

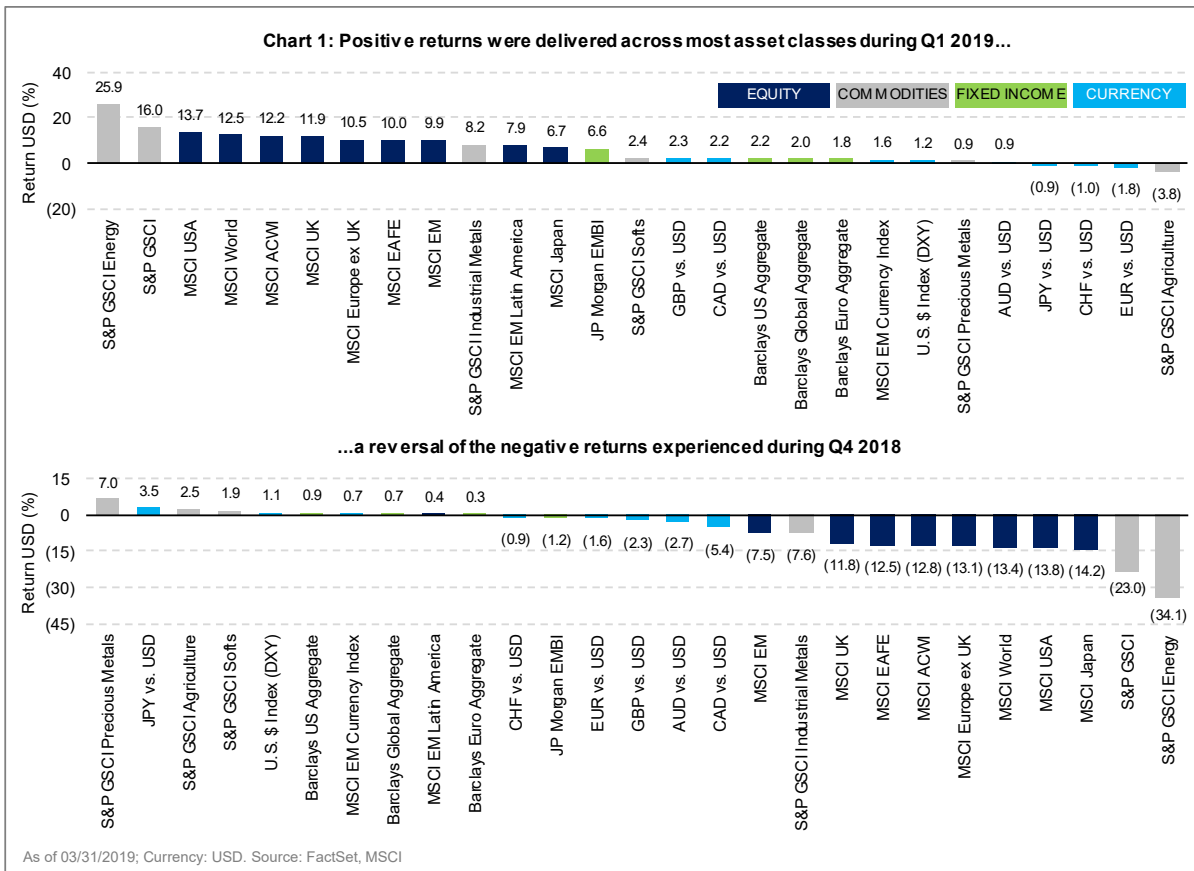


April 2019

Altrinsic International Equity Commentary – First Quarter 2019

Dear Investor,

U.S. Federal Reserve Chairman Powell's shift to more accommodative policies and improving confidence surrounding U.S.-China trade negotiations were the primary drivers of strong first-quarter gains for most asset classes. As seen in Chart 1, Q1 performance was an abrupt reversal from the fourth quarter swoon. Global equities, as measured by the MSCI World Index, gained 12.5% as measured in U.S. Dollars, led by U.S. equities and, most notably, high-priced "growth" stocks. Non-U.S. equities responded in kind, gaining 10.0% as measured by the MSCI EAFE Index. The Altrinsic International Equity composite gained 8.9% during the quarter.<sup>1</sup>



Our performance lagged the MSCI EAFE Index due to the portfolio's embedded below-market risk, not owning highly priced growth stocks, and underperformance by our telecommunications, Japanese financial, and emerging market investments. Positive attribution was delivered by holdings in the consumer discretionary and energy sectors.

