



October 2018

Altrinsic International Equity Commentary – Third Quarter 2018

Dear Investor,

The Altrinsic International Equity Portfolio delivered a 3.8% return during the third quarter, outperforming the 1.4% gain by the MSCI EAFE Index as measured in U.S. dollars.¹ Strong equity market gains during the quarter masked a challenging environment characterized by a significant divergence in underlying stocks' performance. The dominance by a small group of high-priced and crowded U.S. tech companies continued, while a growing number of stocks across industries have stalled. We welcome the resulting value that is emerging in new areas, however, it is being presented against a backdrop of deteriorating financial conditions in a growing number of countries and a reversal of the policies that fueled the post-crisis rally in asset prices.

	Q3	YTD
AGA International	3.8	2.5
MSCI EAFE	1.4	(1.4)
MSCI ACWI ex-US	0.7	(3.1)

As of 09/30/18; Index source: MSCI. Returns are presented gross of fees for the Altrinsic international composite.

Although an environment characterized by the extended narrow leadership of expensive "growth" stocks typically would not be one in which we outperform, our differentiated positioning and the idiosyncratic nature of our investments in the financial, healthcare, technology, and consumer discretionary sectors led to our outperformance. The primary drivers of attribution during the third quarter included:

- Strong performance by our financial holdings, including SCOR, Aon, and Mitsubishi UFJ coupled with our lack of exposure to European banks were major drivers of performance. The trend of M&A unleashing value in our insurance holdings continued, with French mutual insurer Covéa making a takeover bid for SCOR, a leading French reinsurance company. We continue to see significant value in this area and expect consolidation to continue. Relative performance was also aided by the collapse of European banks, in which we have had no exposure and only recently began to buy leading Dutch bank, ING Group, during the weakness.
- Strong performance among our healthcare investments was led by Astellas and Medtronic. Astellas, a Japanese pharmaceutical company, corrected temporary issues that were depressing sales of its prostate drug, Xtandi. Additionally, the market is beginning to recognize the value of Xtandi's expanded use in pre-chemotherapy. After several quarters of inconsistent growth and margin expansion, Medtronic reported a quarter that beat on both metrics. In our view, Medtronic is in very appealing markets with a pipeline of new products that we believe address unmet medical needs.
- In the technology sector, Check Point Software delivered strong gains after reporting improving revenue growth. A leader in firewall and cybersecurity software, Check Point is better monetizing its customer base, improving the stickiness of its products, and boosting shareholder returns, which is not captured in its valuation.
- Negative attribution was derived from holdings in the materials, industrial, and telecommunication sectors. Following several years of underperformance, emerging market stocks are offering increasingly attractive opportunities. Our current exposure is approximately 10.0%, but we have

been building positions during the recent weakness in Brazil, Turkey, South Korea, and Thailand. This has modestly weighed on performance.

Investment activity increased as we established positions in four companies: Dufry (Switzerland-Retail), Julius Baer (Switzerland-Wealth Management), Shinhan Financial (Korea-Financials), and SMC (Japan-Industrial Automation). We exited investments in Anglo American, Deutsche Boerse, MS&AD Insurance, Thomson Reuters, Trivago, WPP, and XL Group. Table 2 provides a graphic depiction of the resulting portfolio risk exposure and a summary of differentiating aspects of the portfolio. These aggregate exposures are a byproduct of our bottom-up process and demonstrate meaningful differentiation versus the broad market indices. Systematic risk, measured as portfolio beta, is well below that of the broad market at .78.

	AGAs		EUROPE		JAPAN		OTHER		Portfolio Risk Summary
	AGA	Index	AGA	Index	AGA	Index	AGA	Index	
		95.1	100.0	60.8	63.6	22.1	24.6	12.1	
Cons Disc	4.9	12.2	4.1	6.5	--	5.0	0.7	0.7	<ul style="list-style-type: none"> • Concentration in three areas: <ul style="list-style-type: none"> I. Quality global franchises –eg., Nestlé, Heineken, Roche, Chubb II. Japanese companies with depressed valuation, improving financial productivity –eg., Sumitomo Mitsui Trust, Concordia Financial, Tokio Marine, Mitsubishi UFJ III. Event driven, idiosyncratic, and/or “deeper value” plays across industries –eg., Nintendo, Schlumberger, Linde, Liberty Global • Large exposure to financials, significantly underweight European banks
Cons Stpls	10.0	10.9	8.7	8.4	--	1.8	1.3	0.7	
Energy	4.6	6.2	2.7	5.3	1.1	0.3	0.8	0.5	
Financials	31.1	23.0	17.1	13.3	10.5	3.6	3.5	6.1	
Healthcare	19.2	10.8	15.0	8.1	4.2	2.0	--	0.7	
Industrials	4.5	15.2	1.9	8.2	2.5	6.0	--	1.0	
Info Tech	9.9	6.5	2.9	4.0	3.8	2.4	3.2	0.1	
Materials	5.3	8.0	4.3	5.3	--	1.5	1.1	1.3	
Telecom	5.1	3.9	3.7	2.3	--	1.4	1.5	0.3	
Utilities	0.5	3.2	0.5	2.3	--	0.4	--	0.5	

