The Rainier International Discovery Fund returned 10.62% in the second quarter, outperforming the MSCI ACWI ex-U.S. Small Cap Index’s return by 4.38%. Stock selection, sector allocation and currency effect each contributed to relative outperformance. However, security selection was the primary driver of outperformance in the period.

The health care, industrials and consumer discretionary sectors led stock selection during the second quarter. No sectors materially detracted from relative performance.

During the quarter we added home improvement retailer ACE Hardware Indonesia. ACE is the leading home improvement retailer in Indonesia with 131 locations. The company expects to increase their store footprint to 200 by 2021. ACE’s scale allows the company to provide customers with a broad selection of products, convenient locations and affordable prices, which in turn protect the company’s competitive position. In addition, the Indonesian consumer is benefiting from stable inflation and exchange rate, decade low unemployment and improving consumer spending power.

Another new position during the quarter was U.K.-based technology firm Halma. Halma consists of 42 businesses across the globe focusing on the safety, health and environmental markets. Halma’s businesses are in niche, relatively non-cyclical industries with high barriers to entry, significant market share and attractive long term growth potential. Examples of Halma products include commercial building security systems, advanced blood pressure monitoring products and pollution monitoring equipment. We expect Halma to continue acquiring attractive private companies and utilize their global scale and expertise to improve the potential of the acquired businesses.

Furthermore, we sold our position in U.K.-based sports and leisure wear retailer JD Sports Fashion. We sold the position in favor of companies that we deem are better
suited to compete in an environment being disrupted by aggressive e-commerce competitors.

In addition, we sold our position in Swedish-based computer gaming software maker NetEnt. The sale was due to intensifying competition and a shift in the company’s business model toward higher capital-intensive investments.

We remain focused on uncovering and investing in businesses that we deem have significant competitive advantages, high barriers to entry and product offerings essential to their customers. Although always cognizant of the potential repercussions of political regime changes and threatening foreign governments, our relentless pursuit of growth opportunities has not deviated.
Opinions expressed are subject to change, are not guaranteed, and should not be considered investment advice.

For a list of the current quarter end top ten holdings, please click here. Fund holdings and sector allocations are subject to change at any time and are not a recommendation to buy or sell any security. References to specific investments or other funds should not be construed as a recommendation of the Fund or the Adviser to buy or sell securities. Current and future portfolio holdings are subject to risk.

Mutual fund investing involves risk. Principal loss is possible. Small- and medium-capitalization companies tend to have limited liquidity and greater price volatility than large-capitalization companies. Investment in IPOs can be volatile and can fluctuate considerably. IPOs can have a magnified impact on funds with a small asset base. Investments in foreign securities and emerging markets countries involve greater volatility and political, economic and currency risks and differences in accounting methods. These risks are greater for emerging markets. Investment in REIT securities involve risks such as declines in the value of real estate and increased susceptibility to adverse economic regulatory expenses.

The MSCI ACWI ex USA Small Cap Index (Net) captures a small cap representation across 22 of 23 Developed Markets countries (excluding the US) and 23 Emerging Markets countries. MSCI ACWI ex USA Small Cap (Net) is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of small capitalization developed and emerging markets, excluding the United States. “Net” indicates that this series approximates the minimum possible dividend reinvestment. The dividend is reinvested after deduction of withholding tax, applying the rate applicable to non-resident individuals who do not benefit from double taxation treaties. MSCI uses withholding tax rates applicable to Luxembourg holding companies. The Index is unmanaged, does not incur fees or expenses, and cannot be invested in directly. Index vendor sources may vary, resulting in slight variations in the index returns that are displayed in performance reporting for the Rainier Funds. The Indices are not available for investment and do not incur charges or expenses. It is not possible to invest directly in an index.

The Rainier Funds’ investment objectives, risks, charges and expenses must be considered carefully before investing. The statutory and summary prospectus contain this and other important information about the Rainier Funds, and may be obtained by calling 800.248.6314 or visiting www.rainierfunds.com. Read carefully before investing.

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