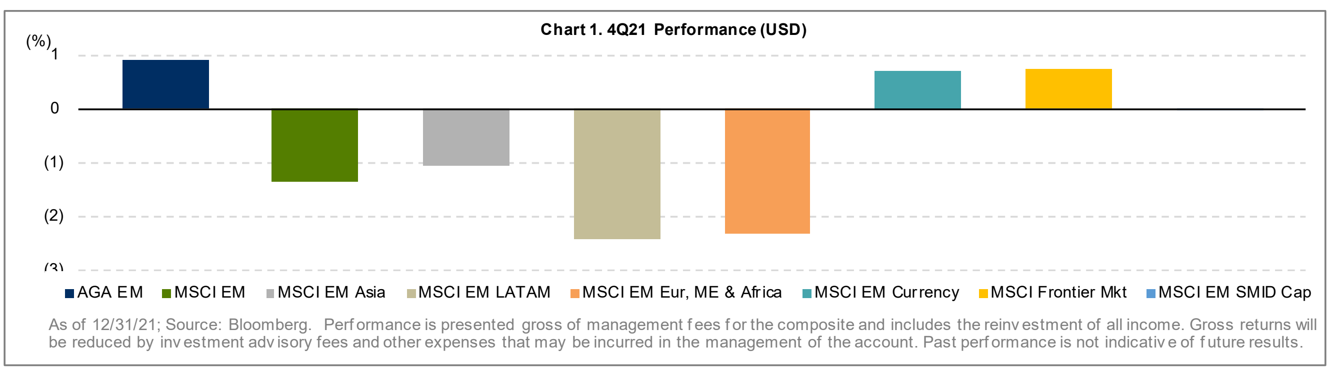
January 2022

Altrinsic Emerging Markets Opportunities Commentary – Fourth Quarter 2021

Dear Investor,

Global policy normalization was the key factor driving markets during the fourth quarter. Responses to inflationary pressures have varied, but many emerging markets have been progressive in raising rates. While this weighed on the relative performance of emerging market equities versus global equity markets, it may prove to be prescient. In addition, the more proactive interest rate policies have not gone unnoticed in the currency markets, as the MSCI EM Currency Index remained near its all-time highs. Exceptions included countries that posted higher than expected inflation levels including Turkey, Colombia, South Africa, Hungary, and Chile.

The Altrinsic Emerging Markets Opportunities portfolio gained 0.7%, compared to the MSCI Emerging Market Index's decline of 1.3%, as measured in US dollars[i]. Performance within the index varied by individual markets and segments (**Chart 1**); regionally, both Latin America and EMEA were the weakest links with Asia delivering better returns. Within our portfolio, positive attribution came from our overweight exposure in the communication services and consumer discretionary sectors, as well as smaller markets including Egypt, Indonesia, and Thailand.



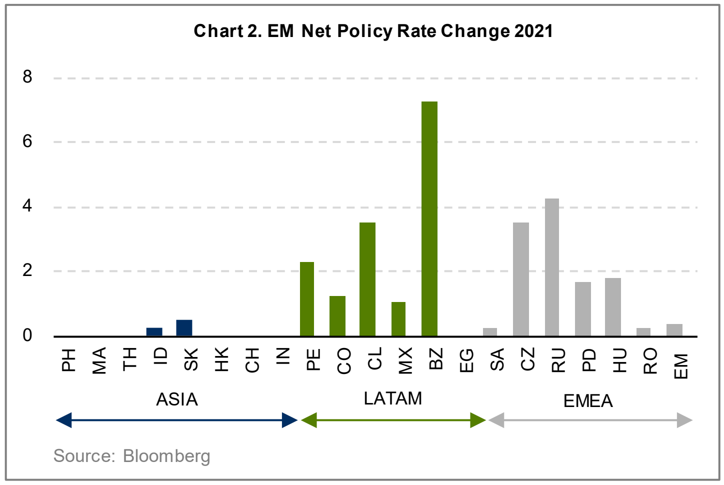
Perspectives

Looking out into 2022, there are three main drivers shaping our views: 1) the impact of US Federal Reserve policy normalization on EM economies, 2) risks associated with continued COVID-19 challenges and EM political calendars, and 3) the potential for strong growth environments within the "South Asian Tigers" nations[1].

