ALTRINSIC

October 2019

Altrinsic International Equity Commentary – Third Quarter 2019

Dear Investor,

The Altrinsic International Equity composite gained 1.0% during the third quarter, outperforming declines of 1.1% and 1.8% by the MSCI EAFE and ACWI ex-US indices, respectively, as measured in US dollars.[1] International markets actually delivered positive returns, as measured in local currencies, but weakness in non-US currencies versus the US dollar more than offset underlying gains. Dovish central banks and subdued inflation provided a supportive backdrop for equities, but the weight of tepid growth in profits, weakening economic indicators, high debt levels, and escalating geopolitical risk (US-China trade war, US politics, Brexit, and developments in the Middle East, to name a few) contributed to volatility that is likely to persist. Aggregate portfolio risk, measured by beta, is well below market levels, and we continue to emphasize attractively priced businesses in which our underlying investment theses are not highly dependent on the broad economy.

Stock-specific factors were the overwhelming driver of outperformance during the quarter. Our investments in the financial (Chubb, Zurich Insurance, Tokio Marine, Mitsubishi UFJ), materials (Kinross Gold), industrial (Babcock), and healthcare (Medtronic, Glaxo) industries were the greatest sources of positive attribution. Sources of negative attribution included the consumer discretionary (Continental AG), technology (Ericsson), and energy (Tenaris, Schlumberger) sectors. We have been meaningfully underweight in Western banks, materials, and industrial businesses, however value is beginning to emerge.

In addition to new positions in three companies (AXA, Makita, and ABN AMRO), we made moderate adjustments to our larger exposures during the quarter. Chubb and Zurich Insurance are excellent companies and continue to offer value, but strong stock performance has narrowed their discounts, leading us to trim positions. We reduced our holdings in quality healthcare franchises Medtronic, Novartis, Roche, and Sanofi for similar reasons. We sold positions in Mitsubishi Corp. and ING, with capital redeployed to ABN AMRO, Antofagasta, and Fresenius Medical Care.

AXA, a Paris-based global insurance company, is midway through an important transformation under the leadership of CEO Thomas Buberl. Having acquired XL Capital (a prior Altrinsic holding) and "spun-off" its US life insurance business, the composition and quality of its business has markedly improved. As return on equity improves from currently depressed levels, we expect the shares to re-rate while paying us generous dividends along the way.

ABN AMRO has undergone a significant transformation from a highly leveraged and unfocused financial conglomerate to a well-capitalized and highly focused Benelux bank. Regulatory uncertainty will remain for ABN and European banks in general, but we believe that ABN's risk/return profile is now skewed in our favor. ABN has spent the last few years investing heavily in technology to improve digital offerings, internal controls, and customer satisfaction ratings. We expect investment spending to slow, allowing ABN to catch up to the cost-to-income levels of its global peers over time. Despite weak revenue growth resulting from sluggish loan demand and low interest rates, ABN is evolving into a cash cow, producing a low double-digit ROE and generating significant dividends.

Our third new purchase was Makita, a Japan-based, leading global manufacturer of power and garden tools catered to the professional user. Short-term cyclical factors, trade/tariff uncertainty, and Makita's increased investment in the outdoor tools market have clouded the outlook for short-term profits and led to significant share price weakness. This presents an opportunity to acquire a quality business with solid structural underpinnings, room to boost margins, and scope for enhanced capital management given their net cash position.

Our long-term approach to intrinsic value investing coupled with prudent risk management has resulted in a portfolio of 63 investments that is quite different from broad market indices. The portfolio will not be immune to short-term fluctuations, but we believe it is well suited to deliver superior risk-adjusted returns over the long term. The attached appendix provides more details on our portfolio exposure, top holdings, and characteristics.

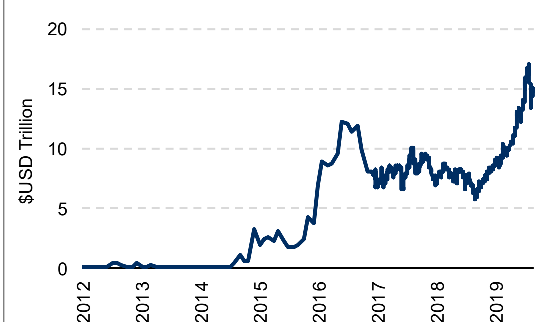
<u>Market Commentary and a Few Words on Banks</u>

Major central banks expressed unease with prevailing economic conditions during the third quarter and in response, doubled down on aggressive policy action, again. Since the financial crisis a decade ago, policymakers have become more and more willing to resort to what they themselves call "extraordinary" measures in their attempts to revitalize economies. Markets have become dangerously confident in central bankers' ability to prevent the world from experiencing the natural and inevitable pain that comes with recessions.

