



April 2018

Altrinsic Global Equity Commentary – First Quarter 2018

Dear Investor,

The Altrinsic Global Equity portfolio gained 0.2% during the first quarter, outperforming the 1.3% decline by the MSCI World Index as measured in U.S. dollars.¹ Stock-specific factors were the primary drivers of outperformance, most notably among our financial and healthcare holdings. Policy matters had an important impact on markets, as growing concerns about protectionism, trade wars, and rising interest rates contributed to the increase in volatility and market weakness that began in late January. Further signaling that a long overdue transition in markets could be underway, the narrow performance leadership of large technology companies (FAANGS) is being called into question, as regulatory headwinds appear to be increasing. Your portfolio is positioned quite differently than the broad market indices and in favor of a changing market environment.

Our financial investments were the greatest source of positive attribution due to strength in our exchanges (Deutsche Börse, Intercontinental Exchange, and Japan Exchange Group) and insurance-related holdings (XL Group, Zurich Insurance, and Aon). French insurer AXA announced its intention to acquire XL Group at a 33% premium, boosting XL's share price and highlighting the value in this unloved sector. Financials remain our largest industry exposure.

Healthcare represents our second-largest industry exposure and was an important source of positive attribution. Shares of Japanese pharmaceutical company Astellas increased after seeing better demand for its key prostate cancer drug, Xtandi. GlaxoSmithKline's shares were strong after management refrained from bidding on a large acquisition and instead took full control of its consumer healthcare business, buying out Novartis' minority stake and securing the stock's 6% dividend yield. Investments in consumer staples, materials, telecom, and utilities were also sources of positive attribution.

Investments in the industrial, technology, and consumer discretionary sectors were sources of negative attribution. General Electric (GE) was particularly disappointing, as the company struggles to gain credibility after a difficult 2017. Management began 2018 by attempting to clean up the remaining GE Capital segment, announcing a large, albeit manageable, loss on old insurance contracts. This was a necessary decision but only exacerbated investor worries about GE's opacity. We have been pleased to see GE taking steps to improve its corporate governance by replacing 10 of its 15 senior executives, cutting the board from 18 to 12 members, and adding three new independent directors with strong pedigrees. Senior executive compensation was also overhauled this year to ensure greater accountability through a focus on free cash flow, earnings, and segment-level performance. GE's journey will be long and bumpy, but we see credible opportunities for it to turn around its faltering units and believe the shares now price in a further collapse in profitability that seems unlikely.

Investment activity during the quarter included the purchase of Babcock International and sale of Kasikornbank, a Thai bank (its share price reached our estimate of intrinsic value). Babcock is a UK-based engineering services company with a depressed valuation due to Brexit uncertainty and weakness among other outsourcing companies. After extensive conversations with company management and industry contacts, we are confident that Babcock's services are far more specialized than other outsourcers and cash flows will materially improve in 2019. Other activity included further reduction in our consumer franchises in favor of select financial, technology, and healthcare companies.

These investment decisions have led to portfolio concentrations and broad risk exposures that are illustrated in Table 1. The three greatest concentrations of investments are in the financial, healthcare, and technology sectors. There is meaningful change taking place in these sectors, resulting in both disruption and opportunity.

Table 1. Altrinsic Global Equity Portfolio

			N. AM		EUROPE		JAPAN		OTHER	
	AGA	Index	AGA	Index	AGA	Index	AGA	Index	AGA	Index
	96.3	100.0	35.8	61.6	39.4	24.9	16.2	9.1	4.9	4.4
Cons Disc	5.4	13.3	4.0	8.5	0.6	2.5	--	1.9	0.8	0.3
Cons Stpls	11.8	7.9	4.0	3.5	6.9	3.5	--	0.7	1.0	0.2
Energy	5.0	6.1	3.1	3.9	1.2	1.9	0.7	0.1	--	0.2
Financials	22.1	21.0	4.3	11.6	9.3	5.7	8.0	1.4	0.5	2.3
Healthcare	17.5	11.8	3.0	7.8	11.6	3.1	2.9	0.7	--	0.2
Industrials	4.5	11.9	2.8	6.2	0.3	3.0	1.3	2.3	--	0.4
Info Tech	16.2	17.3	10.0	15.0	1.0	1.3	3.4	0.9	1.8	--
Materials	4.7	5.1	1.3	2.1	3.4	1.9	--	0.6	--	0.4
Telecom	6.8	2.7	0.9	1.2	5.1	0.9	--	0.4	0.7	0.1
Utilities	2.3	3.0	2.3	1.7	--	0.9	--	0.2	--	0.2