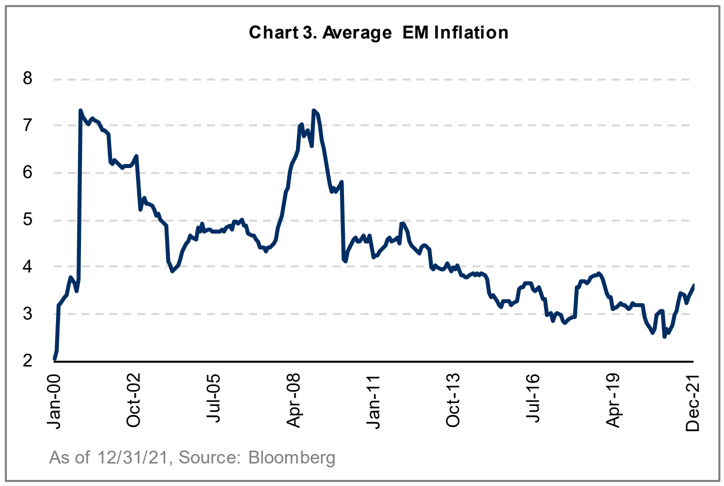
[1] We define the "South Asian Tigers" region as the Tiger Cub economies – Indonesia, Malaysia, Philippines, Thailand, and Vietnam – plus India.

1. What does Fed policy normalization mean for EM in 2022?

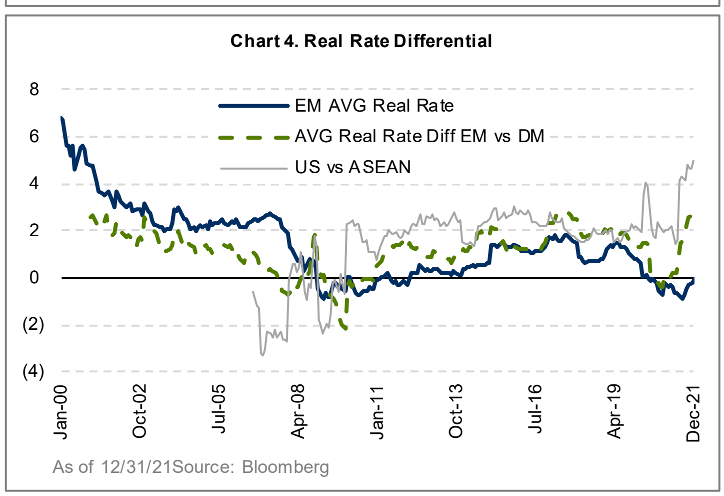
As the US Federal Reserve questioned transitory aspects of American inflation and signaled the likelihood of policy normalization in early December, EM equity performance stabilized, albeit with some volatility in currencies. In our [2Q 2021 letter](), we highlighted that past tightening episodes preceded periods of strong performance for emerging market equities. EM countries are currently in much better shape than at the start of past hiking cycles, and we believe that current market conditions could support a similar pattern of strong performance in the years ahead. Contributing factors include signals of very orthodox policy making within emerging market countries, inflation at decade lows, and high real interest rate differentials.



Policymaking: Many emerging market countries have demonstrated orthodox policymaking, being ahead of the curve with respect to addressing inflationary pressures throughout 2021 (**Chart 2**). In Latin America, all large economies have raised interest rates with Brazil leading the pack. Hungary and Russia have also been proactive. This shows that EM policymakers appear to be more in control of their own monetary policies relative to past hiking cycles.



