ALTRINSIC

January 2019

Altrinsic International Equity Commentary – Fourth Quarter 2018

Dear Investor,

2018 was a challenging environment for all asset classes, but particularly in equities, where negative returns were delivered across nearly all major markets and industries. We outperformed market benchmarks during the fourth quarter and for the full year, as our intrinsic value discipline kept us out of many significant decliners, especially among banks, highly cyclical businesses, and previously high-flying tech stocks. In addition, a number of our investments across industries delivered solid absolute gains due to stock-specific factors. The greatest concentrations of these were among our financial, materials, and healthcare investments. The number of new investment candidates has increased markedly, and we are immersed in due diligence on these potential opportunities. Many of these are coming from areas where value has not surfaced in several years, including banks, industrials, and certain technology companies. The ongoing weakness in emerging markets continues to present a growing source of opportunities.

Table 1. 2018 Performance Summary (USD)

	Q4	2018
AGA International	**(9.5)**	**(7.2)**
MSCI EAFE	(12.5)	(13.8)
Excess Return	3.0	6.6

As of 12/31/18; Index source: MSCI. Past performance is not indicative of future results. Returns are presented gross of fees for the Altrinsic international composite.

We were far from immune to the difficult environment, as our portfolios are fully invested, but we did manage to meaningfully outperform the broad market as shown in Table 1. The largest sources of positive attribution during the quarter were derived from our investments and positioning in the financial, materials, healthcare, and technology industries. Within financials, we benefited by avoiding banks, particularly in Europe, in favor of non-bank financials. As value began to emerge among banks, we initiated positions in Julius Baer and Lloyds. Positive attribution in the materials sector resulted from strong performance by Kinross Gold, our sole gold position. Consistent, cash-generating companies in healthcare, led by GlaxoSmithKline and Roche, performed well amidst the volatility.

Investments in the communication services, energy, and utility sectors were the greatest sources of negative attribution. In communication services, Japanese investments Yahoo Japan and Nintendo weakened. Yahoo Japan has a significant opportunity to increase profits from e-commerce and online payments in Japan. The company is rightly depressing near-term profits, as it invests in growing that business. Nintendo continues to execute well but declined in concert with other global gaming companies. Communications companies Liberty Global and Baidu declined as well, and we added to both during the weakness. Weakness in our energy holdings was driven by the 34.9% decline in oil prices; although the sector remains a small part of the portfolio, we see value and have added marginally to oilfield services holdings (Schlumberger and Tenaris). Utility holding Uniper disappointed, reporting results at the lower range of its guidance due to one-off effects in power generation and a volatile mid-stream natural gas business.

We are encouraged by the emergence of new investment candidates during recent share price declines. The MSCI EAFE index was down 12.2% during the quarter in local currency terms, but several companies were hit even more severely, dropping to levels offering value. Previously overvalued banks, energy, and other cyclical industries are becoming increasingly attractive. During the quarter, we added three new investments: Daito Trust (Japan), Grupo Financiero Banorte (Mexico), and Lloyds Banking (UK), and we sold two, China Mobile (China) and Magnit (Russia). Other notable activity among existing holdings included reducing our exposure to healthcare investments, adding to banks, and marginally adding to energy-related investments.

The risk exposures and primary sources of concentration in the resulting portfolio are illustrated in Table 2. Overall risk remains below that of the market but has started to increase given the activity mentioned above.

Table 2. Altrinsic International Equity Portfolio

			EUROPE		JAPAN		OTHER	
	AGA	Index	AGA	Index	AGA	Index	AGA	Index
	94.8	100.0	61.5	62.9	21.3	24.6	12.0	12.5
Comm Svcs	10.8	5.6	5.5	3.3	3.1	1.8	2.2	0.4
Cons Disc	2.8	11.5	2.8	5.8	--	4.9	--	0.8
Cons Stpls	10.3	11.3	9.3	8.8	--	2.0	0.9	0.5
Energy	3.8	5.9	2.4	5.1	0.6	0.3	0.9	0.5
Financials	36.4	23.1	20.1	13.1	11.7	3.6	4.7	6.4
Healthcare	16.0	10.9	12.5	8.0	3.5	2.2	--	0.7
Industrials	4.8	15.0	2.4	7.9	2.4	6.0	--	1.1
Info Tech	4.8	5.6	2.9	3.7	--	1.8	1.9	0.1
Materials	4.6	7.3	3.1	4.6	--	1.4	1.4	1.3
Utilities	0.5	3.8	0.5	2.6	--	0.5	--	0.6

Portfolio Risk Summary

- Concentration in three areas:
  - 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, Grupo Financiero Banorte
- Large exposure to financials. Significantly underweight European banks but beginning to add.

