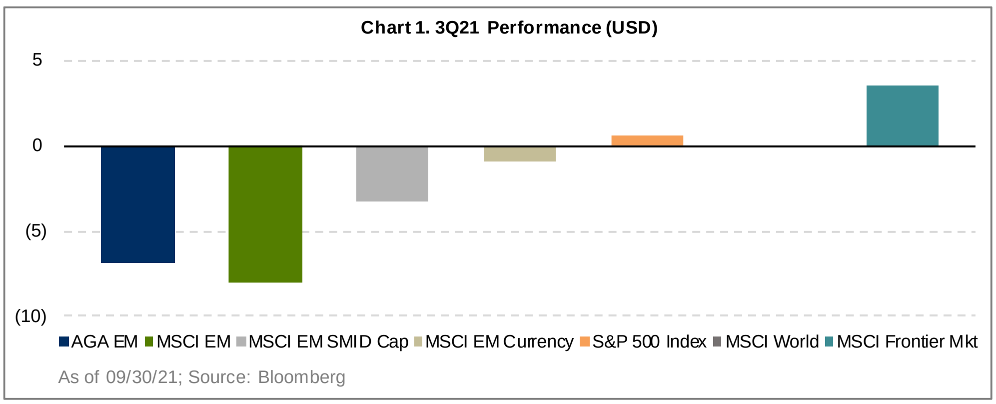
October 2021

Altrinsic Emerging Market Equity Commentary – Third Quarter 2021

Dear Investor,

The Altrinsic Emerging Markets Opportunities portfolio declined by 6.9%, outperforming the 8.1% decline of the MSCI Emerging Markets Index, as measured in US dollars.[1] Positive attribution came from our underweight exposure to China internet and related stocks, our broad overweight in Indian equities, and our differentiated approach to communication services. Significant volatility within emerging markets, driven particularly by its largest market, China, defined the quarter.



Perspectives

Emerging market equities underperformed developed markets; however, performance varied by individual markets and segments within EM (**Chart 1**). Regionally, trends from prior quarters persisted, with North Asian countries' mega cap technology stocks remaining under pressure. South American markets also underperformed driven by various election cycles in the region. Meanwhile, select South Asian markets, smaller Central and Eastern European economies, and frontier markets fared better. Across the capitalization spectrum, small and mid cap stocks demonstrated strength relative to large and mega cap stocks, outperforming the broad emerging markets. The MSCI Emerging Markets Currency Index remained near all-time highs, albeit with significant volatility in South American currencies including the Brazilian real, Peruvian peso, and Chilean peso, induced by the higher-than-expected inflation figures and political volatility.

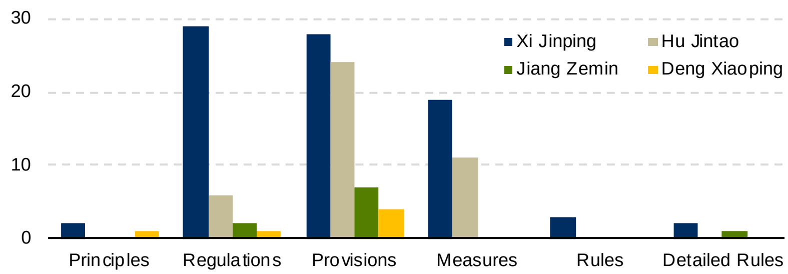
Based on our research and immersion into relevant ecosystems, the following highlights distill the large-scale Chinese regulatory changes affecting various industries and pervading media coverage.