Among our telecommunications investments, BT and Vodafone performed poorly as upcoming spectrum auctions weighed on near-term cash flow expectations. Attractive valuations, new management, and bottoming fundamentals provide a strong foundation for better performance in the medium term. Japanese financials weighed on performance, as low interest rates hurt profitability in an otherwise robust market environment.

Consumer discretionary stocks advanced along with the market. Shares of adidas performed particularly well amidst strong product demand and improving profitability and cash flow. Energy stocks advanced following a sharp rebound in oil prices. The combination of higher oil prices coupled with an improving outlook for oilfield capital expenditures supported strong gains by Schlumberger and Tenaris.

Investment activity during the first quarter was modest following the increase late last year, when we sought to capitalize on opportunities emerging during the carnage. We added one new investment during the quarter, auto supplier and tire manufacturer Continental AG. Continental underperformed for much of 2018 as auto production growth slowed and growth investments hit margins. These investments are growing its share of content per vehicle and strengthening its strong position in replacement tires. Over the medium term, the company's quality portfolio and R&D leverage coupled with consistent tire demand will mitigate expected auto market headwinds, making Continental among the best-positioned auto suppliers. We exited three companies, including ICICI (Indian bank), as its valuation discount narrowed, and Shire (Irish pharmaceutical), following its acquisition by Takeda. Inpex, a Japanese energy holding, was sold as we redeployed capital to more compelling opportunities, including Sumitomo Trust (Japanese trust bank), Mitsubishi UFJ (Japanese global bank), Banorte (Mexican bank), and Danone (French Consumer), to name a few.

### **Market Commentary and Portfolio Insights**

Markets responded strongly from technically oversold levels late in the fourth quarter, but we believe the primary catalyst for this rebound actually highlights the fragility and vulnerability of the global economy. U.S. interest rates barely reached 3% and the process of reducing the size of the Fed's bloated balance sheet had just begun when markets tumbled late last year. Federal Reserve Bank Chairman Powell quickly reversed course, lowering rates and putting the brakes on balance sheet contraction. The European Central Bank (ECB) extended its emergency targeted longer-term refinancing operations (TLTRO), which provide cheap funding for its fragile banking system and relief to Italian banks in particular. It seems western economies cannot tolerate any attempt at normalizing policy without risking recession.

Further reflecting the economic malaise and underlying deflationary pressures, yields on many European bonds are below zero. Together with those issued in Japan, there are approximately \$11 trillion of outstanding bonds in developed markets that “offer” negative yields. This is approximately 20% of total bonds outstanding!

China, the world's locomotive of economic growth, responded to deteriorating economic conditions with its own fiscal stimulus. China needs to deleverage its economy while preventing its growth from falling to destabilizing levels. Ten years ago, China arguably bailed out the global economy with its stimulus, but the resulting debt has risen from 100% of GDP to more than 300% and contributed to an abundance of malinvestment. Attempting to manage one of the world's more delicate balancing acts, China is also engaging

with the U.S. on important and high-stakes trade and intellectual property matters. Optimism surrounding trade negotiations was a positive catalyst for markets during the quarter. Although both the U.S. and China want a "win" and are highly motivated to reach a deal, we believe any such deal will lack durability, enforceability on key issues, and will be a source of ongoing debate.

Underlying these developments is a deeper debate with meaningful consequences for asset prices. The ongoing tug-of-war between deflation (high debt levels, technological disruption, declining tradeable goods prices, negative yielding bonds, and flat/inverting yield curves) and inflation (U.S. and Chinese labor costs, services costs, and central bank money printing) is likely to persist for longer than expected. We may have already entered a multi-year period during which this tug-of-war and the resulting policy responses lead to higher interest rate volatility and greater gyrations in asset prices compared to what we have become accustomed to over the last ten years. Further amplifying these movements will be the traditional bedfellows of greed and fear, the short-termism of market participants, a lack of liquidity in many markets, and the proliferation of pro-cyclical passive and quantitative strategies. We believe the increase in volatility is constructive and long overdue.