Inflation: On average, inflation in emerging markets remains at decade lows (**Chart 3**), from China's last reported quarterly number of 0.8% to average ASEAN[2] levels of 2%. Indeed, for specific countries such as Brazil and other parts of Latin America, which has been one pocket of rising inflation, we are seeing higher levels. Policymakers in the region have been tackling the issue head on, and we believe inflation is now near peak levels in many of those countries.



Real Interest Rate Differential: The real interest rate differential between emerging and developed markets is a meaningful, positive anchoring point because it is indicative of the health of EM economies entering a rate hiking cycle (**Chart 4**). First, real rate differentials in EM economies are higher now than they have been prior to previous hiking cycles and therefore EM central banks will not have to act as quickly to stay in step with the Fed when it begins to raise rates. This means policies can remain accommodative for a longer period in

[2] For the purposes of our analysis and our investments, we are using the MSCI ASEAN Index definition, which includes Indonesia, Thailand, Malaysia, Philippines, Singapore, and Vietnam.

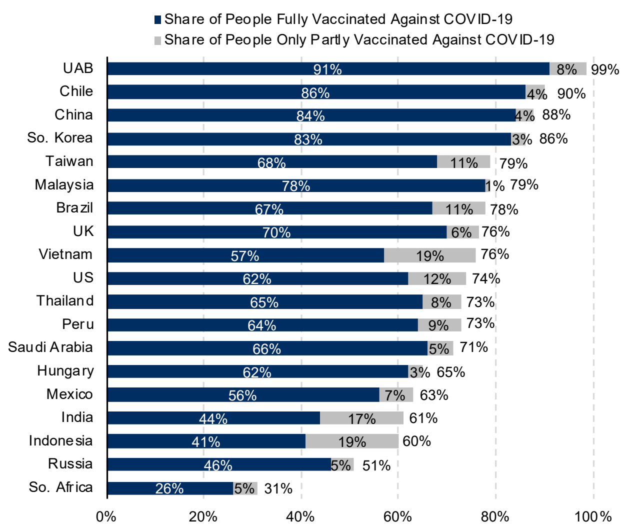
the aftermath of the pandemic. In addition, relative to history, real rates in EM countries are currently low, suggesting that these economies will be able to digest any future rate increases more easily.

2. What are the key risks we will be watching in 2022?

Investing in emerging markets requires a careful assessment of a wide array of risks. In the coming year, however, two specific topics are top of mind – the continuation of COVID-19 related impacts and continued geopolitical tensions combined with a busy political calendar in many emerging markets countries.

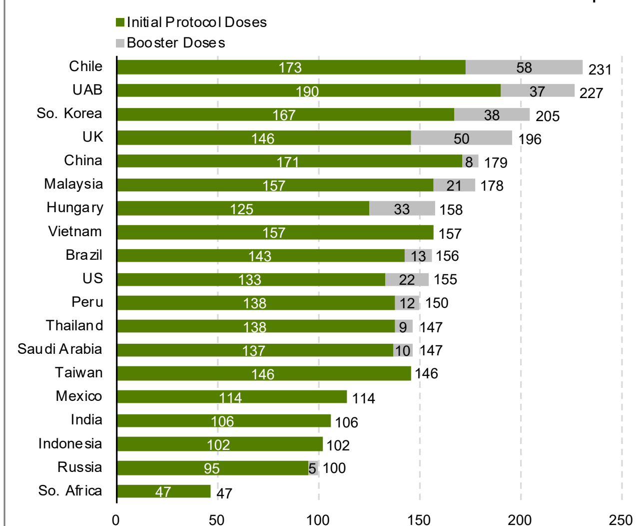
COVID-19: We look forward to the day when COVID-19 will be considered a "regular," consistent risk affecting all markets instead of a somewhat unpredictable and continually evolving risk. Unfortunately, based on our assessment of the data for emerging markets, we have not reached that point yet. Although many EM countries have vaccination rates above 70%, booster shots are just ramping up (**Charts 5 and 6**). Additionally, the rise in the Omicron variant has been disruptive, especially for China and other countries that have implemented "zero-COVID" policies. Since Omicron first appeared in December, several Tier 1 cities, including Xian and Tianjin have gone into lockdown. Meanwhile, we expect other EM countries to use less restrictive measures, including targeted and partial lockdowns. All types of restrictions will undoubtedly slow economic activity and delay broad recoveries, but the type of measures implemented will determine the degree of disruption for each economy.