[1] *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.*

1. The wave of regulatory actions is not over yet

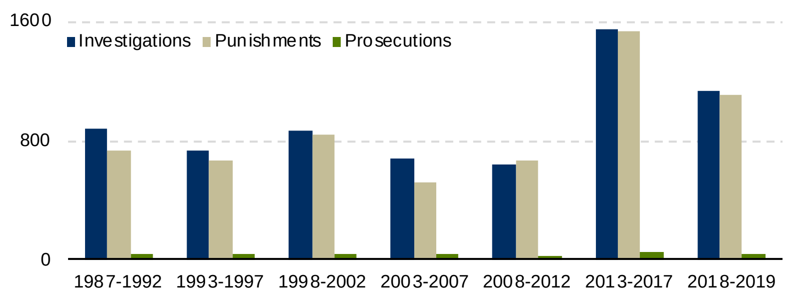
The Chinese 20th Party Congress[2] taking place in November 2022 is likely to be a major event in the country's political and economic history. With Beijing's leadership constantly reminding the market of its focus on "common prosperity," we believe that the regulatory environment will remain heightened. Consistent with his record, President Xi Jinping is widely expected to solidify his power and retain unprecedented control (**Chart 2**). Key Politburo[3] leadership bodies will be renewed, with plenty of figures angling for powerful positions. Given Xi's stronghold of Chinese Communist Party ("CCP") cadres[4] thus far (**Chart 3**), vying for positions will be a function of carrying out the party's tightening grip on the economy, resulting in a continued hawkish environment leading up to the congress. Amidst the noise and uncertainties, we expect Chinese equities to remain volatile.

Chart 2. Xi Passed More Party Regulations than Predecessors



Source: CCP Organization Department; MacroPolo. Note: Number of operative Central CCP Regulations (zhongyang dangnei fagui) that were passed (introduced or most recently amended) by each paramount leader, listed by regulation type in decreasing order of authority. These data exclude the CCP Constitution, amended by every reform-era Party Congress.

Chart 3. Record Number of CCP Cadres Under Scrutiny (1000s)



Source: CCP Central Commission for Discipline Inspection; MacroPolo. Note: Due to missing data, investigations and prosecutions data for 2018 are interpolated, and the prosecutions data point for 2007 is inferred as the mean of annual prosecutions from 2003-2006.

2. Not all regulations are bad

July's heavy regulatory storm started with a focus on internet companies, but we have seen intervention widen to cover financial risk, data security, demographics, education, and health care.

Antitrust regulations can level the playing field for smaller companies, while also opening up the ecosystem of large incumbents to other industry players. We believe that our investment in JD.com, an e-commerce player, is favorably impacted by the State Administration for Market Regulation ("SAMR") decision to eliminate exclusivity clauses from leading e-commerce platforms. This is an opportunity for JD.com to gain market share as brands and merchants look to diversify their platform exposure.

Additionally, the recent regulatory changes in the health care and education industries, as well as the relaxation of demographic policies, should go a long way to accelerate consumption. The Chinese household savings rate is one of the highest in the world, driven by families' need to account for additional expenditures on services like after-school tutoring and medical expenses. Over time, as citizens gain greater access to, and confidence in, Chinese public services, we should see positive developments like lower savings rates and higher consumption. These trends will manifest over years – or even decades. China takes a generational view, compared with the 4- or 6-year electoral cycles common elsewhere. This timeline often does not coincide with

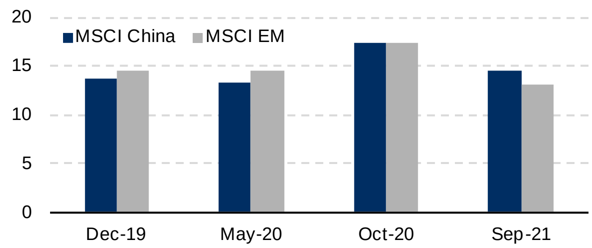
[2] A communist party congress that is held every five years and is the public venue for leadership changes and changes to the Chinese Communist Party's (CCP) Constitution.
[3] A politburo or political bureau is the executive committee for communist parties.
[4] In China, a cadre refers to any person in a position of certain authority or responsibility subject to CCP oversight.

the shorter-term (12 to 18 month) discounting of equity markets; therefore, we do not expect positive regulatory implications to be rewarded rapidly.

3. Relative to other EM countries, China valuations are not particularly attractive

The new regulatory reality is still uncertain, so comparing current fundamentals to historical levels may prove overly optimistic. Key sectors including technology, communication services, and consumer discretionary still discount a return to better days (**Chart 4**). In fact, the premium relative to the broad market has increased significantly despite the precipitous stock declines (**Table 1**).

