ALTRINSIC

April 2019

Altrinsic Emerging Markets Equity Commentary – First Quarter 2019

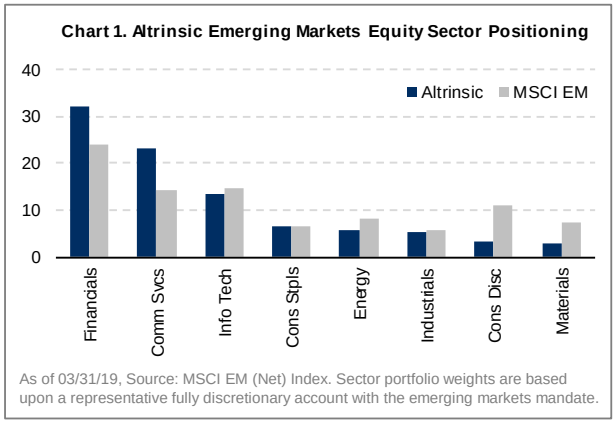
Dear Investor,

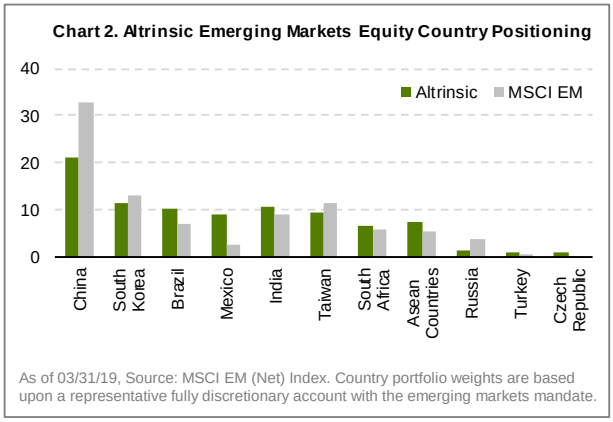
Equity markets rebounded during the first quarter, reacting favorably to U.S Federal Reserve's shift to more accommodative policies and improving confidence on the U.S.-China trade negotiations. Central banks turned dovish in response to tightening financial conditions and slowing global growth. China's reaccelerated fiscal stimulus and progress on the trade talks alleviated concerns surrounding its economic slowdown. Emerging market equities reacted favorably, gaining 9.9% in U.S. dollars, as measured by the MSCI Emerging Markets Index. By comparison, the Perterra Emerging Markets Fund, LP gained 11.3%.[1] As we look ahead, debt buildup during this long period of extremely low interest rates and rising fiscal imbalances remain key long-term risks. Given this backdrop, your portfolio is concentrated in companies with balance sheet strength, solid free cash flow generation, and strong valuation support.

Stock selection was the primary reason for outperformance during the quarter. Relative returns were driven by holdings in the industrial and technology sectors, while consumer discretionary stocks were the largest detractors primarily due to our significant underweight to the sector. Top contributors included TOTVS (Brazilian software provider), Tenaris (Argentinian oil pipe producer), and CITIC Securities (China's largest security broker), while detractors included Grupo Televisa (Mexican media conglomerate) and Siam Commercial Bank (leading Thai bank). Geographically, China was a significant detractor to relative returns, as large positions in PetroChina (energy major) and Baidu (Chinese search leader) lagged. Most other large countries were positive contributors.

Activity in the portfolio included the sale of three positions: ZTO (Chinese logistics provider), Telkom Group (South African telecom carrier), and MultiChoice (a spinout from Naspers). Each had approached our estimate of intrinsic value. We added four new positions: HCL Technologies, an Indian IT company with consistently strong profitability; Absa Group is a leading South African bank with a new independent management team and a plan to improve growth and efficiency; Grupo Mexico, a Mexican copper miner, which is among the lowest-cost producers in the world with compelling long-term growth prospects; and LIC Housing, a leading Indian mortgage lender with strong prospects that de-rated due to industry turmoil. Other activity included reducing Bancolombia (leading Columbian bank), Citic Securities and Airtac (Taiwanese industrial components) as the valuation discount narrowed and adding to Ambev (Brazil beer), Shinhan (Korean Bank), and Baidu.

