



October 2024

Altrinsic Global Equity Commentary – Third Quarter 2024

Dear Investor,

The Altrinsic Global Equity portfolio gained 10.57% gross of fees (10.34% net) during the third quarter, as measured in US dollars. By comparison, the MSCI World index rose 6.36%.<sup>1</sup> Central bank policy actions, easing inflationary pressures, and expectations of a “soft” economic landing remained supportive for equities. Market leadership broadened away from a small subset of large-cap growth stocks and deep cyclicals, a trend both overdue and supported by fundamentals. Although a high degree of crowding, complacency, and lofty expectations remain in the areas that have led markets in recent years, elsewhere in global markets there are plentiful investment opportunities offering attractive value with more sustainable and/or improving earnings prospects. From our perspective, the greatest risks currently stem from macro and geopolitical dynamics, as well as corporate earnings disappointments in cyclical segments of the market.

### **Performance Review**

Outperformance this quarter was primarily driven by stock-specific factors as well as the broadening out in equity markets. The greatest sources of positive attribution included investments in the information technology (Check Point Software, Genpact, Cisco), financials (Hanover, Intercontinental Exchange, Chubb), and consumer discretionary (Alibaba, Las Vegas Sands, Lojas Renner) sectors. Our underweight exposure to utilities was the primary source of negative attribution in the quarter.

Within information technology, Check Point and Genpact performed well, and not owning Microsoft, NVIDIA, and ASML also helped. Both Check Point and Genpact are successfully refining their product offerings, improving technological and marketing initiatives, and benefitting from clients’ continued increase in digitalization.

Our financials holdings were also strong, led by Hanover Insurance, Intercontinental Exchange (ICE), and Chubb. Hanover is improving their underwriting and sharpening pricing after facing significant claims inflation and more frequent natural disasters in recent years. ICE’s core trading and data business continues to perform remarkably well, and its struggling mortgage technology business should benefit from increasing activity in a lower US interest rate environment. Chubb remains a steady compounder, producing industry-leading ROTE and low-double-digit sales growth through a combination of underwriting prowess, strong product demand, and improving cost control.



Outperformance in consumer discretionary was largely driven by Alibaba, Las Vegas Sands, and Lojas Renner. Chinese e-commerce leader Alibaba and casino operator Las Vegas Sands rallied on the back of China's stimulus announcement, which should boost consumer sentiment and activity. Brazilian retailer Lojas Renner's shares rebounded from trough levels following 2Q earnings that showed signs of improved operational efficiency (after years of investment) and positive sales growth momentum. Despite the rally, these stocks remain undervalued considering their growth and earnings potential.

### Investment Activity

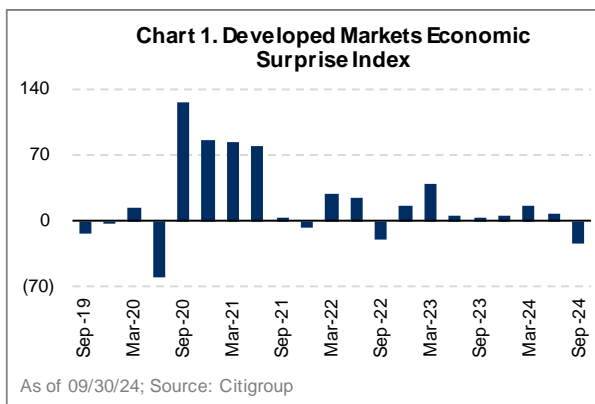
We initiated two new positions (Informa plc, WalMex) and eliminated six (Bankinter, Michelin, Haleon, Lowes, Sandoz, SAP) during the third quarter.