The US Federal Reserve announced two rate cuts. ECB President Mario Draghi, who retires at the end of October, revived bond purchases and pushed European policy rates further into negative territory. Bank of Japan Governor Kuroda is likewise considering reducing rates that are already below zero. Despite an increase late in the quarter, yields fell across the curve in every major developed and emerging market except South Africa, Argentina, and Colombia.

Bonds worth more than $17 trillion traded with yields less than zero as illustrated in Chart 1. This represents more than 25% of outstanding bonds worldwide. Depositors used to collect interest on their deposits held at banks. Now, in many developed markets, corporate depositors pay banks to hold their cash, and for many European banks retail depositors are next. Times like these were not considered when the economic textbooks were written, so it remains unclear how this will affect economic activity and corporate profitability. One thing is clear, households and pension plans must continue to adjust their savings plans higher in this environment.

Chart 1: Market Value of Negative Yielding Bonds



As of 09/30/19, Source: Bloomberg: Bloomberg Barclays Global Aggregate Negative Yielding Debt Index.

There is always a long list of risks, but the prevailing ones are amplified by the enormity of outstanding debt, unstable liquidity in many markets and asset classes, and complicated geopolitical fault lines. This renders macroeconomic forecasting impossible. Nevertheless, we incorporate related considerations into our financial models and the risk appraisals that influence our view of a company's margin of safety. We have been significantly underweight economically cyclical businesses largely due to their high valuations on normalized profits, mediocre fundamentals, and vulnerable earnings prospects.

One cyclical area hotly debated among value investors involves European banks. Banks have a large representation in benchmark indices, especially the increasingly popular, yet deeply flawed, "value" indices. Based upon traditional and popular "factors" such as price to book, price to earnings, and dividend yield, EU banks have screened cheaply for a long time. However, an important shortcoming of such "factors" is that they have not captured elements essential to determine whether banks are just "cheap" or are truly undervalued. These include:

- Undercapitalization: Yes, banks are better capitalized than they were a decade ago but most remain woefully undercapitalized, despite numerous rights issues. Capital requirements will continue to creep higher, and very few banks offer a combination of meaningful excess capital and appropriately marked down bad loan books.

- Structural pressures:
    - Despite persistent overcapacity, meaningful consolidation is unlikely given national interests and the lack of a real EU banking union.
    - Historical competitive advantages such as trust, convenience, and location have eroded.
    - New competition from financial technology businesses and startups with no legacy baggage are hurting traditional lending and fee-based businesses.
    - Costs are at risk of rising materially given the need to improve anti-money laundering compliance and invest in better technology.
    - Anemic loan demand, low (negative) rates, and intense competition mean that a reversion to the mean in net-interest income is still far away, even if European banks successfully avoid Japanification.

- Uncertain dividend sustainability: Current dividend yields on many European banks are very attractive, but many are vulnerable. Current payout ratios of 60-70% leave little retained capital for necessary balance sheet repair, further macro-prudential capital build (including Basel 4), technology investment, or cushioning to absorb the impact of an economic downturn.

Over the course of our careers, our investment exposure to European banks has ranged from significant to none. Since the GFC, our exposure to European banks has been very low. Only in recent quarters have we begun to identify opportunities, with current positions amounting to just 2.4%.[2] We will continue to be opportunistic, thorough, and responsible as we identify opportunities in this shaky environment.

Please contact us if you would like to discuss these or other matters.

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.*

[2]*Industry/Sector/Regional portfolio weights or counts included here and throughout this letter are presented as of September 30, 2019. Altrinsic independently analyzes each security recommended for purchase and categorizes it into the MSCI GICS sector and or country that it deems most appropriate. Altrinsic's sector and country classification may differ from MSCI. These percentages are based upon a representative fully discretionary account.*

Altrinsic International Equity Composite

Quarterly Report as of September 30, 2019

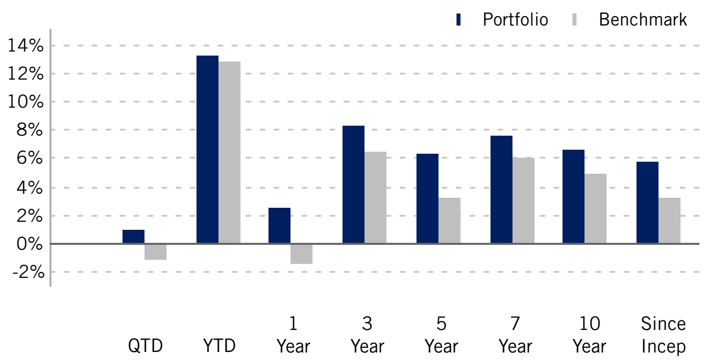
Benchmark: MSCI EAFE

Currency: USD

Inception Date: 6/30/2000

Performance (%)