Charts 1 and 2 show our portfolio positioning viewed through the traditional lenses of sector and region. We have a solid portfolio of investments and an attractive pipeline of investment candidates with idiosyncratic drivers where the market is underestimating normalized earnings power or has overreacted to short-term concerns. Below, we highlight the embedded value in the portfolio grouped into four themes:[2]





1. Companies with underestimated ROE/growth improvement (42% of the portfolio):

While topline growth may lag the market darlings, the underlying improvement in either the return on equity (ROE) or the growth profile is underappreciated. We have been increasingly finding more investable opportunities that would fit this theme. Within the current portfolio, companies in this group include:

- **Shinhan Financial Group**, one of Korea's largest banks, has de-rated to all-time low valuations as a tough competitive environment and regulatory demands have hit profitability. In response, management is cutting costs and improving capital allocation, which should lead to a recovery in ROE.
- **HCL Technologies** is an Indian IT services company with a strong management team that has delivered superior earnings growth relative to its peers over the last ten years. Concerns of slowing near-term growth have caused the stock to de-rate. The stock, which now trades at a 40% discount to its larger peers, offers a margin of safety while fundamentals are already showing signs of recovery.

2. Companies overreacting to short-term concerns (18%):

Technology companies face rapid innovation cycles, intense competition, and short product lives. As a result, investors frequently extrapolate short-term trends to the long term, potentially providing opportunities for long-term investors. Also, political and macroeconomic environments are in a constant state of flux in emerging markets and result in volatility. In either case, when stocks are reflecting very pessimistic outcomes and risk-reward is skewed in our favor, we look to invest. Examples include:

- **Largan** is a leading Taiwanese smart-phone lens manufacturer with strong competitive advantages based on scale and technology. Lens demand has structural growth drivers, and the company continues to gain market share, but the stock has been volatile based on sentiment and investors' extrapolation of weak near-term results to the company's long-term prospects, which we believe still remain strong.
- **Grupo Financiero Banorte**, Mexico's fourth largest commercial bank, has a strong management team that has achieved solid ROE expansion over the last few years. Recently, the stock has de-rated due to concerns about future economic and banking policy from the incoming administration. Of greatest concern is the curtailment of certain banking fees. Early this year, we purchased the stock when it was reflecting an extremely pessimistic outcome of losing all of these banking fees and facing further structural headwinds. Since our purchase, the new administration has backtracked on some initiatives.

3. Companies with depressed earnings that we expect to improve (17%):

In the internet space, it is not uncommon for companies to make large investments that temporarily depress earnings. Companies are investing either to defend/extend the core business or to muscle into a developing opportunity, using their strong core market positions. During this period of investment, stocks can trade at a

steep discount to the intrinsic value of the core business. When we have a differentiated view of the potential pathways, we invest with a high margin of safety in a fast-growing company. Below, we highlight:

- **Baidu**, the leading Chinese internet search engine, has a strong core business, and over the years it has invested in a number of adjacencies. The company ramped up marketing expenses to promote short video, which is again depressing earnings and the stock. With all previous investments, management adjusted strategy based on the evolution of the category and its execution and brought the investment to a shareholder-friendly conclusion. We expect it to be no different this time and the stock to recover once this uncertainty ends.
- **Yandex**, Russia's leading search engine, was losing market share to an aggressive Google in 2017. At the same time, its profits were depressed due to investments in Yandex.Taxi, an online ride-sharing service. The stock was at a severe discount to the value of core search, especially given that Russian regulators intended to help Yandex. Subsequently, with the help of regulators, Yandex's search market share is on a recovery path, while the recent IPO of Lyft is highlighting the value of Yandex.Taxi.

4. Cyclical opportunities (10%):

These opportunities arise when there are supply-demand imbalances often in more cyclically exposed sectors.