Chart 4. Price/Earnings Forward



Source: Bloomberg

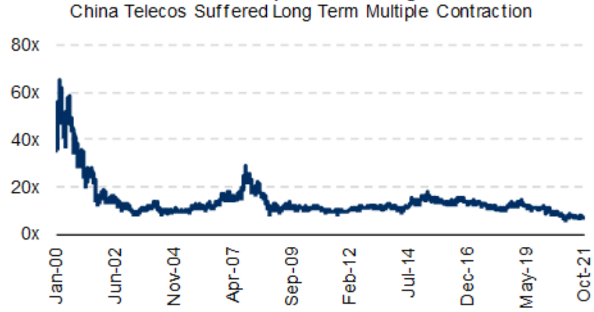
Table 1. Price/Earnings Forward Premium (discount)
MSCI China vs. MSCI EM (market & select sectors)

	Market	Cons Disc	Info Tech	Comm Svcs
Dec-19	-6.0%	19.8%	26.8%	2.8%
May-20	-8.4%	11.0%	40.6%	2.0%
Oct-20	-0.4%	10.9%	61.6%	7.7%
Sep-21	10.3%	25.6%	43.7%	36.1%

Source: Bloomberg

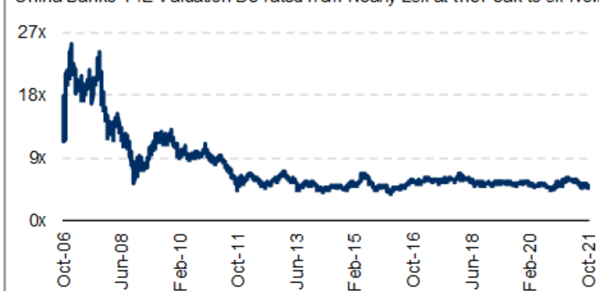
Recent comments from the Chinese central bank and other regulators (SAMR & Cyberspace Administration of China, or "CAC") suggest a more controlled, regulated environment for the leading tech and platform companies, mirroring the telecom (**Chart 5**) and banking (**Chart 6**) industries. Looking back, sector performance and valuations following the introduction of structural regulatory oversight led to structural de-rating in both banking and telecoms. Under new cyber security regulations, large platform companies could be deemed Critical Information Infrastructure ("CII") operators, implying greater government oversight and lower profitability.

Chart 5. Forward P/E Multiple of a Leading Chinese Teleco
China Telecos Suffered Long Term Multiple Contraction



As of 10/18/21; Source: BofA ML Global Research, Bloomberg

Chart 6. Forward P/E Multiple of the H-share China Bank Sector
China Banks' P/E Valuation De-rated from Nearly 25x at the Peak to 5x Now



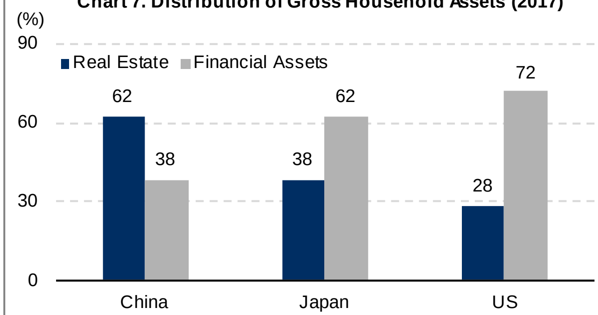
As of 10/15/21; Source: BofA ML Global Research, Bloomberg

4. Amid chaos, there is also opportunity

Policy and regulatory implementation can be at odds, but periods of uncertainty breed opportunity. The property sector has always been a key policy tool for the Chinese government. It has been used to stimulate broader economic activity, as observed in January 2008 (shantytown redevelopment), October 2011 (discounted mortgage rates, bank reserve ratio cuts), and January 2014 (differentiated mortgage loan policies). In the current cycle, the government has remained focused on promoting "common prosperity" and suppressing speculative activity.