Preliminary as of 03/31/18; Source: MSCI World (Net) Index. Sector and regional portfolio weights are based upon a representative fully discretionary account with the global mandate. Please note that fractional differences in the portfolio's totals may occur due to Excel's rule-based rounding.

- **Our financials exposure includes leading insurance-related businesses, exchange businesses undergoing transformations, and Japanese banks.** We have no exposure to western banks, owing to valuation levels, downside risks, and our view of normalized profits. Our non-bank holdings are less balance-sheet intensive with a focus on free cash flow generation and shareholder-friendly capital allocation. Our most significant purchases over the last two years have been non-life insurance companies, which have been unloved by the market due to popular concerns about low interest rates and a weak pricing environment. We have used this as an opportunity to accumulate shares in well-capitalized and well-managed franchises, such as Chubb, XL, and Zurich Insurance, in which we see further opportunities for margin expansion. These complement our Japanese non-life holdings Tokio Marine and MS&AD Insurance and insurance brokers Willis Towers Watson and Aon.
- We believe the pace of change, innovation, and disruption in the healthcare sector is presenting attractive opportunities. **Our healthcare investments are concentrated primarily among niche and major diversified pharmaceutical companies with histories of innovation led by shareholder-minded management teams.** Investors in the healthcare sector are notoriously shortsighted, providing ample opportunity for long-term investors willing to absorb the short-term volatility.
- **Whereas the herd of investors has crowded into a small group of highly valued tech giants, we see value a few layers down among innovative companies supported by strong balance sheets and often undergoing a period of transition – be it a business transformation (Oracle, Thomson Reuters, Yahoo Japan) or underpinned by strong underlying demand (Check Point Software, Nintendo, eBay).**

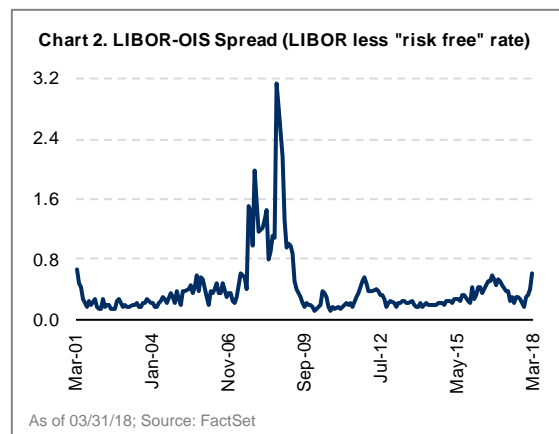
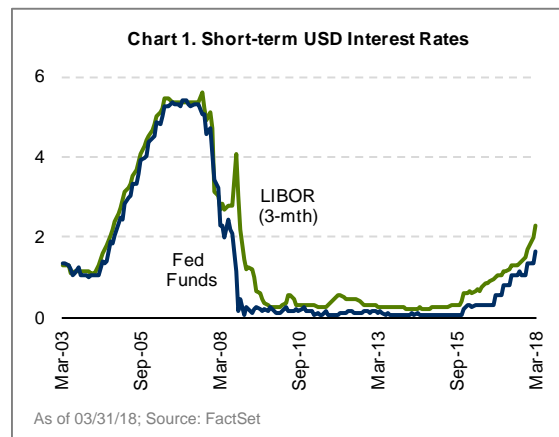
Market Commentary

Following an extended period of robust gains and subdued volatility, recent market weakness and increased volatility were long overdue and quite mild by long-term historical standards. Contributing forces included escalating protectionism, the phasing out of hyper-stimulatory policies (such as Quantitative Easing “QE”), and a transitory interest-rate environment.