- Within materials and energy, we will only have sizable exposure when the commodity price is well below the marginal cash cost of production. At these times, supply dries up at the high end of the cost curve, essentially self-correcting the spot price. Unfortunately, these opportunities arise only occasionally, but we are happy to be patient for the fat pitch. Until then, our preferred investments are the low-cost producers, as they provide a margin of safety should macro volatility arise. A recent purchase is Grupo Mexico.
- In the industrials sector, economic slowdowns and recessions can give us an opportunity to invest in high-quality cyclicals at a time of near-term uncertainty. A recent example is Airtac, a Taiwanese pneumatic component supplier that has been steadily gaining market share in China. The current slowdown in China disrupted demand trends, giving us an opportunity to buy into a structural share gainer.

Markets are likely to remain volatile as politicians, policy makers, and investors adjust to changing macroeconomic conditions. We will not be immune to volatility, but the risk is mitigated by investing in stocks with company-specific drivers that are less dependent on outsized economic growth. We believe the distinctive theses underlying our investments, combined with compelling absolute value, make our portfolio well suited to deliver superior risk-adjusted returns. We appreciate your interest in Altrinsic and welcome your questions or comments.

Sincerely,
Srinivas Polaki
Chip Powell

[1]*Performance is presented gross of management fees and includes the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Past performance is not indicative of future results. Please see Important Considerations and Assumptions at the end of this letter for additional disclosures.*

[2]*The outlook and opportunities noted above and throughout this letter are prospective and based upon the opinions of Altrinsic as of the date of this letter. In addition, the four portfolio themes and the percentages shown were derived using Altrinsic internal calculations, are current as of March 31, 2019 and are subject to change at any time. There is no guarantee that we will be successful in implementing investment strategies that take advantage of such perceived opportunities. Please see Important Considerations and Assumptions at the end of this letter for important additional disclosures.*

ALTRINSIC EMERGING MARKETS EQUITY COMPOSITE
FULL DISCLOSURE PRESENTATION

	Total Firm	Composite Assets			Annual Performance Results				Ex-Post Standard Deviation (3 Yr Annualized)	
Year to Date	Assets (millions)	USD (millions)	% of Firm Assets	Number of Accounts	Composite Gross	Composite Net	MSCI EM (Net)	Composite Dispersion	Composite	MSCI EM (Net)
Q12019	6,738	88	1%	3	11.29%	11.04%	9.92%	N.A.	11.73%	12.84%
2018	6,284	79	1%	Five or fewer	-17.05%	-17.85%	-14.58%	N.A.[1]	13.31%	14.60%
2017	7,259	97	1%	Five or fewer	30.24%	29.03%	37.28%	N.A.[1]	14.81%	15.35%
2016	7,107	78	1%	Five or fewer	13.75%	12.69%	11.19%	N.A.[1]	15.98%	16.07%
2015	8,927	34	0%	Five or fewer	-14.82%	-15.64%	-14.92%	N.A.[1]	N.A.	N.A.
2014	11,656	48	0%	Five or fewer	-2.72%	-3.64%	-2.19%	N.A.[1]	N.A.	N.A.
2013	14,261	50	0%	Five or fewer	-1.13%	-1.83%	-1.00%	N.A.[1]	N.A.	N.A.

N.A. - Information is not statistically meaningful due to an insufficient period of time.

N.A.[1] - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

*Results shown for the year 2013 represent partial period performance from April 1, 2013 through December 31, 2013.

The Altrinsic Emerging Market Equity Composite is a diversified (typically between 50 - 80 holdings), bottom-up, fundamental, value oriented, Emerging Market focused portfolio, benchmarked to the MSCI Emerging Markets (Net) Index. The MSCI Emerging Markets (Net) Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of emerging markets. Portfolios in the composite may invest in countries that are not in the MSCI Emerging Markets (Net) Index. Additional information is available upon request. The minimum account size for this composite is $5 million. Returns include the effect of foreign currency exchange rates.

Altrinsic Global Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Altrinsic Global Advisors, LLC has been independently verified for the periods from December 8, 2000 through September 30, 2018.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Altrinsic Emerging Markets Equity Composite has been examined for the periods beginning April 1, 2013 through September 30, 2018. The verification and performance examination reports are available upon request.

