April 2020

Altrinsic Global Equity Commentary – First Quarter 2020

Dear Investor,

The first quarter of 2020 was one of the worst on record, and it certainly felt like it. In a matter of weeks, a virus that likely emerged from a wet market in Wuhan, China, brought the global economy to a halt. A Saudi-Russian induced oil price war exacerbated the decline. Only cash, select government bonds, and gold provided refuge from the carnage. There is tremendous uncertainty in the near term, as policymakers inject wartime stimulus into economies, creating a bridge until health risks subside and economic activity recovers. Opportunities are emerging amid the associated uncertainty, and we are taking a disciplined, opportunistic, and incremental approach to capitalizing on them.

Given the lack of liquidity in many asset classes (private equity, areas of credit, real estate), public equities were the liquidity "providers" to those de-risking. Within equity markets, U.S. outperformed non-U.S., "growth" outperformed "value," more cyclical and financial industries were pummeled, and many historically defensive businesses did not provide their usual level of downside protection. All of these factors weighed on performance. The Altrinsic Global Equity Composite declined 23.3% during the first quarter. By comparison, the MSCI World Index and the MSCI All Country World Index declined 21.1% and 21.4% respectively, as measured in US dollars.[1]

The greatest source of negative attribution was derived from exposures in the technology, consumer discretionary, and communication services industries. In technology, not owning highly valued U.S. technology companies weighed on performance. In consumer discretionary, restrictions on travel and mandated store closures pressured investments in retail, while not owning Amazon was a relative headwind. UK-based telecom and cable operators Vodafone and BT were pressured, as companies with even modest levels of debt performed poorly.

Energy, materials, and industrial investments were the greatest sources of positive attribution, largely resulting from our underweight exposures to these more cyclical industries. Although a collapse in oil prices wreaked havoc on most energy companies, Cabot Oil & Gas Corp. gained. The oil price collapse is expected to curtail shale activity, a large and price-insensitive source of natural gas supply, benefitting natural gas prices.

Investment activity increased markedly during the quarter, as we acquired new positions in 12 companies. In many cases, share price declines far outpaced the decline in underlying business value resulting from the economic downturn. Many of the most compelling opportunities were concentrated in the industrial (Bureau Veritas, Emerson Electric, Sensata Technologies, PPG Industries, Sandvik) and travel and leisurerelated industries (Accor, Booking Holdings, Trip.com, Las Vegas Sands, Fraport). In addition, we acquired stakes in SAP, a high-quality software ERM franchise, and Agnico Eagle Mines, a low-cost gold miner. Funding was primarily provided by cash and the sale of six holdings (Babcock International, Molson Coors, Sabre, Samsung Electronics, Schlumberger, and Swiss Re). These holdings either outperformed, reducing the intrinsic value discount, or had an inferior risk-return tradeoff compared to other opportunities. Overall, our base case assumes that 2020 corporate earnings are effectively erased. However, it is important to remember that a company's intrinsic value has little to do with current-year cash flow, earnings, or other popular "factors." A company's future cash flow, growth, and riskiness are much more consequential. In a traditional discounted cash flow analysis, the current-year free cash flow represents between 1 to 12% of our estimation of each holding's value.

How will this pandemic and economic crisis play out? While nobody knows, and the short term is completely unpredictable, we offer a few thoughts to provide a framework:

The "all clear" sign cannot be illuminated until there is a vaccine. The brightest minds in this field, including Bill Gates, believe this is likely an 18-month process with various phases of flare-ups. Economically, this means that various parts of the economy will resume, as others turn off again, providing operational and logistical challenges. Scientifically, the world is fighting a common enemy with unprecedented collaboration; hundreds of thousands of doctors and scientists are armed with data and prolific processing power. In the meantime, rapid testing for COVID-19 and its antibodies and the use of tracking applications are necessary to implement what is likely to be a staggered reopening of the global economy. Thus far, China, South Korea, and Taiwan have been effective in doing this, albeit at the expense of civil liberties. How the West responds will have meaningful and lasting consequences.

Will there be a V, W, U, or L-shaped recovery? Wartime stimulus is providing an essential bridge, but the landscape will be different when we recover and the enormous stimulus will have long-term consequences. According to Cornerstone Macro, global liquidity injections and fiscal stimulus announced to date total nearly $16 trillion, or 18% of global GDP. The U.S. has been the leader by far with announced monetary and fiscal stimulus up to $7.5 trillion, or 35% of U.S. GDP. This is unprecedented in scale, as is the speed with which it is being approved and implemented. The government (the G in the $GDP = C + I + G + (X-M)$) equation is stepping in to temporarily fill the void left by the collapse in consumption (the C, which is 70% of the U.S. economy), until a recovery takes place. As quarantines are lifted, we expect the manufacturing and industrial segments of the economy to recover more rapidly than consumer-related industries, as has been the case in China, Taiwan, and South Korea.

How will the landscape be different from the past? A few notable areas include:

- Government will play a greater role in the economy and society. It is reasonable to expect a more anti-capitalist shift in public policy and corporate behavior. This is already underway in many countries, and it is most evident in the banking industry. Tax rates globally are at risk of rising after declining over the last 20 years.
- The reversal of the generational rise in globalization will accelerate. Countries and companies will move away from complex global supply chains to more reliable, redundant, and local ones. Politics will amplify this along with rising nationalist rhetoric.

