ALTRINSIC

April 2018

Altrinsic International Equity Commentary – First Quarter 2018

Dear Investor,

The Altrinsic International Equity Portfolio gained 1.3% during the first quarter, outperforming the 1.5% decline by the MSCI EAFE Index as measured in U.S. dollars.[1] Stock-specific factors were the primary drivers of outperformance, most notably among our financial and healthcare holdings. Policy matters had an important impact on markets, as growing concerns about protectionism, trade wars, and rising interest rates contributed to the increase in volatility and market weakness that began in late January. Further signaling that a long overdue transition in markets could be underway, the narrow performance leadership of large technology companies is being called into question, as regulatory headwinds appear to be increasing. Your portfolio is positioned quite differently than the broad market indices and in favor of a changing market environment.

Our financial investments were the greatest source of positive attribution due to strength in our exchanges (Deutsche Börse, Euronext, and Japan Exchange Group) and insurance-related holdings (XL Group, Zurich Insurance, and Aon). French insurer AXA announced its intention to acquire XL Group at a 33% premium, boosting XL's share price and highlighting the value in this unloved sector. Financials remain our largest industry exposure.

Healthcare represents our second-largest industry exposure and was an important source of positive attribution. Shares of Japanese pharmaceutical company Astellas increased after seeing better demand for its key prostate cancer drug, Xtandi. GlaxoSmithKline's shares were strong after management refrained from bidding on a large acquisition and instead took full control of its consumer healthcare business, buying out Novartis' minority stake and securing the stock's 6% dividend yield. Investments in telecommunications, energy, materials, consumer staples, and technology were also sources of positive attribution. Holdings in utilities and industrials also weighed on relative performance.

Investments in the consumer discretionary sector were the largest sources of negative attribution due to weakness in Grupo Televisa, WPP, and Sodexo. Grupo Televisa is still recovering from difficulties in its Mexican advertising business, which has been under pressure for the last two years. However, Televisa owns a number of attractive assets, including the largest Spanish-language content production business and scale cable/satellite assets in Mexico, which we think are significantly undervalued. We expect the company to show improvement in its domestic advertising business, as its new pricing strategy takes effect, and we expect management to more aggressively pursue shareholder-friendly actions. UK-based advertising agency WPP is navigating a number of industry changes, which is pressuring growth. Although we expect these challenging conditions to persist, the low current share price does not recognize the long-term role of WPP in the media ecosystem and the associated value. Sodexo shares were weak after management announced lowered sales and margin expectations following its reorganization, from regional to industry verticals, which is causing more disruption than expected. Facilities management and catering services remain solid businesses with plenty of room to grow via outsourcing from owner-operated/maintained properties. Competitor trends show ample room for greater progress, but new management needs to execute better for the shares to show improved performance.

Investment activity during the quarter included the purchase of Scor (France) and the sales of Kasikornbank (Thailand) and China Mengniu Dairy (China), which saw their share prices reach our estimates of intrinsic value. Scor, a French reinsurer, has transformed over the last several years, improving its balance sheet, strengthening its underwriting capabilities, and reducing exposure to more volatile businesses. Despite this progress, Scor's share price remains depressed, as investors underestimate the company's turnaround and the prospect for improving pricing to boost returns. Other activity included further reduction in our consumer franchises in favor of select financial, technology, and healthcare companies.

Table 1. Altrinsic International Equity Portfolio

			EUROPE		JAPAN		OTHER	
	AGA	Index	AGA	Index	AGA	Index	AGA	Index
	95.3	100.0	57.4	63.7	22.5	24.6	15.4	11.7
Cons Disc	3.9	12.7	2.8	6.8	--	5.2	1.1	0.7
Cons Stpls	10.9	10.8	9.4	8.5	--	1.8	1.5	0.6
Energy	4.2	5.3	2.3	4.6	1.1	0.3	0.8	0.4
Financials	29.0	24.4	14.0	14.5	11.4	3.7	3.6	6.3
Healthcare	16.6	9.9	12.8	7.5	3.8	1.8	--	0.6
Industrials	3.8	15.4	1.6	8.2	2.2	6.2	--	1.0
Info Tech	12.2	6.2	2.4	3.5	4.1	2.5	5.8	0.1
Materials	6.5	8.0	5.2	5.2	--	1.5	1.3	1.2
Telecom	7.7	4.0	6.4	2.6	--	1.2	1.3	0.3
Utilities	0.5	3.3	0.5	2.3	--	0.4	--	0.5

As of 03/31/18; Source: MSCI EAFE (Net) Index. Sector and regional portfolio weights are based upon a representative fully discretionary account with the international mandate. Please note that fractional differences in the portfolio's totals may occur due to Excel's rule-based rounding.