Chart 5. Share of People Vaccinated Against COVID-19



As of 01/04/22; Source: Our World in Data. Note: Alternative definitions of a full vaccination, e.g. having been infected with SARS-CoV-2 and having 1 dose of a 2-dose protocol, are ignored to maximize comparability between countries.

Chart 6. COVID-19 Vaccine Initial Doses and Boosters Per 100 People



As of 01/04/22; Source: Our World in Data. Note:Total number of doses administered, broken down by whether they are part of the initial protocol or booster doses, divided by the total population of the country.

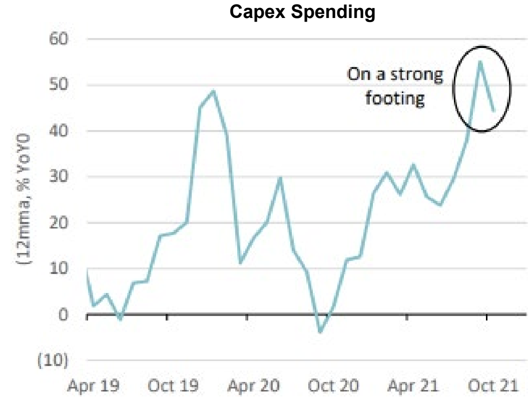
Political Calendars & Geopolitical Tensions: Several major EM countries will also face the potential of political surprises in 2022. New head of state elections are due in China, Brazil, Colombia, and Korea. In addition, some of India's most politically important states will also go to the polls, providing some advance insight on how Modi's government may fare in 2024's general election. Geopolitical tensions remain elevated in Russia and China, as well as within their spheres of influence. This has the potential to create significant volatility in both currencies and underlying equity markets but also provide us with more favorable entry points in certain instances.

3. What developments are we watching for China and the 'South Asian Tigers'?

Investors will undoubtedly focus on the Chinese 'Year of the Tiger' and what luck that may bring for Chinese equities after mixed performance in 2021. Our focus in China remains on the evolution of the "zero-COVID" policy during the first quarter and the key messages coming from the Two Sessions[3] in March.

We will also be focusing on the economic performance of the wider "South Asian Tigers" region, in which we include India, Indonesia, Vietnam, Thailand, the Philippines, and Malaysia. This region has the potential to be one of the strongest growth environments globally due to a combination of infrastructure projects, domestic demand recovery, continued foreign direct investment, and Asian supply chain relocation efforts. India, Indonesia, and Vietnam each have a unique set of factors that contribute to attractive investment opportunities.

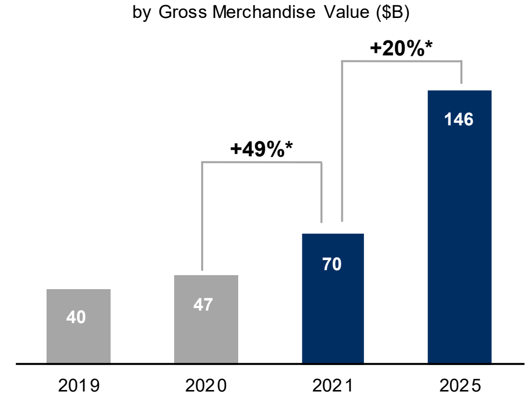
Chart 7. India's Central Government Capex Spending



Source: CMIE, Edelweiss Research

India: India's government capex, driven by infrastructure, posted a 40% growth rate in the current fiscal year (**Chart 7**). Visibility around government spending will remain high for the next few years and provides further tailwinds for our holdings including Larsen & Toubro (an Indian engineering, procurement, and construction company) and Petronet LNG (India's key gas pipeline operator). In addition, India is making strong inroads in renewable energy infrastructure with the recent launch of the National Hydrogen Mission. One of our investments, Reliance Industries (Indian energy company), is at the forefront of this energy transition.