As of 12/31/18; 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. 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

Performance among major asset classes in 2018 was a reversal from 2017. As shown in Chart 1, almost every major asset class delivered solid gains in 2017, propelled by central bank stimulus in the form of low interest rates and Quantitative Easing (QE). These trends continued early into 2018 before giving way to terrible results across the same spectrum of asset classes, with much of the weakness realized during the fourth quarter. Media sources have pointed to escalating trade tensions and a less-dovish U.S. Fed as the primary catalysts for the downturn. We believe that the reversal of extraordinary policy measures had an even stronger effect, most notably the recent unwinding of the $15 trillion balance sheet expansion (QE), which naturally deflates the value of assets that had been inflated in the first place.

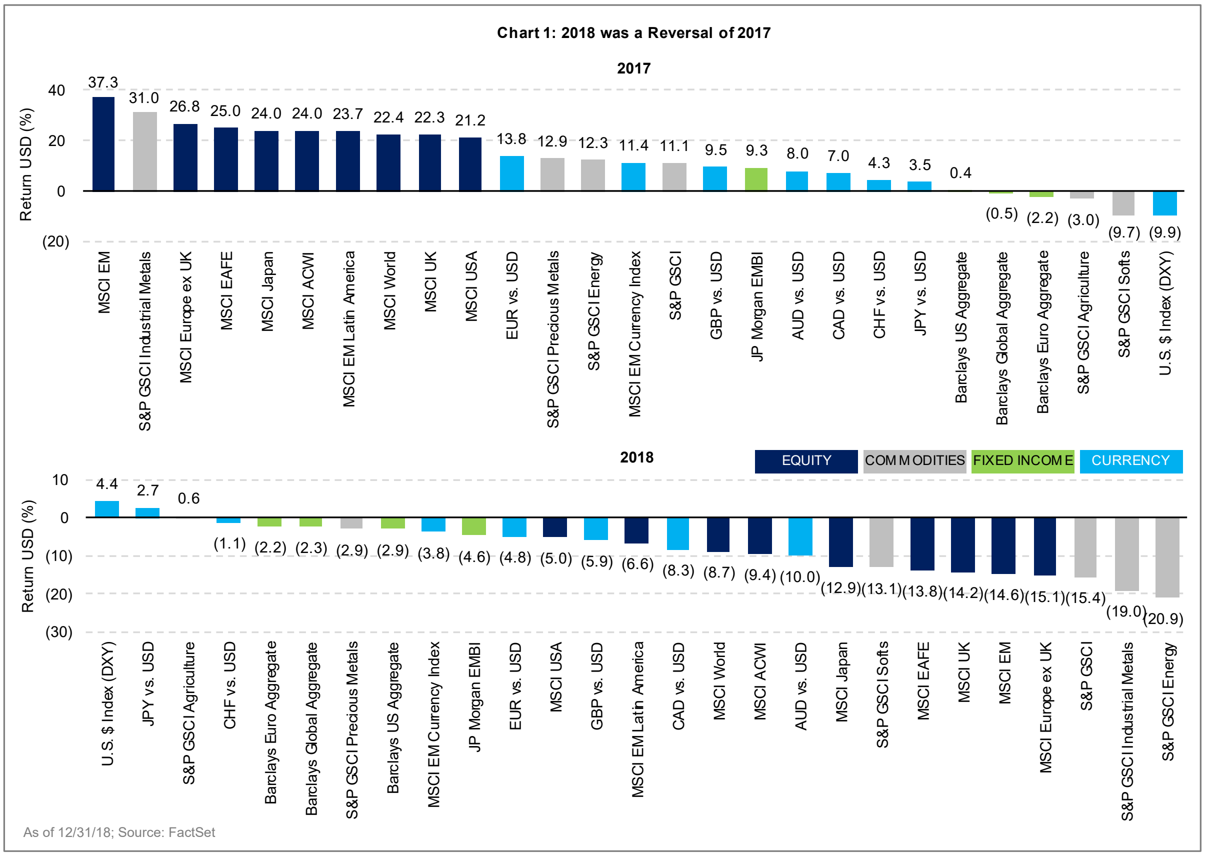
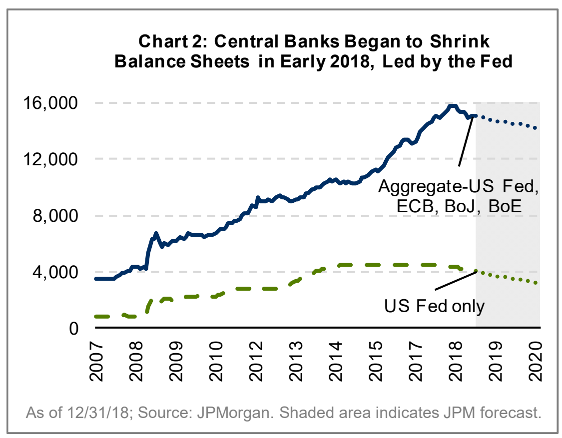
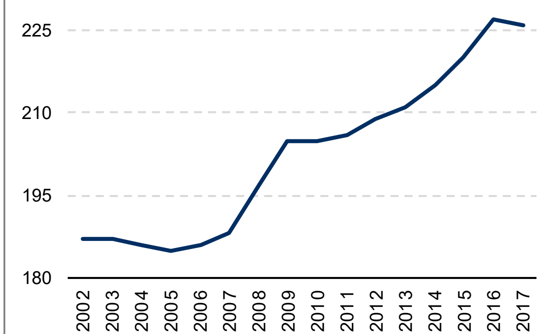


