking at the MSCI world indexes.

[The Toronto Stock Exchange building. The New York Stock Exchange building.]

In the US, large-caps have actually been outperforming small-caps for over a decade. The other thing to highlight is that relative valuation of global small-caps versus large has been in decline since about 2013. This is exactly the opposite that happened during the prior decade from 2003 to 2013.

So there are large-cap versus small-cap cycles, and while we don't know when that cycle will start again for small-caps, small-caps haven't been this cheap relative to large going back 20-plus years.

We think that relative valuation is extremely exciting and if you get even a little mean reversion, small-caps will tend to do really well.

Lastly, we would note that the large-cap performance has been pretty much dominated by a handful of stocks.

[A stock ticker.]

It seems like over the last five and ten years, all we've been talking about in the markets at large has been the FANGS or the Magnificent Seven.

So depending on your view of when these stocks continue to maybe top out,



and with everything else I've just mentioned on market cycles, we think small-caps are a good position to go ahead and outperform from here.

[How are you positioning your investment strategy to align with the outlook? (Renaissance Global Small-Cap Fund)]

At Wasatch, we're fundamental, "bottoms up" investors focused on high-quality, long-duration growth companies. The global small-cap strategy is our "best of" which means these are our highest conviction ideas at Wasatch across our platform.

We have a very strong growth outlook for our names and continue to make sure we own the highest quality companies. If you go back to the beginning of '23, after a very difficult 2022 for global small-caps, we maintain that quality growth will be a great place to be in '23 and I would reiterate the same conviction here for '24.

There's a lot of uncertainties in the world today, from continuing inflation, are global central banks going to cut rates?

[The US Federal Reserve building.]

There's geopolitical risk, there's a couple of wars on.

Whatever we see in the future, we think we own a very well-balanced portfolio of high-quality companies that can withstand any market environment.

So as we look out, we think this is a great time to invest, especially in global small-caps for all the reasons I outlined today. We own a highly-concentrated list of companies that will be significantly larger, more profitable and more relevant in the future.

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