- Consumers will recover, but experiences during the quarantine coupled with the trauma associated with bankruptcies, financial stresses, and unemployment will alter their behavior. In aggregate, this should be reflected in higher savings rates.
- Will the economic backdrop be one of deflation, disinflation, inflation, or stagflation? The policies being implemented have long-term inflationary consequences, which are exacerbated by a reversal of globalization. A significant risk would be the emergence of stagflation (i.e., stagnant economic activity amidst inflation). In the U.S., any pathway is likely to involve inflating our way out of the massive debt burden, resulting in an economic environment far different than the one we have been inhabiting.
- We expect increased scrutiny of ESG principles, particularly social factors. Consumers, employees, and regulators will remember how corporations acted long after the crisis has receded.

Human ingenuity and grit, aided by science and technology, will prevail over this pandemic and economic crisis. The lasting changes discussed above render historical "factors" even more irrelevant. Understanding business drivers in order to determine growth rates, profitability levels, and cash flow generation will be paramount. These same attributes and tools that will allow us to defeat the virus are common among companies and management teams that will do well as we cross the bridge. We believe equity investments in attractively priced businesses with these characteristics are the best equipped among all asset classes to perform in the range of economic landscapes that may emerge.

Details about portfolio holdings, risk exposures, and performance are on the following pages. Please contact us if you would like to discuss these or other matters in greater detail. Most importantly, be safe! We wish you, your families, and colleagues the very best during these difficult times.

Sincerely,

John Hock

John DeVita

Rich McCormick

[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. Please see Important Considerations and Assumptions at the end of this letter for additional disclosures.

ALTRINSIC GLOBAL EQUITY COMPOSITE
FULL DISCLOSURE PRESENTATION

	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 World (Net)	Composite Dispersion	Composite	MSCI World (Net)
2020 YTD	5,890	591	10%	7	-23.31%	-23.48%	-21.05%	N.A.1	13.88%	14.62%
2019	7,397	808	11%	7	24.51%	23.47%	27.67%	N.A.1	9.81%	11.14%
2018	6,284	650	10%	6	-6.11%	-6.90%	-8.71%	N.A.[1]	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%	1.51%	4.94%	0.19%	11.00%	10.23%
2013	14,261	3,069	22%	20	24.40%	23.37%	26.68%	0.29%	13.53%	13.54%
2012	12,586	3,128	25%	21	12.95%	12.00%	15.83%	0.32%	16.37%	16.74%
2011	10,683	2,361	22%	18	-5.49%	-6.29%	-5.54%	0.30%	18.85%	20.15%
2010	10,621	2,087	20%	12	13.55%	12.60%	11.76%	0.35%	22.52%	23.72%
2009	9,278	1,524	16%	10	29.80%	28.72%	29.99%	0.42%	20.24%	21.40%
2008	5,537	1,553	28%	13	-32.19%	-32.78%	-40.71%	0.27%	16.34%	17.02%
2007	7,582	2,437	32%	17	1.17%	0.31%	9.04%	0.30%	8.26%	8.10%
2006	5,574	1,918	34%	16	17.02%	16.04%	20.06%	0.08%	8.05%	7.64%
2005	2,563	321	13%	8	8.61%	7.70%	9.49%	N.A.[1]	10.82%	9.66%
2004	1,603	242	15%	Five or fewer	19.48%	18.60%	14.72%	N.A.[1]	14.29%	14.74%
2003	871	162	19%	Five or fewer	46.75%	45.69%	33.10%	N.A.[1]	15.80%	17.46%
2002	561	77	14%	Five or fewer	-12.51%	-13.17%	-19.88%	N.A.[1]	N.A.	N.A.
2001	491	135	28%	Five or fewer	-10.15%	-10.83%	-16.82%	N.A.[1]	N.A.	N.A.
2000*	520	175	34%	Five or fewer	-0.87%	-1.24%	-10.91%	N.A.[1]	N.A.	N.A.

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

N.A.[1] - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year.

*Results shown for the year 2000 represent partial period performance from July 1, 2000 through December 31, 2000.

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

Altrinsic Global Advisors, LLC claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS Standards. Altrinsic Global Advisors, LLC has been independently verified for the periods from December 8, 2000 through June 30, 2019.

Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Altrinsic Global Equity Composite has been examined for the periods beginning December 8, 2000 through June 30, 2019. The verification and performance examination reports are available upon request.

Altrinsic Global Advisors, LLC is a registered investment adviser. The firm maintains a complete list and description of composites, which is available upon request.

Results are based on fully discretionary accounts under management, including those accounts no longer with the firm. Beginning July 1, 2005, composite policy requires the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of at least 40% of portfolio assets. The temporary removal of such an account occurs at the beginning of the month in which the significant cash flow occurs and the account re-enters the composite after the first full month under management if fully invested. Additional information regarding the treatment of significant cash flows is available upon request. Composite performance is presented net of foreign withholding taxes on dividends, interest income, and capital gains. Withholding taxes may vary according to the investor's domicile. Composite returns represent investors domiciled primarily in Australia, United States, and Canada. The MSCI World (Net) Index deducts withholding tax by applying the maximum rate of the company's country of incorporation applicable to non-resident institutional investors. The normal characteristics of the transactions in the Altrinsic Global Equity Composite include the purchase and sale of forward currency contracts using a foreign exchange credit line(s) secured by the underlying assets. Past performance is not indicative of future results.

The U.S. Dollar is the currency used to express performance. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross returns will be reduced by investment advisory fees and other expenses that may be incurred in the management of the account. Net of fee performance was calculated using the highest applicable annual management fee of 0.85% applied monthly. Prior to January 1, 2005 the highest management fee applied was 0.75%. The annual composite dispersion is an asset-weighted standard deviation calculated for the accounts in the composite the entire year. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.

The investment management fee schedule is 0.85% on the first $25 million, 0.60% on the next $50 million, and 0.50% on the remainder. Some accounts may pay incentive fees. Actual investment advisory fees incurred by clients may vary.

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

Important Considerations and Assumptions

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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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