Informa is a leading operator of trade shows and conferences, a structurally attractive and growing form of engagement between buyers and sellers. The company has compelling cash flow dynamics, and we expect it to expand margins through improved pricing initiatives and increased adoption of its technology offerings. WalMex is the largest operator in the attractive Mexican retail sector. Alongside significant growth potential in its core retail operations, WalMex has other avenues for growth including media, e-commerce, mobile phone, and financial services. Its historical valuation premium has eroded amid near-term macro and political uncertainty, creating a buying opportunity.

All six of the positions we sold were due to share prices reaching or exceeding our base case intrinsic value estimates. Proceeds were redeployed into Informa and WalMex, as well as existing positions in consumer discretionary (Yamaha, Las Vegas Sands) and technology (Trimble, Cisco, Samsung), among others.

### Perspectives

Central bankers (with the exception of Japan) showed greater willingness to ease monetary policy as economic data points continued to surprise negatively (**Chart 1**) and inflationary pressures eased. Market volatility, as measured by the VIX index, spiked from 12 to 40 against the negative backdrop before falling to 17 as dovish central bank messaging boosted markets. A soft landing now appears to be the base case embedded in market prices.



The glass-half-full view of the global economy has aided cyclical investments since the latest stage of the bull market began in late 2022.<sup>1</sup> But not all cyclical businesses are thriving, with early warning signs coming from the consumer sector. A well-documented economic slowdown in China has also detracted from demand

<sup>1</sup> Source: MSCI, FactSet. As of 09/30/24. MSCI World Cyclical Sectors Index +64% in USD versus MSCI World +52% since 09/30/22.

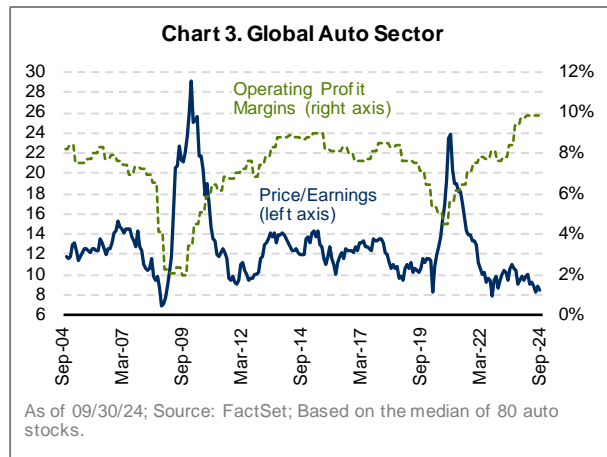
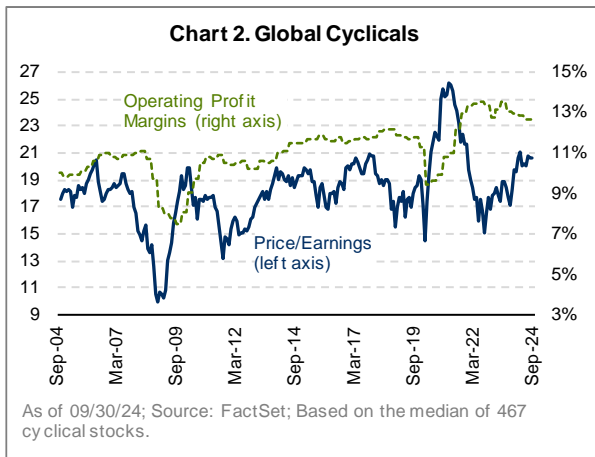


globally. And while AI demand remains robust, our channel checks with AI corporate customers are pointing to potential demand risks ahead.

*The Global Consumer*

The seemingly unstoppable buying power of the global consumer, particularly in the US, appears to be running out of steam. Since the pandemic, consumers in many developed economies received a boost from a combination of fiscal outlays and wealth benefits from rising housing and equity markets. This was most evident in the US. The COVID stimulus has now ended, and savings have been drawn down, leaving consumers to contend with an uncertain jobs market and higher-priced goods and services versus only a few years ago. Dollar stores and branded staples began feeling the effects of slowing consumer activity first. Middle-to-upper-income consumers adjusted better, but spending was still curtailed from very high levels in the past. Outside the US, COVID stimulus measures, including direct outlays, were not as significant, so while most nations and consumers did not receive the same boost during the pandemic, they are also not experiencing the same depletion in excess savings now.