In the fall of 2020, China implemented three red line policies[5] for developers and two red line policies for lenders to limit leverage and bring stability. The Evergrande fallout is an example of what happens with lower lending quotas and decreasing ability to fund. The real estate sector remains important to policymakers, given approximately two-thirds of China's household wealth is tied to real estate (**Chart 7**) and the homeownership rate is well over 90%. We believe that policymakers are closely watching the sector and will step in when/if needed to maintain stability and ensure no systemic threats emerge.

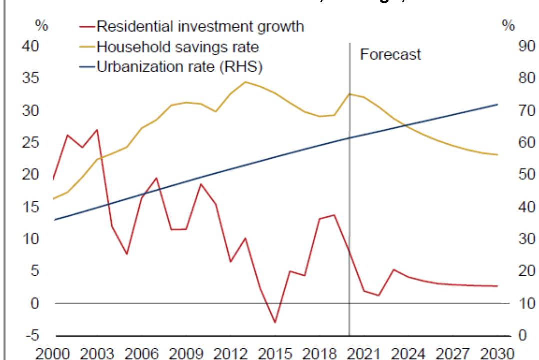
Chart 7. Distribution of Gross Household Assets (2017)



Source: McKinsey Global Institute

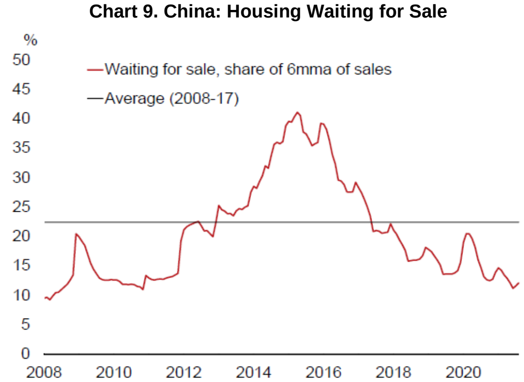
With "common prosperity" in mind, social unrest is a key consideration for those consumers at risk of losing their deposits with financially unstable developers. High savings rates and a continued policy toward urbanization will continue to support the property segment. We observe healthy housing inventories, attractive historical mortgage rates, and targeted urbanization levels of 65% by 2025 (**Charts 8-10**).

Chart 8. China: Resi. Investment, Savings, Urbanization



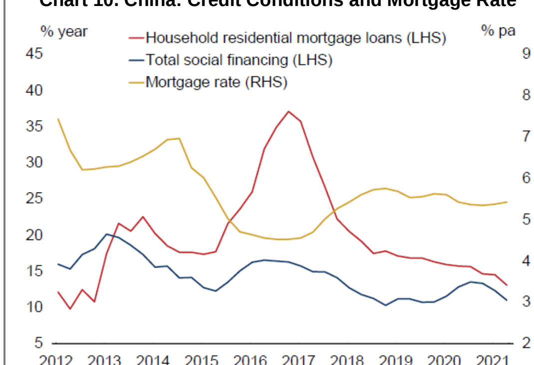
Source: Oxford Economics, Haver Analytics

Chart 9. China: Housing Waiting for Sale



Source: Oxford Economics, CEIC

Chart 10. China: Credit Conditions and Mortgage Rate



Source: Oxford Economics, CEIC, Haver Analytics

[5] China's "three red-lines" are a set of policies that force deleveraging to improve the financial health of the real estate sector. https://www.ubs.com/global/en/asset-management/insights/china/2021/china-three-red-lines.html