How do these developments and the current environment affect our positioning? We believe that nobody knows how economies and markets will pan out in the short to intermediate term. However, we do believe there is value in understanding the macro landscape and having an investment framework that respects imbalances and other distortions that can influence asset prices, including company valuations. This is an essential component of risk management. Our investments include many companies less influenced by the broad economy and/or those that have underlying investment theses based upon internal company-specific efforts to enhance value. Implementing these strategies often involves exploiting structural topline growth opportunities, boosting performance of an underperforming division, and/or improved capital allocation. For economically sensitive businesses, we are applying conservative or normalized assumptions in our analysis. This is important considering that we are ten years into one of the longest global economic expansions on record with corporate profit margins at historical peak levels. There is a dangerous amount of trend extrapolation occurring with many companies. Emerging pressures from rising labor costs, protectionist regulation, and nationalistic disputes further justify prudence.

We have a solid portfolio of investments and an attractive pipeline of investment candidates that we will capitalize on if opportune prices present themselves. The greatest number of opportunities has surfaced in the financial, healthcare, consumer, and communications industries. In aggregate, these industries represent approximately 73% of the portfolio.<sup>2</sup>

Financials (36.1% of the portfolio): Our process identifies outstanding management teams with business models in transition that are not widely recognized by the market and a willingness to take a long term view amidst macroeconomic distortions. The resulting exposure can be segmented into three clusters: Under-appreciated turnaround stories, mostly in the insurance space, led by management teams with a history of strong execution (e.g., Zurich Insurance and Willis Towers Watson); Japanese financials with potential for increased return on equity through improved cost discipline and improved capital allocation (e.g., Daito Trust and Tokio Marine); and well-capitalized banks with best-in-class customer service that are operating in structurally sound markets but trading at discounted valuations due to economic uncertainty. Examples include Banorte (Mexico) and ING (Netherlands). ING is among our first European bank purchases in several years.

Healthcare (14.4%): Like many other sectors, healthcare is also in a disruptive period as scientific advances and changing business models confront varied and complex payment methods. Add to that heightened political sensitivities and the short term nature of market participants, and we expect increased volatility to be a fixture in this sector. Constrained healthcare budgets in an environment of innovative high-priced medicines mean an increased focus on cost and outcomes in order to pay for lifesaving drugs. We concentrate our investments in companies providing these innovative drugs (Roche and Astellas).

Consumer Staples (12.1%): The consumer sector is undergoing tremendous disruption from changing consumer tastes, mass personalization, and disintermediation. Scale and bargaining power have gone from being necessary attributes to factors limiting a company's success. Against this backdrop, companies with a pathway to consistent topline growth and margin improvement potential stand out. Investments such as Nestlé and Danone have growth opportunities from portfolios centered on health, nutrition, and wellness.

Communications (10.4%): Traditional communications companies operate in a challenging environment due to regulatory pressures and technological changes. These forces have led to a sector that is highly complicated, a circumstance that can create opportunity. Cable broadband providers have strong pricing power that can increase profitability as they move away from traditional television products and focus on high-speed broadband. Traditional telecom providers deserve extra scrutiny, but businesses such as BT and Vodafone trade at multiples implying an overly pessimistic future. Elsewhere, we focus on companies possessing upside optionality, including Yahoo Japan and Baidu, which are depressing near-term profits by investing for long term growth, and Nintendo, which is still at the beginning stages of unlocking the value of its intellectual property.

A full summary of portfolio holdings, risk characteristics, and exposures is provided at the end of this letter.

What are the risks? Chinese growth, trade policy, Brexit, protectionism, populism, and Middle East instability are well-covered by the media. Despite ample news coverage of central bank policy, we believe the consequences of policy normalization and the fight between deflationary and inflationary forces are not fully appreciated. Additionally, Italy's precarious economic condition could come under greater market scrutiny as upcoming elections draw out populist and anti-EU voices with growing support. At the company level, historically high profitability measures are vulnerable to pressures emerging from rising labor costs, increased regulation (in important industries and countries), competition, disruption, and stagnating economic conditions.

There is always some risk lurking around the corner, hence our emphasis on value, company fundamentals, risk management, and a desire to capitalize on dislocations as they occur.