Chart 2 highlights the enormity of the central bank balance sheet expansion since the Global Financial Crisis (GFC) and its more recent decline. These and other stimulatory efforts have prevented an economic collapse, but they have largely bypassed the real economies (Main Street) and found their way into the financial economy (Wall Street). Coupled with procyclical influences, including the proliferation of passive, quantitative, and algorithmic participants in markets, these policies helped propel asset prices along a multiyear climb with narrow leadership and low volatility. In many ways, this has been a virtuous cycle. Additionally, this phenomenon (i.e., the wealth effect) has given society a sense that economic conditions have been better than they actually were. As QE gives way to Quantitative Tightening, market behavior is normalizing and reflecting the true condition of underlying fundamentals. This is healthy and long overdue. However, we are braced for continued volatility and dispersion among stocks and broad asset classes. We are seeking to capitalize on this at the company-specific level by taking a long-term view and being opportunistic.



What are the more fragile elements of the global economy that market volatility is beginning to reflect? We are concerned about leverage and liquidity. One would think that leverage would have declined in the aftermath of the financial crisis of 2008. However, as shown in Chart 3, it has actually increased. The underlying composition has changed, with improvement in some areas and deterioration in others, but debt levels continue to grow. Nowhere has the impact been greater than in China, where debt-fueled expansion has led to malinvestment, excess capacity, and signs of a property bubble. According to Deutsche Bank, from 2016-2018, 40% of new loans in China were to property developers. Another source of hazardous credit expansion has been dollar-denominated debt issued by companies domiciled in other emerging markets. Lastly, we would highlight the buildup in corporate debt, particularly at the lower end of the quality spectrum in the U.S. and Europe. This leverage, coupled with the decline in market liquidity (as dealers carry less inventory), changing market structure (debt held in non-fundamental ETF, and other passive vehicles), and the removal of the largest buyer of treasuries (the U.S. Fed), should at a minimum increase interest rate and asset price volatility.

Chart 3: Global Debt to GDP (%)

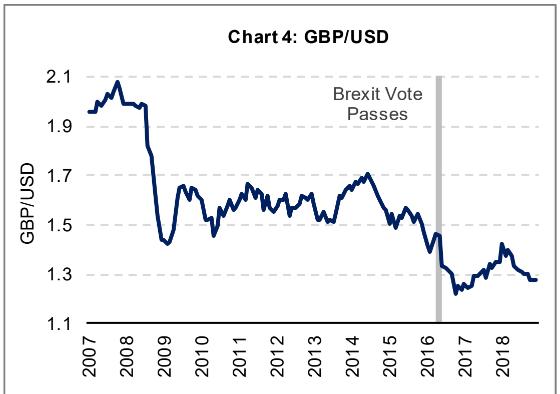


As of 12/31/17; Source: Morgan Stanley Research, BIS

China and Europe warrant the headlines they are receiving, but for slightly different reasons from those commonly expressed. The details of the trade dispute with China will have vast market impacts. However, we believe this is not fundamentally about a trade negotiation with an important supplier and trade partner. Rather, it reflects the continued emergence of China as a geopolitical and commercial adversary on a global scale. A meaningful U.S. response is long overdue, and the related tensions will continue for years, as China seeks to assert itself on the global stage in pursuit of its Made in China 2025 agenda. The United States has finally recognized this and has taken action to stop the widespread theft of intellectual property belonging to Western companies operating in China, particularly in the area of semiconductors and other advanced technologies. The U.S. government has also moved to stop the spread of Chinese influence via sales and installation of low-cost infrastructure by restricting access to key technologies. We expect companies around the world to re-think their supply chains and diversify away from China after decades of investment and optimization. This is a difficult undertaking and will take years to accomplish. With both the U.S. and China racing for leadership in advanced technologies, we are pessimistic that a long-term solution will be found.