Chart 8. Indonesian Internet Economies
by Gross Merchandise Value ($B)



Source: Bain analysis. *CAGR%

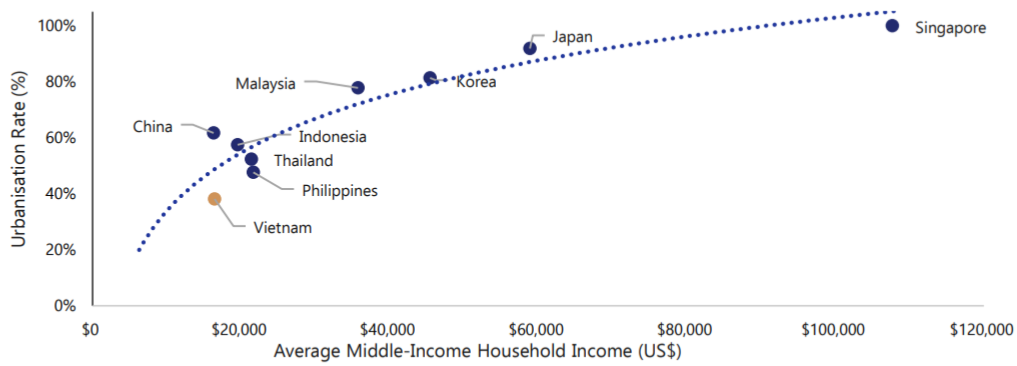
Indonesia: Domestic demand in Indonesia looks promising, particularly as e-commerce proved resilient throughout 2021. E-commerce is expected to grow at 20% CAGR through 2025 (**Chart 8**), one of the highest rates in the ASEAN region. The digital channel is particularly important to unleashing private consumption in the country. Indonesia's high level of smartphone penetration and strong data consumption provide a favorable springboard for the continued strengthening of digital consumption. Our holding Telkom Indonesia (Indonesian telecommunications) facilitates the data infrastructure in the country that will allow this trend to continue. As an investor, its venture investment portfolio is also an attractive and unique characteristic, providing us indirect access to local plays within the health care, fintech, agriculture, and consumer sectors, among others.

We are also well positioned to benefit from the digital acceleration through our investments in financial services companies. Bank Mandiri's (Indonesia's largest bank) digital banking app called Livin' is expected to deepen relationships with the banks' 30 million existing customers and generate new business though comprehensive banking experiences and a full suite of financial services offerings. This platform will create an open ecosystem for the bank to interact in ways beyond providing banking services.

[3] Every March almost 5,000 delegates come to Beijing for the meeting of the National People's Congress (NPC) and the Chinese People's Political and Consultative Conference (CPPCC), referred to as the *lianghui*, or two meetings.

Vietnam: Despite a COVID-19 flare-up in 2H21, Vietnam continued to attract higher levels of foreign direct investment, which we expect to continue. Beyond creating local infrastructure and employment opportunities, foreign investments drive higher levels of urban income and consumption. Our exposure to Vinhomes (Vietnamese real estate) should capitalize on the healthy urban demand, and the development of metropolitan infrastructure should support housing demand in outer districts as well (**Chart 9**).

Chart 9. A Ramp-up in Urbanization and Middle-income Household Wealth, Leading to Demand for Quality Housing



Source: Economist Intelligence Unit, Ministry of Planning and Investment (via VINHOMES JSC Corporate Presentation: https://ir.vinhomes.vn/wp-content/uploads/2022/01/VHM_Corporate-Presentation_vF.pdf). Note: Middle income population defined as households with income of more than US$10,000 per annum.

Performance and Investment Activity

Key positive contributors to our outperformance relative to the benchmark were our overweight exposure in the communication services and consumer discretionary sectors, overweight positioning in smaller markets including Egypt, Indonesia, and Thailand, and our underweight exposure in health care and Chinese stocks. These portfolio positions more than offset the small detractors from the industrials (A-living) and financials (Banco de Chile, Porto Seguro) sectors.