Since COVID, many companies, particularly in cyclical sectors, have generated strong profit growth as supply shortages supported robust pricing gains. Simultaneously, corporates managed costs well (particularly wages), and profit margins flourished. But with activity waning, companies are now contending with an environment of slowing growth, rising competition, and increased capital spending. The result over the last few months has been a steady flow of earnings downgrades, particularly in the automotive sector. While other cyclicals trade near peak valuations on peak margins (**Chart 2**), autos have materially declined, with many trading at levels that discount the expected slowdown (**Chart 3**). We have gradually increased our investments in select auto companies, but we are approaching the sector carefully given the short-term risks to cash flows and growth.



*China, Stimulus, and Fiscal Deficits*

During a mid-September trip throughout Europe, our analysts noted waning corporate confidence in both current Chinese macro trends and the evolving competitive landscape. A softening outlook on profits, investments, and growth in China was a common theme during many conversations. Near the end of the



quarter, China announced meaningful monetary stimulus plans designed to boost consumer confidence and demand. At the macro level, the stimulus program is significant, but it is likely insufficient to provide the global economy with a major boost as it did during the GFC. The announcement did highlight a political urgency to stabilize the economy, revitalizing China’s stock performance; the MSCI China Index rose 20% in the final week of the quarter.

Unfortunately, there is no quick fix for China. The country’s aging population, political and supply chain disputes, ongoing property market challenges, meaningful debt levels, and an all-time-high fiscal deficit will likely keep a cap on economic growth in the medium term. More countries following China’s lead with large stimulus packages also seems unlikely, given their own deficit challenges. According to the IMF, developed market governments increased their deficits in 2023 by some of the largest margins outside wartime or recessionary periods. Now, most countries are contending with excessive debt and deficits, which is a particularly difficult task in a world of higher government interest payments. These issues and the related risks remain underappreciated in global markets today.

### *Artificial Intelligence Customers*

Market optimism around AI technology providers softened<sup>2</sup> in Q3, but many industry pundits seem uniformly excited about the long-term prospects. We are quite hopeful about the potential for revenue and cost-saving opportunities from the evolving technology, but after two years of share price appreciation for the technology providers and the wider food chain, we think far more shareholder value will accrue to users of AI versus producers. The bar is set high for semiconductor companies, as market caps have doubled over the last two years,<sup>3</sup> and price-to-earnings multiples, even excluding NVIDIA, are 60%+ above long-term average levels.

We continue to engage with corporate consumers of AI to learn how they are incorporating the technology and sizing the potential benefits. A simple question we often ask is, “Are the use cases you see looking transformational and worth significant investment?” Answers have been surprisingly less bullish than market activity might suggest; companies see opportunities, but the benefits largely appear to be incremental rather than transformational, at least in the medium term. A year ago, many companies sought to be industry leaders in developing AI; now, the sentiment on the ground is that more companies are happy to fall into the middle of the pack with a wait-and-see approach. They also increasingly describe the tech providers as “important but commoditized” and want more development power transferred into their own hands. The technology is continuing to evolve, and the feedback will as well, but if use cases are less compelling than originally hoped, we may see a softening in spending in the years to come – especially after a sharp bout of strong demand and limited supply.

### **In Closing**

The companies in our portfolio are trading near some of the lowest valuations in years while simultaneously possessing a high degree of resilience and attractive earnings prospects. We are experiencing solid idea flow, and plentiful opportunities with highly compelling valuations exist beyond the large benchmark constituents,

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<sup>2</sup> Source: MSCI, FactSet. As of 09/30/24. Global semiconductor-related stocks (excluding NVIDIA) were down 8.6% in local currency terms.