The generational trend toward globalization could slow or even reverse amidst the rise of protectionism and trade disputes, adding to market jitters given how tightly woven and interdependent supply chains have become. An expanded enactment of protectionist policies would further result in increased currency volatility and increase the risk of competitive currency devaluations.

The aggressive monetary policies that stimulated the robust rise in asset values across asset classes are beginning to reverse course, as QE is giving way to Quantitative Tightening (QT). Additionally, the retreat of central bank buying eliminates a major source of demand (buyer) for treasury securities, just as supply is increasing as governments fund expanding deficits. Left to market forces, we should expect greater volatility in rates, which could have an amplified impact on asset prices given the combined effect of low rates and the long-duration nature of equities.

An important benchmark relating to interest rates that warrants close attention is LIBOR (the London Interbank Offered Rate) and LIBOR’s spread over “risk-free rates” (often referred to as LIBOR-OIS). In many ways, LIBOR matters more than the Fed Funds rate, as it is set by banks and used in valuing hundreds of trillions of dollars of debt and related derivative products. LIBOR’s rise over the last 12 months was its largest in over a decade (see Chart 1). The U.S. economy was able to withstand the rise in 2004, as it was still in the early stages of expansion. Unlike then, U.S. corporate profit margins are now at peak levels, U.S. corporate leverage is elevated, and the economy is at full employment. 2018 will test politicians’ and regulators’ ability to manage rising interest rates. Additionally, Libor-OIS spreads, which were carefully watched during the financial crisis and Euro crisis as they often signify bank stress, have risen to their highest levels in several years (see Chart 2). Our analysis indicates that at this point, bank credit risk is not the primary cause, but it remains unclear why an important transmission mechanism is differing so much from the interest rates set by the Federal Reserve.



Uncertainty and volatility emanating from the aforementioned issues will have a major influence on share prices, exacerbated by the overwhelming presence of non-fundamental participants (ETFs, passive, and many factor-based quantitative strategies) that represent the vast majority of liquidity in markets. According to analysis by Merrill Lynch Chief Strategist Michael Hartnett, 3500 ETFs alone account for more than 70% of equity trading volumes. We believe the proliferation of these strategies will be remembered as great ideas that went too far.

There have been short episodes when we have seen the unintended consequence of this proliferation (various 'flash crash' episodes or liquidity drawdowns), but the momentum behind them continues to advance. This has contributed to pro-cyclicality, trend extrapolation, narrow market leadership, and dangerous disregard for valuation or long-term fundamentals.

In summary, we believe that the tranquility and robust gains experienced in recent years has begun to give way to a new environment that will be characterized by a long overdue increase in volatility and a change in market leadership. Monetary policies that have contributed to the Goldilocks environment of recent years and the mispricing of assets are in the process of reversing course at a vulnerable time. The global economic expansion is among the longest on record, fiscal deficits are widening, and debt levels are expanding. The rise of protectionist rhetoric, intensifying geopolitical risk, and the enormity of non-fundamental participants in markets further warrant a keen attention to risk.

Mindful of these complicated macro factors, our fundamental analysis reflects a high degree of conservatism, as we seek to identify a select group of attractively valued companies evaluated from a long-term perspective as if we were to buy the entire business with our own capital. Despite markets being at or near all-time highs, we still see opportunities and expect more to emerge. Overall portfolio risk is well below that of the market and our positioning is quite different, as discussed earlier and illustrated in Chart 1.

Thank you for your interest. Please contact us if you would like to discuss these or other matters in greater detail.

Sincerely,

John Hock

John DeVita

¹Performance 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.