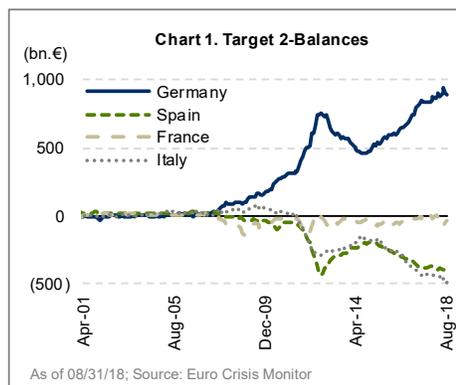
As of 09/30/18; Source: MSCI EAFE (Net) Index. Sector and regional portfolio weights are based upon a representative fully discretionary account with the international mandate. Please note that fractional differences in the portfolio's totals may occur due to Excel's rule-based rounding. The securities identified above are not necessarily held by Altrinsic Global Advisors, LLC for all client portfolios, and should not be considered a recommendation or solicitation to purchase or sell these securities. It should not be assumed that any investment in these securities was, or will be, profitable.

Market Commentary

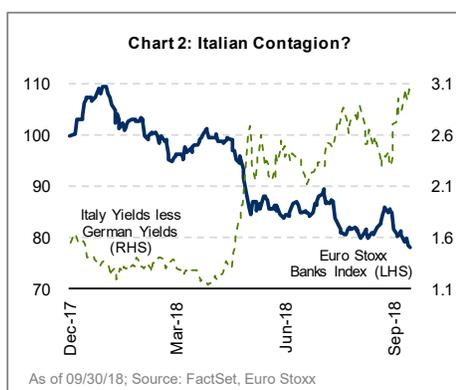
September 15th marked the 10-year anniversary of the Lehman Brothers bankruptcy filing; international equity markets have climbed 193% (in local currency) from 2008 lows, and valuations have reached dangerous levels in a growing number of asset classes.² Aggressive and experimental central bank policies have been a major stimulant to the rise in financial assets. However, underlying debt ratios have actually risen, and major economic imbalances remain in many parts of the world. As the punchbowl is in the process of being taken away and Quantitative Easing (QE) gives way to Quantitative Tightening (QT), important cracks have begun to appear in equity markets. In some cases, such as in Italy, these cracks have a reasonable risk of deteriorating into canyons. In other areas, including certain emerging markets, these risks appear exaggerated.

We believe the risks emanating from Italy are more severe than markets and headlines suggest. Italy is going through a slow-motion crisis that could intensify with political events as catalysts. The country suffers from high debt levels, low productivity, a large “shadow” economy, bad demographics, and substantial non-performing loans in its weak banking sector. Having been sold the merits of the European Union, its population is not experiencing the benefits and is suffering from high unemployment (11%), which is more than double that of Germany. This is giving rise to populist voices

from the extremes, both with underlying anti-EU pillars, and the far right is effectively campaigning on the sensitive anti-immigration issue. EU parliamentary elections are scheduled for May 2019, but national elections could take place earlier. Chart 1 shows Target 2 balances, partially reflecting the erosion of local confidence via the flow of deposits out of Italy and into Germany.



While U.S. stock markets have mostly shrugged off these developments, European sovereign credit markets and bank equities are telling a different story. As seen in Chart 2, Italy's bonds are now at a 3% spread over German 10-year interest rates, the highest level since mid-2013. European bank stocks continue to suffer as well, down 21% year to date. The portfolio has been significantly underweight this sector for years, but we have been cautiously building positions in quality franchises in neighboring markets like ING of late given compelling valuations. We have lined up more potential investment names but will be extremely disciplined on price given the political risks, the variability of outcomes, and the inherent leverage in even the best bank.