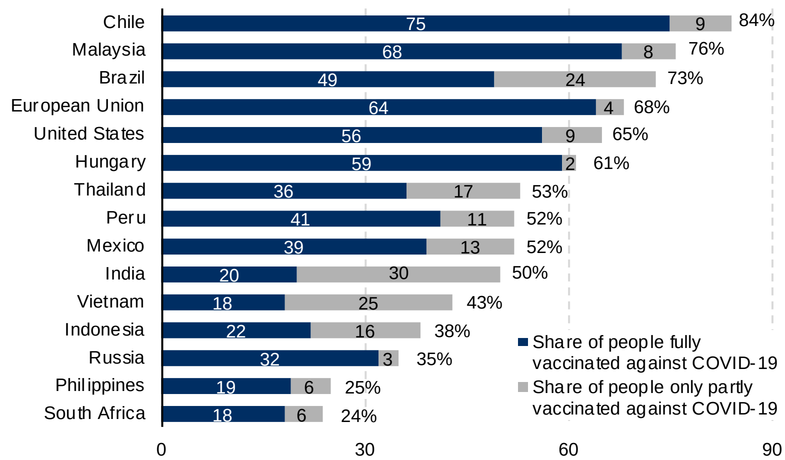
High-quality property developers like China Resources Land and China Overseas Land are financially well equipped to capitalize on the disruption caused by the new policies. Each passes the government's three red line rules and has development plans aligned with central policies included in 14th Five Year Plan. Similarly, A-living, an asset-light property management company, is set to deliver superior earnings growth over the next few years.

Update on COVID-19 Progress

In addition to the Chinese regulatory environment, the ongoing COVID-19 pandemic is one of the most influential macro factors affecting emerging markets today. We were particularly encouraged by the rapid progress of COVID-19 inoculation (**Chart 11**) across many emerging markets, including steep increases in vaccination rates across Brazil, Malaysia, Peru, Thailand, and (more recently) Vietnam and Indonesia (**Chart 12**). This progress exceeds our expectations and presents favorable implications in terms of the re-opening of various economies, but vaccine rejection rates remain particularly high in Russia and South Africa.

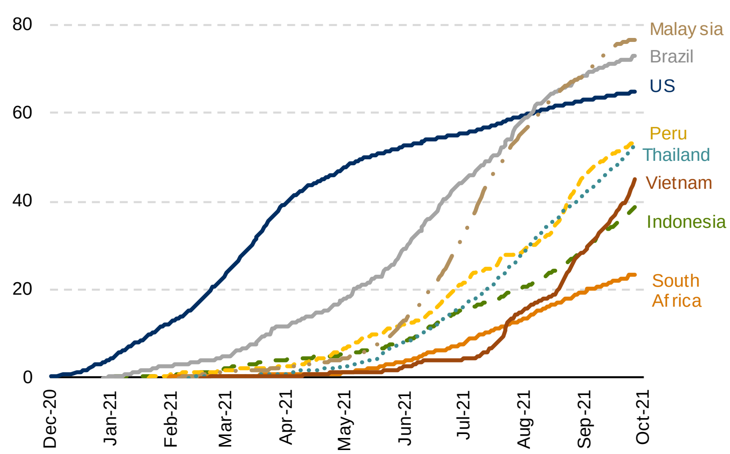
We are positioned to capture the improving economic momentum in many of these countries with our investments in companies sensitive to re-opening sentiment and confidence. In addition, the pickup in capital activity from financial services companies like Bank Mandiri in Indonesia, Axis Bank in India, and Banco Bradesco in Brazil, as well as real estate companies like Vinhomes in Vietnam, present opportunities.

Chart 11. Share of People Vaccinated Against COVID-19
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.



As of 10/16/21; Source: Official data collated by Our World in Data. This data is only available for countries which report the breakdown of doses administeredby first and second doses in absolute numbers.

Chart 12. Share of People who Received at Least One Dose of COVID-19 Vaccine
Total number of people who received at least one vaccine dose, divided by the total population of the country.



As of 10/16/21; Source: Official data collated by Our World in Data

Performance and Investment Activity

As noted earlier, the Altrinsic Emerging Markets Opportunities portfolio declined by 6.9%, outperforming the 8.1% decline of the MSCI Emerging Markets Index, as measured in US dollars. Key sources of positive attribution were our underweight exposure to China internet and related stocks, our broad overweight in Indian equities, and our differentiated approach to communication services.

While our investments in Chinese gaming companies suffered due to new regulations, our measured allocation has led to relative outperformance. The key positive drivers in the communications services sector included our holdings in telecom operators PT Telkom (Indonesia), Vodacom (South Africa), and Advanced Information Services (Thailand). Additionally, Reliance Industries, which we classify as a communications company, was another strong positive contributor. These holdings more than offset the negative contribution from the materials (Polymetal) and financials (Banco Bradesco, BB Seguridade, Ping An) sectors.