ALTRINSC GLOBAL EQUITY COMPOSITE

FULL DISCLOSURE PRESENTATION

Year to Date	Total Firm Assets (millions)	Composite Assets			Annual Performance Results				Ex-Post Standard Deviation (3 Yr Annualized)	
		USD (millions)	% of Firm Assets	Number of Accounts	Composite		MSCI World (Net)	Composite Dispersion	Composite	MSCI World (Net)
					Gross	Net				
Q12018	7,175	1,129	16%	7	0.19%	-0.02%	-1.28%	NA	9.97%	10.47%
2017	7,259	1,153	16%	7	16.71%	15.74%	22.40%	0.25%	9.92%	10.23%
2016	7,107	1,116	16%	8	11.91%	10.98%	7.51%	0.24%	10.82%	10.92%
2015	8,927	1,523	17%	13	-0.97%	-1.81%	-0.87%	0.16%	10.78%	10.80%
2014	11,656	2,295	20%	18	2.37%	1.51%	4.94%	0.19%	11.00%	10.23%
2013	14,261	3,069	22%	20	24.40%	23.37%	26.68%	0.29%	13.53%	13.54%
2012	12,586	3,128	25%	21	12.95%	12.00%	15.83%	0.32%	16.37%	16.74%
2011	10,683	2,361	22%	18	-5.49%	-6.29%	-5.54%	0.30%	18.85%	20.15%
2010	10,621	2,087	20%	12	13.55%	12.60%	11.76%	0.35%	22.52%	23.72%
2009	9,278	1,524	16%	10	29.80%	28.72%	29.99%	0.42%	20.24%	21.40%
2008	5,537	1,553	28%	13	-32.19%	-32.78%	-40.71%	0.27%	16.34%	17.02%
2007	7,582	2,437	32%	17	1.17%	0.31%	9.04%	0.30%	8.26%	8.10%
2006	5,574	1,918	34%	16	17.02%	16.04%	20.06%	0.08%	8.05%	7.64%
2005	2,563	321	13%	8	8.61%	7.70%	9.49%	N.A. ¹	10.82%	9.66%
2004	1,603	242	15%	Five or fewer	19.48%	18.60%	14.72%	N.A. ¹	14.29%	14.74%
2003	871	162	19%	Five or fewer	46.75%	45.69%	33.10%	N.A. ¹	15.80%	17.46%
2002	561	77	14%	Five or fewer	-12.51%	-13.17%	-19.88%	N.A. ¹	N.A.	N.A.
2001	491	135	28%	Five or fewer	-10.15%	-10.83%	-16.82%	N.A. ¹	N.A.	N.A.
2000*	520	175	34%	Five or fewer	-0.87%	-1.24%	-10.91%	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 2000 represent partial period performance from July 1, 2000 through December 31, 2000.

Altrinsic Global Equity Composite is a diversified (60 - 100 holdings), bottom-up, fundamental, value oriented, Global, all cap portfolio, benchmarked to the MSCI World (Net) Index (accounts have the ability to invest in 144A stocks). The MSCI World Index is a free float-adjusted market capitalization weighted index that is designed to measure the equity market performance of developed markets. Portfolios in the composite may invest in countries that are not in the MSCI World (Net) Index. Additional information is available upon request. The minimum account size for this composite is \$5 million. Prior to January 1, 2004, the minimum account size for this composite was \$10 million. Returns include the effect of foreign currency exchange rates. Prior to April 1, 2006 the exchange rate source of the composite was Bloomberg 4pm New York close and the exchange rate source of the benchmark was WM Reuters 4pm London close.

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, 2017.

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 Global Equity Composite has been examined for the periods beginning December 8, 2000 through September 30, 2017. 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. Beginning July 1, 2005, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of at least 40% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite after the first full month under management if fully invested. Additional information regarding the treatment of significant cash flows is available upon request. 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 World (Net) Index deducts withholding tax by applying the maximum rate of the company's country of incorporation applicable to non-resident institutional investors. The normal characteristics of the transactions in the Altrinsic Global Equity Composite include the purchase and sale of forward currency contracts using a foreign exchange credit line(s) secured by the underlying assets. 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 0.85% applied monthly. Prior to January 1, 2005 the highest management fee applied was 0.75%. 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 0.85% on the first \$25 million, 0.60% on the next \$50 million, and 0.50% on the remainder. Some accounts may pay incentive fees. Actual investment advisory fees incurred by clients may vary.

The Altrinsic Global Equity Composite was created January 1, 2004. Performance presented prior to December 8, 2000 occurred while the Portfolio Manager was affiliated with a prior firm and the Portfolio Manager was the only individual responsible for selecting the securities to buy and sell.

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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.

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