Continuing the strong performance from Q3, communication services was again driven by PT Telkom (Indonesia) and Advanced Information Services (Thailand) but also amplified by a strong recovery in NetEase (China). NetEase, China's second largest video gaming company, delivered a better than expected earnings report and has good momentum with existing games. We also anticipate the resumption of new game approvals by the Chinese regulators, as the regulatory environment for gaming specifically seems to be shifting more favorably now. In consumer discretionary, some of our Chinese holdings staged a strong upturn (Minth, Hangzhou Robam). Finally, our prudent exposure to the very expensive health care sector also kept us away from many Chinese companies impacted by political and regulatory concerns.

Geographically, the greatest sources of positive attribution came from our holdings in China (Minth, Hangzhou Robam, NetEase), Egypt (Commercial International Bank of Egypt), and Indonesia (Bank Mandiri, PT Telkom). These more than offset smaller detractors coming from our investments in South Africa (Vodacom, Sanlam) and Brazil (Lojas Renner, Porto Seguro).

Portfolio activity was low this quarter. We added to some of our Chinese and Vietnamese holdings while also trimming some gains in our Indian stocks. In China, we added to Hangzhou Robam, a kitchen appliances company that we see over-discounting fears associated with its small exposure to the real estate channel. The company has been transparent about its efforts to de-emphasize its real estate channel exposure, focus on online and offline sales, and develop new earnings drivers, including integrated stoves. We also added to Minth, an auto parts manufacturer, after the company provided a better outlook for its growing electric vehicle component business. During recent COVID-19 induced market volatility in Vietnam, we took advantage and added to our holdings (Vinhomes, Vietnam Dairy), as the discounts to intrinsic value widened. Similarly, due to market volatility, we also added selectively in Brazil. In India, we trimmed one of our holdings that re-rated very strongly (HCL Technologies).

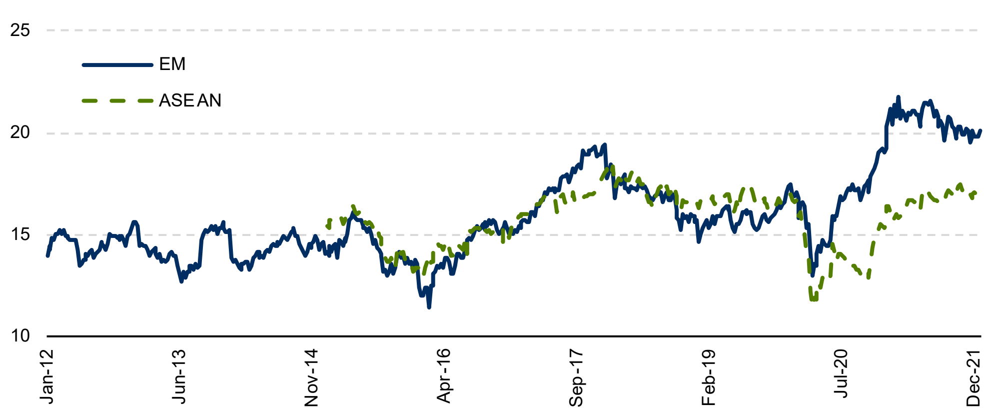
We continue to see the long-term drivers in place for increased consumption across the emerging markets while valuations remain some of the most attractive in the broad EM historical context.

Looking Ahead: The Year of the Tiger…Cubs?

2021 was a volatile market for broad EM indices, and especially for its largest market, China. 2022 is the Year of the Tiger in the Chinese zodiac. In China, the Tiger is known as the king of all beasts, and according to popular beliefs, its zodiac sign is a symbol of strength, wisdom, and bravery. Only time will tell whether ancient Chinese astrology holds the crystal ball for market success.