Altrinsic Global Advisors, LLC is a registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile. Composite returns represent investors domiciled primarily in Australia, United States, and Canada. The MSCI Emerging Markets (Net) Index deducts withholding tax by applying the maximum rate of the company's country of incorporation applicable to non-resident institutional investors. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest applicable annual management fee of 0.95% applied monthly. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule is 0.95% on the first $25 million, 0.85% on the next $50 million, and 0.75% on the remainder. Some accounts may pay incentive fees. Actual investment advisory fees incurred by clients may vary.

The Altrinsic Emerging Markets Equity Composite was created April 1, 2013

Important Considerations and Assumptions

This presentation has been prepared solely for informational purposes and nothing in this material may be relied on in any manner as investment, legal, accounting or tax advice, or a representation that any investment or strategy is suitable or appropriate to your individual circumstances, or otherwise constitutes a personal recommendation to you.

All information is to be treated as confidential and may not be reproduced or redistributed in whole or in part in any manner without the prior written consent of Altrinsic Global Advisors, LLC ("Altrinsic"). The information contained herein shall not be relied upon as a primary basis for any investment decision, including, without limitation, the purchase of any Altrinsic products or engagement of Altrinsic investment management services; there is no and will be no agreement, arrangement, or understanding to the contrary.

This material has been prepared by Altrinsic on the basis of publicly available information, internally developed data and other third party sources believed to be reliable. No assurances or representations are provided regarding the reliability, accuracy or completeness of such information and Altrinsic has not sought to independently verify information taken from public and third party sources. Altrinsic does not accept liability for any loss arising from the use hereof. Any projections, market outlooks or estimates in this document are forward-looking statements and are based upon certain assumptions. Due to various risks and uncertainties, actual events or results, or the actual performance of any investment or strategy may differ materially from those reflected or contemplated in such forward-looking statements. Except where otherwise indicated, the information provided, including any investment views and market opinions/analyses expressed, constitute judgments as of the date of this document and not as of any future date. This information will not be updated or otherwise revised to reflect information that subsequently becomes available, or changes in circumstances or events occurring after the date hereof.

The data and information presented is based on representative accounts and is for informational and illustrative purposes only. Individual client data and information may vary based on different objectives for different clients. This material does not constitute investment advice and should not be viewed as current or past recommendations or a solicitation of an offer to buy or sell any securities or to adopt any investment strategy. Any documents describing Altrinsic's products or services shall not constitute an offer to sell or a solicitation to buy the securities from any person in any jurisdiction where it is unlawful to do so. Any specific investments referenced may or may not be held by accounts managed by Altrinsic and do not represent all of the investments purchased, sold or recommended for client accounts. Readers should not assume that any investments in securities described were or will be profitable. There are no guarantees that investment objectives will be met. Investing entails risks, including possible loss of principal. Altrinsic may modify its investment approach and portfolio parameters, in the future, in a manner which it believes is consistent with its overall investment objective of long-term capital appreciation and reduced risk.

Past performance is not a guide to or otherwise indicative of future results. Any investment results and portfolio compositions are provided for illustrative purposes only and may not be indicative of the future investment results or portfolio composition of any account, investment or strategy managed by Altrinsic.

Disclosure of Risk Factors

An investment in any account, investment or strategy is speculative and involves a significant degree of risk, which each prospective investor must carefully consider. Returns generated from an investment in any account, investment or strategy may not adequately compensate investors for the business and financial risks assumed. An investor in any account, investment or strategy could lose all or a substantial amount of his or her investment. Before making an investment, prospective investors are advised to thoroughly and carefully review any disclosure documents with their financial, legal and tax advisors to determine whether and investment is suitable for them.

Additional Performance Disclosure – Use of Benchmarks

Benchmarks are provided for illustrative purposes only. Comparisons to benchmarks have limitations because benchmarks have volatility and other material characteristics that may differ from the accounts, investments or strategies managed by Altrinsic. Because of these differences, benchmarks should not be relied upon as an accurate measure of comparison.

This document is not intended for public use or distribution.