These investment decisions have led to portfolio concentrations and broad risk exposures that are illustrated in Table 1. The three greatest concentrations of investments are in the financial, healthcare, and technology sectors. There is meaningful change taking place in these sectors, resulting in both disruption and opportunity.

- **Our financials exposure includes leading insurance-related businesses, exchange businesses undergoing transformations, and Japanese banks**. We have no exposure to western banks, owing to valuation levels, downside risks, and our view of normalized profits. Our non-bank holdings are less balance-sheet intensive with a focus on free cash flow generation and shareholder-friendly capital allocation. Our most significant purchases over the last two years have been non-life insurance companies, which have been unloved by the market due to popular concerns about low interest rates and a weak pricing environment. We have used this as an opportunity to accumulate shares in well-capitalized and well-managed franchises, such as Chubb, XL, and Zurich Insurance, in which we see further opportunities for margin expansion. These complement our Japanese non-life holdings Tokio Marine and MS&AD Insurance and insurance brokers Willis Towers Watson and Aon.

- We believe the pace of change, innovation, and disruption in the healthcare sector is presenting attractive opportunities. **Our healthcare investments are concentrated primarily among niche and major diversified pharmaceutical companies with histories of innovation led by shareholder-minded management teams**. Investors in the healthcare sector are notoriously shortsighted, providing ample opportunity for long-term investors willing to absorb the short-term volatility.

- **Whereas the herd of investors has crowded into a small group of highly valued tech giants, we see value a few layers down among innovative companies supported by strong balance sheets**

and often undergoing a period of transition – be it a business transformation (Thomson Reuters and Yahoo Japan) or underpinned by strong underlying demand (Check Point Software and Nintendo).

<u>Market Commentary</u>

Following an extended period of robust gains and subdued volatility, recent market weakness and increased volatility were long overdue and quite mild by long-term historical standards. Contributing forces included escalating protectionism, the phasing out of hyper-stimulatory policies (such as Quantitative Easing "QE"), and a transitory interest-rate environment.

The generational trend toward globalization could slow or even reverse amidst the rise of protectionism and trade disputes, adding to market jitters given how tightly woven and interdependent supply chains have become. An expanded enactment of protectionist policies would further result in increased currency volatility and increase the risk of competitive currency devaluations.

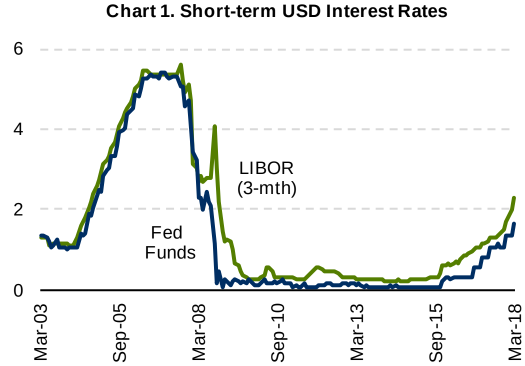

Chart 1. Short-term USD Interest Rates

As of 03/31/18; Source: FactSet

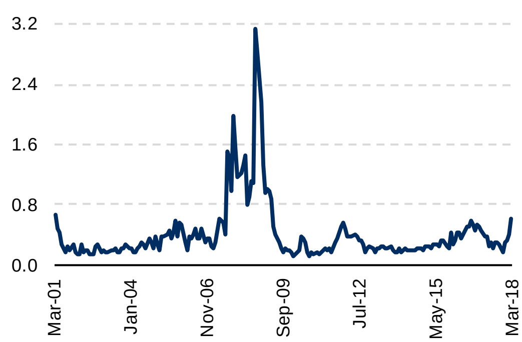

Chart 2. LIBOR-OIS Spread (LIBOR less "risk free" rate)

As of 03/31/18; Source: FactSet

The aggressive monetary policies that stimulated the robust rise in asset values across asset classes are beginning to reverse course, as QE is giving way to Quantitative Tightening (QT). Additionally, the retreat of central bank buying eliminates a major source of demand (buyer) for treasury securities, just as supply is increasing as governments fund expanding deficits. Left to market forces, we should expect greater volatility in rates, which could have an amplified impact on asset prices given the combined effect of low rates and the long-duration nature of equities.