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We are pleased to announce that Rich McCormick, our partner and colleague for almost ten years, has joined the portfolio management team for our global and international portfolios. Rich has played a leadership role

in our financial investments, but he has also been deeply engaged across industries in collaboration with other analysts. Rich brings innate curiosity to his passion for investing. His analytical rigor, competitive spirit, and collegial demeanor have been valuable to both our investment performance and overall culture. Shortly after joining Altrinsic, Rich lived throughout Asia and Latin America. That experience coupled with Rich's ongoing travel has contributed to his combined industry knowledge and global cross-border perspective, a combination that we value deeply among our partners and analysts.

Thank you for your interest in Altrinsic.

Sincerely,

John Hock  
John DeVita

*<sup>1</sup>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. 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. Please see Important Considerations and Assumptions at the end of this letter for additional disclosures.*

*<sup>2</sup>Industry/Sector portfolio weights included here and throughout this letter are current as of March 31, 2019, are calculated using MSCI classifications and are subject to change at any time. These percentages are based upon a representative full discretionary account within the international mandate.*

# Altrinsic International Equity Composite

## Quarterly Report as of March 31, 2019

Benchmark: MSCI EAFE

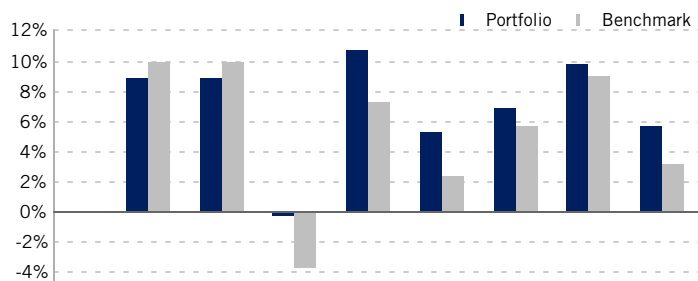
Currency: USD

Inception Date: 6/30/2000



### Performance (%)

	QTD	YTD	Annualized						Since Incep
			1 Year	3 Year	5 Year	7 Year	10 Year		
Portfolio	8.9	8.9	(0.3)	10.7	5.4	6.9	9.8	5.7	
Benchmark	10.0	10.0	(3.7)	7.3	2.3	5.6	9.0	3.2	
Excess	(1.1)	(1.1)	3.5	3.4	3.0	1.3	0.8	2.5	



### Top 10 Positions

Security	Sector	% Market Value
Chubb Ltd.	Financials	3.5
GlaxoSmithKline plc	Health Care	3.0
Astellas Pharma Inc.	Health Care	2.9
Willis Towers Watson PLC	Financials	2.9
Zurich Insurance Group AG	Financials	2.8
Sanofi	Health Care	2.7
Heineken NV	Consumer Staples	2.7
Tokio Marine Holdings Inc.	Financials	2.6
Aon plc	Financials	2.6
Danone SA	Consumer Staples	2.4
		<b>28.1%</b>

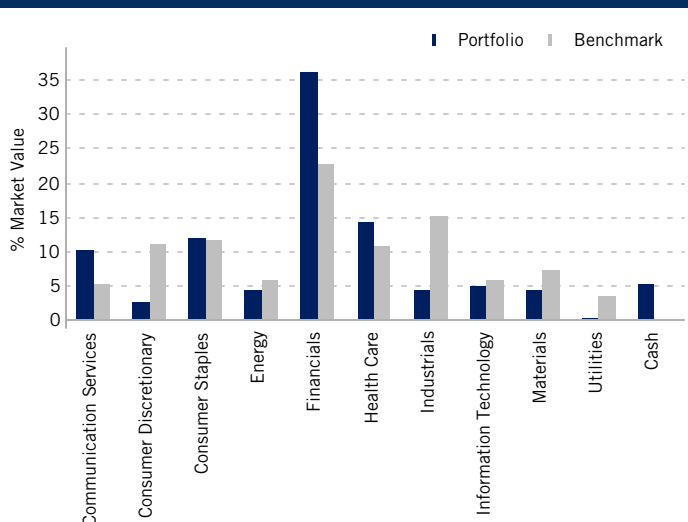
### Positions Initiated/Eliminated (1st Quarter 2019)