Geographically, the greatest sources of positive attribution came from our holdings in Mexico (Grupo Aeroportuario del Pacifico ("GAP"), Walmex, Banorte), India (HCL Technologies, Larsen & Toubro, Reliance Industries), and South Africa (Vodacom, Clicks, Bidvest). These more than offset negative attribution coming from our Russian holding (Polymetal) and lack of Saudi Arabian investments.

There were several positive developments for our holdings during the quarter. In industrials, Larsen & Toubro, a large Indian engineering conglomerate, announced several contract wins as some of their end-segments are gearing for capital projects in India and abroad; this type of activity is a key driver of our investment thesis in the stock. Our recent meeting with the management of GAP, a Mexican airport operator, highlighted a faster than expected recovery. Even though passenger traffic has not fully recovered, the group is addressing costs, increasing their operating leverage, and expects results (EBTIDA) to reach levels very close to 2019 by the end of 2021.

In technology, Indian IT services provider HCL Technologies re-rated, as some of its lagging end markets in asset-heavy industries returned to growth. Parade Technologies continued to deliver outstanding results on the back of solid demand within its end markets including high-end notebooks, upgraded displays in Apple's iPads, and a server refresh cycle.

In communication services, our investment PT Telkom stands to benefit from a recently announced merger between two large Indonesian telecoms (Indosat and Hutch) and another rumored merger. This will lead to market consolidation and repair, and PT Telkom will capture additional value in Indonesia's new digital economy through its data center and internet-related investments.

Portfolio activity was low this quarter. We sold our small residual position in China Construction Bank and re-allocated it across our Chinese real estate-related exposure. We believe that our Chinese holdings are best in class and discount a much more dire scenario than what we believe both the government and the companies will be able to deliver over the coming years (China Resources Land, China Overseas, A-Living).

We have trimmed some of our positions in the tech sector that have re-rated very strongly (HCL, Infosys, Parade) and re-allocated to Brazil during the recent volatility observed in the market. In Brazil, we continue to see the long-term drivers in place for consumption while valuations remain some of the most attractive in the broad emerging markets context.

Closing Thoughts

This quarter was marked by tremendous progress on the COVID-19 vaccination front and tremendous volatility in the Chinese market due to increased regulatory scrutiny and rising investor skepticism. Much has been written on the overarching aspects of Beijing's regulatory crackdown on internet (and related) companies and whether this makes the China market 'uninvestable.' However, last year at least 48 countries enacted new measures on content, data management, or competition. Half of the G7 have done so across all three.

Source: Freedom House: The Global Drive to Control Big Tech 2021

While we appreciate the rising risks from Beijing's broad and swift regulations, we continue to find unique investment opportunities in China and do not believe the market is 'uninvestable.' Nonetheless, we treat the country with the same level of scrutiny as we do all other emerging markets and assess company risks individually and in an idiosyncratic manner. Through the recent volatility, we have added selectively to some of our holdings in key areas of real estate and consumer-related sectors where the greatest value has emerged.

Our broad lens and bottom-up valuation framework have led to a differentiated, overweight exposure in smaller emerging and frontier markets including Vietnam, Egypt, and Peru. Our process leads us to unique businesses trading at very attractive valuations and allows us to avoid the industry crowding in select companies and countries.

Thanks for your interest in Altrinsic.

Sincerely,

Alice Popescu

GIPS Report – Altrinsic Emerging Markets Opportunities Composite

	Total Firm	Composite Assets			Annual Performance Results				Ex-Post Standard Deviation (3 Yr Annualized)	
					Composite			Composite		
Year to Date	Assets (millions)	USD (millions)	% of Firm Assets	Number of Accounts	Gross	Net	MSCI EM (Net)	Dispersion (Gross)	Composite (Gross)	MSCI EM (Net)
2021 2Q	10,596	78	1%	Five or fewer	3.58%	3.33%	5.05%	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 Market 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.

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

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