An important benchmark relating to interest rates that warrants close attention is LIBOR (the London Interbank Offered Rate) and LIBOR's spread over "risk-free rates" (often referred to as LIBOR-OIS). In many ways, LIBOR matters more than the Fed Funds rate, as it is set by banks and used in valuing hundreds of trillions of dollars of debt and related derivative products. LIBOR's rise over the last 12 months was its largest in over a decade (see Chart 1). The U.S. economy was able to withstand the rise in 2004, as it was still in the early stages of expansion. Unlike then, U.S. corporate profit margins are now at peak levels, U.S. corporate leverage is elevated, and the economy is at full employment. 2018 will test politicians' and regulators' ability to manage rising interest rates. Additionally, Libor-OIS spreads, which were carefully watched during the financial crisis and Euro crisis as they often signify bank stress, have risen to their highest levels in several years (see Chart 2). Our analysis indicates that at this point, bank credit risk is not the primary cause, but it remains unclear why an important transmission mechanism is differing so much from the interest rates set by the Federal Reserve.

Uncertainty and volatility emanating from the aforementioned issues will have a major influence on share prices, exacerbated by the overwhelming presence of non-fundamental participants (ETFs, passive, and many factor-based quantitative strategies) that represent the vast majority of liquidity in markets. According to analysis by Merrill Lynch Chief Strategist Michael Hartnett, 3500 ETFs alone account for more than 70% of equity trading volumes. We believe the proliferation of these strategies will be remembered as great ideas that went too far. There have been short episodes when we have seen the unintended consequence of this proliferation (various 'flash crash' episodes or liquidity drawdowns), but the momentum behind them continues to advance. This has contributed to pro-cyclicality, trend extrapolation, narrow market leadership, and dangerous disregard for valuation or long-term fundamentals.

In summary, we believe that the tranquility and robust gains experienced in recent years has begun to give way to a new environment that will be characterized by a long overdue increase in volatility and a change in market leadership. Monetary policies that have contributed to the Goldilocks environment of recent years and the mispricing of assets are in the process of reversing course at a vulnerable time. The global economic expansion is among the longest on record, fiscal deficits are widening, and debt levels are expanding. The rise of protectionist rhetoric, intensifying geopolitical risk, and the enormity of non-fundamental participants in markets further warrant a keen attention to risk.

Mindful of these complicated macro factors, our fundamental analysis reflects a high degree of conservatism, as we seek to identify a select group of attractively valued companies evaluated from a long-term perspective as if we were to buy the entire business with our own capital. Despite markets being at or near all-time highs, we still see opportunities and expect more to emerge. Overall portfolio risk is well below that of the market and our positioning is quite different, as discussed earlier and illustrated in Chart 1.

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

Sincerely,

John Hock

John DeVita

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

ALTRINSIC INTERNATIONAL 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 EAFE (Net)	Composite Dispersion	Composite	MSCI EAFE (Net)
Q1 2018	7,175	2,839	40%	10	1.34%	1.12%	-1.53%	NA	11.34%	12.08%
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.[1]	11.64%	11.39%
2004	1,603	262	16%	Five or fewer	23.37%	22.46%	20.25%	N.A.[1]	14.06%	15.43%
2003	871	155	18%	Five or fewer	41.87%	40.84%	38.60%	N.A.[1]	16.31%	17.81%
2002	561	87	16%	Five or fewer	-6.58%	-7.28%	-15.94%	N.A.[1]	N.A.	N.A.
2001	491	22	4%	Five or fewer	-14.74%	-15.39%	-21.45%	N.A.[1]	N.A.	N.A.
2000*	520	29	6%	Five or fewer	-6.56%	-6.91%	-10.53%	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 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, 2017.

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, 2017. 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.

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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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