			Annualized					
	QTD	YTD	1 Year	3 Year	5 Year	7 Year	10 Year	Since Incep
Portfolio	1.0	13.3	2.6	8.3	6.3	7.6	6.6	5.7
Benchmark	(1.1)	12.8	(1.3)	6.5	3.3	6.1	4.9	3.2
Excess	2.0	0.5	3.9	1.9	3.0	1.5	1.7	2.5



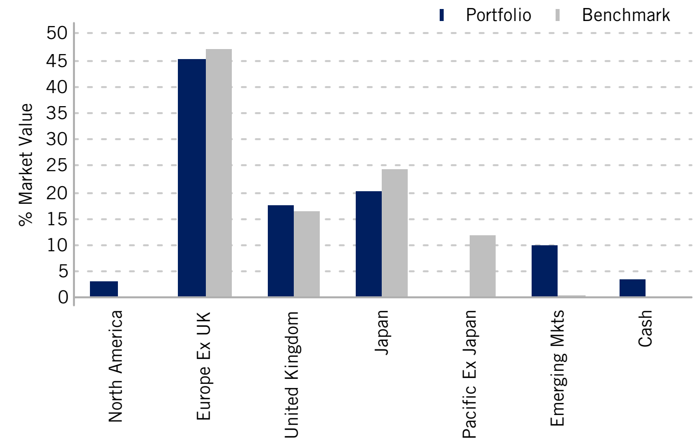
Top 10 Positions

Security	Sector	% Market Value
Willis Towers Watson PLC	Financials	3.0
GlaxoSmithKline plc	Health Care	3.0
Astellas Pharma Inc.	Health Care	2.9
Aon plc	Financials	2.8
Tokio Marine Holdings Inc.	Financials	2.8
Zurich Insurance Group AG	Financials	2.8
Chubb Ltd.	Financials	2.7
Vodafone Group plc ADR	Communication Services	2.7
Danone SA	Consumer Staples	2.7
Sanofi	Health Care	2.5
		27.9%

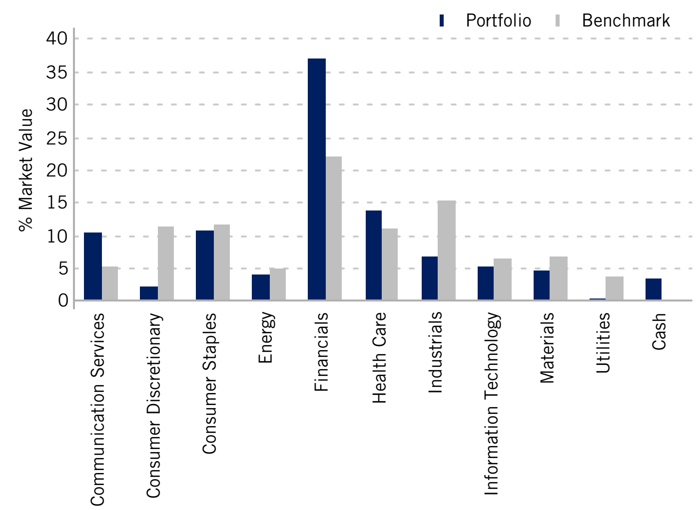
Positions Initiated/Eliminated (3rd Quarter 2019)

Initiated	Eliminated
ABN Amro Bank NV	ING Groep NV
AXA SA	Mitsubishi Corp.
Makita Corporation	

Region Weights



Sector Weights



Characteristics

	Portfolio	Benchmark
Market Cap		
Weighted Average (USD M)	58,545	63,952
Median (USD M)	28,416	10,140
Portfolio Count	63	923
Dividend Yield	3.2%	3.3%
Price to Earnings	16.0x	16.0x
Price to Book	1.5x	1.6x

Performance is presented gross of management fees but net other fund expenses. Gross returns will be reduced by the investment advisory fee. The report reflects the composite inception date and performance. Individual client inception dates and since inception returns will vary. The portfolio may invest in countries, sectors and securities not included in the noted index. All investments involve risk of loss. Past performance is not indicative of future results. Due to rounding, numbers presented may not add up to the totals provided. Please see Important Considerations and Assumptions at the end of this appendix for important 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)
Q3 2019	7,072	3,062	43%	9	13.27%	12.56%	12.80%	N.A.	9.70%	10.91%
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 March 31, 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 International Equity Composite has been examined for the periods beginning December 8, 2000 through March 31, 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 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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