Initiated	Eliminated
Continental AG	ICICI Bank Ltd. ADR
	Inpex Corp.
	Shire plc

### Region Weights



### Sector Weights



### Characteristics

	Portfolio	Benchmark
Market Cap		
Weighted Average (USD M)	58,774	62,612
Median (USD M)	30,271	10,202
Portfolio Count	64	920
Dividend Yield	3.2%	3.3%
Price to Earnings	15.7x	15.1x
Price to Book	1.6x	1.6x

Performance is presented gross of management fees. Gross returns will be reduced by the investment advisory fee. The portfolio may invest in countries, sectors and securities not included in the noted index. All investments involve risk of loss. Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided.

# ALTRINSIC INTERNATIONAL EQUITY COMPOSITE

## FULL DISCLOSURE PRESENTATION

Year to Date	Total Firm	Composite Assets			Annual Performance Results				Ex-Post Standard Deviation (3 Yr Annualized)	
	Assets (millions)	USD (millions)	% of Firm Assets	Number of Accounts	Composite		MSCI EAFE (Net)	Composite Dispersion	Composite	MSCI EAFE (Net)
					Gross	Net				
Q12019	6,738	3,101	46%	10	8.91%	8.68%	9.98%	N.A.	9.19%	10.32%
2018	6,284	2,381	38%	9	-7.19%	-7.98%	-13.79%	0.45%	9.92%	11.24%
2017	7,259	2,920	40%	10	22.45%	21.43%	25.03%	0.23%	11.35%	11.83%
2016	7,107	3,048	43%	16	8.86%	7.94%	1.00%	0.16%	12.14%	12.46%
2015	8,927	3,307	37%	19	0.16%	-0.69%	-0.81%	0.20%	12.01%	12.46%
2014	11,656	3,453	30%	24	-4.54%	-5.35%	-4.90%	0.12%	12.09%	13.03%
2013	14,261	3,608	25%	22	20.26%	19.26%	22.78%	0.32%	14.27%	16.25%
2012	12,586	3,057	24%	23	13.27%	12.32%	17.32%	0.23%	16.99%	19.37%
2011	10,683	2,671	25%	21	-9.90%	-10.67%	-12.14%	0.49%	18.82%	22.43%
2010	10,621	3,339	31%	19	11.61%	10.67%	7.75%	0.49%	22.25%	26.23%
2009	9,278	2,482	27%	10	29.28%	28.21%	31.78%	1.20%	19.75%	23.58%
2008	5,537	1,584	29%	9	-33.96%	-34.54%	-43.39%	0.28%	16.35%	19.24%
2007	7,582	1,840	24%	9	5.83%	4.93%	11.17%	0.27%	8.45%	9.43%
2006	5,574	947	17%	6	22.13%	21.11%	26.35%	0.13%	9.09%	9.33%
2005	2,563	530	21%	Five or fewer	10.98%	10.05%	13.56%	N.A. <sup>1</sup>	11.64%	11.39%
2004	1,603	262	16%	Five or fewer	23.37%	22.46%	20.25%	N.A. <sup>1</sup>	14.06%	15.43%
2003	871	155	18%	Five or fewer	41.87%	40.84%	38.60%	N.A. <sup>1</sup>	16.31%	17.81%
2002	561	87	16%	Five or fewer	-6.58%	-7.28%	-15.94%	N.A. <sup>1</sup>	N.A.	N.A.
2001	491	22	4%	Five or fewer	-14.74%	-15.39%	-21.45%	N.A. <sup>1</sup>	N.A.	N.A.
2000*	520	29	6%	Five or fewer	-6.56%	-6.91%	-10.53%	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.

Altrinsic International Equity Composite is a diversified (60 – 100 holdings), bottom-up, fundamental, value oriented, Global-ex U.S., all cap portfolio, benchmarked to the MSCI EAFE (Net) Index. The MSCI EAFE is a free float-adjusted market capitalization index that is designed to measure the equity market performance of developed markets, excluding the U.S. & Canada. Portfolios in the composite may invest in countries that are not in the MSCI EAFE (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, 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 International Equity Composite has been examined for the periods beginning December 8, 2000 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. 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 the United States and Canada. The MSCI EAFE (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 0.85% 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 International 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.

## **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.

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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.

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