<sup>3</sup> Source: MSCI. As of 09/30/24. Based on the MSCI World Semiconductor Index, excluding NVIDIA.



especially outside of the US. Margin of safety is always an important element of our investment process, but it is particularly significant now considering the mounting macro and geopolitical risks, many of which seem to be largely ignored by markets.

As a final note, after a 30-year career (including 20 years at Altrinsic), our partner Andrew Waight will be retiring at the end of the year. Andrew has been a terrific colleague, analyst, and friend. He will continue as an advisor to the firm on health care and scientific issues, but his primary focus will be on enjoying this next stage in life and pursuing his many interests. The companies for which Andrew had played the lead role in investing have been transitioned to other members of the team, consistent with the long-term planning and timing of his retirement.

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

Sincerely,

John Hock  
John DeVita  
Rich McCormick

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<sup>1</sup> Performance is presented gross and net of management fees for the composite 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. Net of fee performance was calculated using the highest applicable annual management fee of 0.85% applied monthly. Policies for valuing investments, calculating performance, and preparing GIPS reports are available upon request. Past performance is not indicative of future results. The outlook and opportunities noted throughout this letter are the opinions of Altrinsic as of the date of this letter. There is no guarantee that we will be successful in implementing investment strategies that take advantage of such perceived opportunities or that any investment in the securities discussed will be profitable. Please see Important Considerations and Assumptions at the end of this letter for additional disclosures. Data sourced from FactSet, MSCI, and Altrinsic research.

# GIPS Report – Altrinsic Global Equity Composite

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 (Gross)	Composite (Gross)	MSCI World (Net)
					Gross	Net				
2024 Q2	8,400	365	4%	Five or fewer	168%	125%	1175%	N.A. <sup>1</sup>	14.41%	16.99%
2023	8,526	370	4%	Five or fewer	12.81%	11.87%	23.79%	N.A. <sup>1</sup>	14.51%	16.75%
2022	8,440	410	5%	Five or fewer	-5.99%	-6.79%	-18.14%	N.A. <sup>1</sup>	18.61%	20.43%
2021	10,533	618	6%	Five or fewer	16.36%	15.39%	21.82%	N.A. <sup>1</sup>	16.75%	17.06%
2020	8,763	691	8%	6	3.56%	2.68%	15.90%	N.A. <sup>1</sup>	16.98%	18.27%
2019	7,397	808	11%	7	24.51%	23.47%	27.67%	N.A. <sup>1</sup>	9.81%	11.14%
2018	6,284	650	10%	6	-6.11%	-6.90%	-8.71%	N.A. <sup>1</sup>	9.66%	10.38%
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%	15.1%	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. <sup>1</sup>	10.82%	9.66%
2004	1,603	242	15%	Five or fewer	19.48%	18.60%	14.72%	N.A. <sup>1</sup>	14.29%	14.74%
2003	871	162	19%	Five or fewer	46.75%	45.69%	33.10%	N.A. <sup>1</sup>	15.80%	17.46%
2002	561	77	14%	Five or fewer	-12.51%	-13.17%	-19.88%	N.A. <sup>1</sup>	N.A.	N.A.
2001	491	135	28%	Five or fewer	-10.15%	-10.83%	-16.82%	N.A. <sup>1</sup>	N.A.	N.A.
2000*	520	175	34%	Five or fewer	-0.87%	-1.24%	-10.91%	N.A. <sup>1</sup>	N.A.	N.A.

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

N.A.<sup>1</sup> - 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. The composite inception date is 1 July 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 December 31, 2023.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Altrinsic Global Equity Composite has had a performance examination for the periods beginning December 8, 2000 through December 31, 2023. The verification and performance examination reports are available upon request.

Altrinsic Global Advisors, LLC is a registered investment adviser. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy.

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. 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 US 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 investments, calculating performance, and preparing GIPS Reports 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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