Emerging market bonds and equities sold off amidst tightening central bank policies in the U.S., a strengthening U.S. dollar, escalating trade tensions, slowing Chinese growth, and political uncertainty in major markets. Countries with large current account deficits and exposure to dollar-based funding markets were particularly penalized. For many countries, the path forward is fraught with risk given the meaningful reliance on new credit to fund growth and the repercussions of unwinding global QE. Our eyes are wide open to this. However, we have used the recent weakness to modestly add to certain well-capitalized emerging market banks along with consumer discretionary and industrial companies, which are reliant on emerging markets but operate with their own long-term structural tailwinds for growth.

Narrow leadership by high-priced “growth” stocks, primarily the FAANGs, has persisted for several years and has recently become even more pronounced. This is typically a late-cycle phenomenon and reminds us in many ways of the final stage of the TMT bubble. In our last letter, we discussed the range of catalysts that could precipitate this breakdown: 1) the reversal of policy stimulus, most notably the transition from quantitative easing to quantitative tightening, 2) trade tensions and rising protectionist policies, 3) the call to protect privacy and rein in anticompetitive behavior by the large tech giants, and 4) the colliding business models of large tech giants that had previously enjoyed a more uninterrupted glide path in their growth. Chinese internet stocks have begun to weaken, but the performance leadership by U.S. tech companies has continued.

Although valuations are not as stretched as they were during the TMT bubble in 2000, they are elevated by historical standards, underlying profit margins are near peak levels, policy regimes are reversing, and there is a new and potentially dangerous actor on the scene. The proliferation of passive, algorithmic, and factor-based methodologies have grown to dominate liquidity in markets. The condition of certain ETFs further complicates this, as the real liquidity in the underlying assets is much less than the liquidity

that is promised to holders of the ETFs. The inherent pro-cyclicality resulting from these buyers with little or no regard for underlying fundamentals or valuations presents risks. A very small portion of the buying and selling in the U.S. equity market is being done by investors who care about underlying fundamentals, company strategy, management talent, capital allocation, and the competitive landscape to name just a few of the ingredients to successful long-term investing. This is not healthy. Under these conditions, we prefer to be among the few rather than the many.

Another concern involves the expansive use of “factors” in investing, research, and the evaluation of portfolios. At best, this proliferation has eroded the usefulness of “factors.” At worst, this is a source of dangerous “crowding” and liquidity risk in certain asset classes. These factors are commonly used to determine “value” and “growth,” which can often be misleading. We are suspicious of many current representations of “value,” especially of the use of “value factors” that are primarily based on current-snapshot metrics. These “factors” typically lead to structural exposure biases in deep-cyclical, highly leveraged, and or other lower-quality businesses, which should sell for low valuations. There are occasions when opportunities do emerge in these areas, and we have at times had major investments in highly cyclical businesses (buying during the commodity crisis in 2002, amidst financial crises, and other downturns). We believe that these labels and “factors” offer little insight into true intrinsic value.

What does “value” mean to us? We evaluate “value” in an absolute sense, taking a long-term view, applying principles of “normalized” and sustainable long-term growth rates, margin levels, working capital requirements, etc. and adjust for the appropriate degree of risk. A short-term “factor” has very little bearing on our determination of value. Instead, we responsibly approach investments as if we were to buy a business outright with our own capital. We draw upon our network and experiences derived from years of global engagement in industry food chains, allowing us to filter information through a nuanced lens. Effectively, this is a private equity approach to the public equity markets.

Taking a long-term view and investing like an owner will not make you immune to short-term volatility, but our experience and belief is that the risk-adjusted profile and long-term results will be superior.

Markets won’t always go straight up, interest rates and credit spreads won’t always be low, the global economy won’t always grow at a synchronized and healthy pace, and the pro-cyclical nature of current fund flows may sometime give way. An episode of increased volatility is long overdue. We will look to take advantage of any dislocation with the time horizon, diligence, and mindset of our long-term intrinsic value discipline.

Sincerely,

John Hock

John DeVita

Rich McCormick

“The less prudence with which others conduct their affairs, the greater the prudence with which we should conduct our own affairs.” –Warren Buffet³

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.*

²*Calculated using the MSCI EAFE (Net) Index from March 9, 2009 through September 30, 2018.*

³*From Berkshire Hathaway's 2017 letter*

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				
Q3 2018	6,656	2,823	42%	10	2.49%	1.84%	-1.43%	N.A.	9.85%	10.62%
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 \$0 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 March 31, 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 March 31, 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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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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