Based on current valuations, some pockets of the Chinese market look attractive, but perhaps even more compelling are valuations within the Tiger Cub economies (**Chart 10**) – the five dominant developing nations in Southeast Asia.[4] 2022 could turn out to be a seminal year for many of these countries, particularly because on January 1st the world's largest free trade agreement – the RCEP[5] – took effect, and the Tiger Cubs stand to be some of the greatest beneficiaries.

Chart 10. Long Term Price Earnings Ratio



As of 01/07/22, Source: Bloomberg

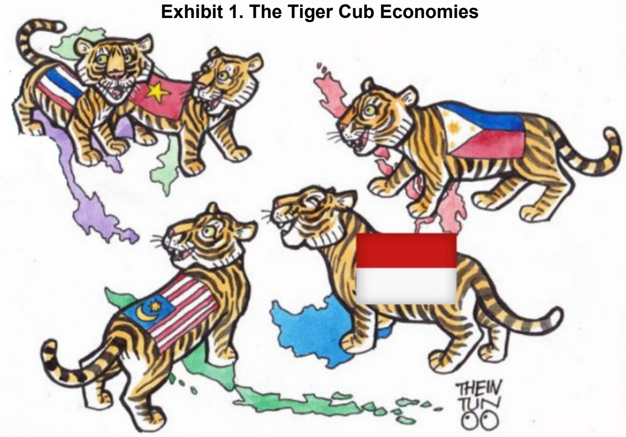
The five countries in the Tiger Cub region (**Exhibit 1,** next page) represent a total population of 584 million people. The median age in each country ranges from 26 to 39 years old, and these youthful populations will contribute to growing and prosperous economies. Beyond the demographic dividend unfolding this decade, we are also looking

[4] The Tiger Cub Economies collectively refer to the economies of the developing countries of Indonesia, Malaysia, the Philippines, Thailand and Vietnam, the five dominant countries in Southeast Asia. (Source: Wikipedia).

[5] The Regional Comprehensive Economic Partnership (RCEPis a free trade agreement among the Asia-Pacific nations Australia, Brunei, Cambodia, China, Indonesia, Japan, South Korea, Laos, Malaysia, Myanmar, New Zealand, the Philippines, Singapore, Thailand, and Vietnam. The 15 member countries account for about 30% of the world's population (2.2 billion people) and 30% of global GDP ($26.2 trillion), making it the largest trade bloc in history. It is the first free trade agreement among the East Asian countries of China, Japan, and South Korea, three of the four largest economies in Asia. (Source: Wikipedia)

forward to various market-friendly reforms, including those promoting Vietnam from frontier to emerging market status. These potential developments excite us as investors in emerging markets, as a key point of differentiation for our EM strategy is Tiger Cub exposure equating to approximately 11% of the portfolio (relative to about 5% in the MSCI EM index), including direct investments in (currently) frontier-status Vietnam.

Exhibit 1. The Tiger Cub Economies



Source: https://www.mmtimes.com/news/myanmars-economy-kitten-among-tigers.html

We look forward to capitalizing on the opportunities that could present themselves if the Tigers begin to roar in 2022 and beyond!

Thanks for your interest in Altrinsic.

Sincerely,

Alice Popescu

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[i] *Performance is presented gross 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. 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 Emerging Markets Opportunities Composite

	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 (Gross)	Composite (Gross)	MSCI EM (Net)
2021	10,533	72	1%	Five or fewer	-2.85%	-3.54%	-4.72%	N.A.[1]	N.A.1	N.A.1

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 2021 represent partial period performance from April 1, 2021 through December 31, 2021. The composite inception date is 1 April 2021.

The Altrinsic Emerging Markets Opportunities Composite is a diversified (typically between 60 - 90 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. The Altrinsic Emerging Markets Opportunities Composite invests in all capitalizations with no stated caps on small and mid-cap companies. 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 June 30, 2021.

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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. 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 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 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 0.95% 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 investments, calculating performance, and preparing GIPS Reports are available upon request.

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The Altrinsic Emerging Markets Opportunities Composite was created and incepted April 1, 2021

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