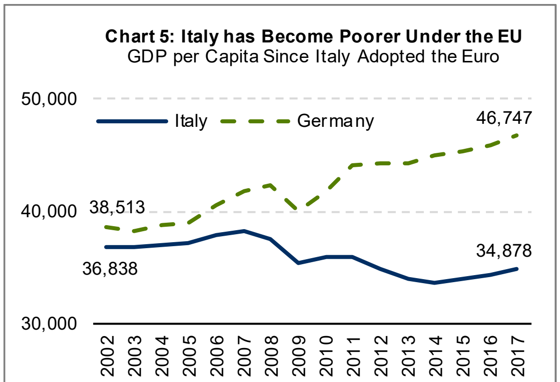
From a near-term perspective, recent data confirms that China's economy is slowing. December auto sales fell 20% YOY with total sales in 2018 down for the first time in more than two decades. Retail sales continue to slump and industrial profits have collapsed. China has many policy tools at its disposal and is likely to deploy them if conditions deteriorate further. We believe property prices and real estate volumes are key barometers to monitor given their excessive prices, the associated leverage, and the potential for contagion if there is a material decline of 15% or more.

Brexit and Italy are the two primary sources of instability in Europe that warrant attention. Uncertainty surrounding Brexit is likely to continue, and we believe the odds of a second referendum that proposes dropping Brexit altogether has increased. The Brexit process and its various permutations have been covered so extensively that both sterling and share prices reflect much of the uncertainty. As seen in Chart 4, sterling has fallen to $1.27/GBP, which represents a 10-20% discount to purchasing power parity estimates and is approximately 25% undervalued according to *The Economist's* less scientific "Big Mac" index. Similarly, local shares have been punished, as well-capitalized banking institutions such as Lloyds fell to 0.8x book value. We have recently begun to accumulate shares in Lloyds during this weakness.



As of 12/31/18; Source: FactSet

Unlike the UK, conditions in Italy are worse than they appear, and there is an elevated risk of crisis with politics as the catalyst. Having expanded on this concern in our recent letters, Chart 5 sums it up. The Euro experiment has allowed Italians to borrow at lower rates than they otherwise could. Debt levels increased but reforms and productivity gains did not. Unlike the case in Germany and other EU nations, Italian citizens have not reaped the promised economic benefits. As shown in Chart 5, average GDP per capita has not improved. Instead, unemployment remains high, banks remain littered with non-performing loans, and nationalistic voices have gained support amidst stagnant living conditions and concerns about immigration. Elections, including those for the broader EU parliament, are likely to be a referendum on immigration. Italian politicians settled their budget dispute, largely as an attempt to calm bond markets, yet the country's yields barely budged and still trade nearly 300 basis points above Germany's. These challenges won't disappear and are so deep seated and structural that a meaningful improvement is only a remote possibility. We expect surprises that could include reintroducing the Lira as a parallel currency, a re-denomination of Italian debt, or Italy leaving the EU altogether. We have no direct exposure to Italy, but we will seek to capitalize directly and indirectly on any associated dislocations or as value emerges.



As of 12/31/17; Source: World Bank, Constant 2010 U.S. Dollars

Following a unique 10-year episode in which most asset classes–and equities in particular–experienced strong gains with little volatility, a reversal of the stimulatory policies that underpinned this performance is contributing to a transitory environment. The resulting increase in volatility, normalization of asset values, and associated share price dislocations may be amplified by reduced liquidity and the changing composition of market participants (dominated by passive, quantitative, and algorithmic strategies). Long-term investors should be well positioned to take advantage of these conditions, but no one can be immune to the short-term gyrations that are already resulting from this transition. Sir John Templeton's tenets of value, patience, and discipline are timely.

We welcome your comments and questions. Thank you for your interest in Altrinsic.

Sincerely,

John Hock
John DeVita
Rich McCormick

[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. 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 INTERNATIONAL EQUITY COMPOSITE
FULL DISCLOSURE PRESENTATION

Year to Date	Total Firm Assets (millions)	Composite Assets: USD (millions)	Composite Assets: % of Firm Assets	Composite Assets: Number of Accounts	Annual Performance Results: Composite Gross	Annual Performance Results: Composite Net	Annual Performance Results: MSCI EAFE (Net)	Annual Performance Results: Composite Dispersion	Ex-Post Standard Deviation (3 Yr Annualized): Composite	Ex-Post Standard Deviation (3 Yr Annualized): MSCI EAFE (Net)
2018	6,284	2,381	38%	9	-7.19%	-7.98%	-13.79%	0.45%	9.92%	11.24%
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 June 30, 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 June 30, 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.

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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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