



July 2020

Altrinsic International Equity Commentary – Second Quarter 2020

Dear Investor,

The Altrinsic International Equity Composite gained 13.8% during the second quarter, as measured in U.S. dollars. By comparison, the MSCI EAFE Index and the MSCI All Country World ex-U.S. Index gained 14.9% and 16.1%, respectively, led by richly valued technology stocks.¹ Measures to reopen economies, increased optimism surrounding a vaccine, and hopes for a V-shaped recovery have been supportive, but the primary driver of the rally in risky assets has been the announcement of extraordinary fiscal and monetary stimulus, amounting to 29% of global GDP (Table 1). As many stock and bond prices have climbed to levels that discount a rapid return to normalcy, the scope for disappointment has increased considering the aftershock of enormous debt burdens, subdued demand, and rising geopolitical risk factors, including U.S. elections. The risk embedded in the portfolio is consistent with prospects for a challenging economic environment.

Table 1. What's Behind Q2 Performance?						
MASSIVE GLOBAL STIMULUS: 44% OF GDP in US, 29% GLOBAL						
Global Monetary & Fiscal Stimulus to Fight Covid-19						
Feb-June 2020						
	Potential Central Bank Liquidity Injection		Potential Fiscal Stimulus		Central Bank Liquidity Injection & Fiscal Stimulus	
	\$ Trn	% GDP	\$ Trn	% GDP	\$ Trn	% GDP
U.S.	\$6.21	29.0%	\$3.30	15.4%	\$9.51	44.4%
Eurozone	\$1.70	13.3%	\$4.02	30.2%	\$5.80	43.6%
Japan	\$1.03	20.0%	\$2.00	40.3%	\$3.11	60.3%
U.K.	\$0.37	13.6%	\$0.23	0.3%	\$0.60	21.0%
China	\$1.33	9.3%	\$1.22	0.4%	\$2.54	17.7%
Others	\$0.73		\$2.67		\$3.40	
Global	\$11.44	13.2%	\$13.52	15.6%	\$24.96	28.8%

Source: Nancy Lazar-Cornerstone Macro

Weakness among Asian financials, our lack of exposure to popular and expensive “new economy” technology companies, and lagging performance by healthcare stocks were the primary sources of negative attribution during the second quarter rally. The greatest sources of positive attribution were our investments in the materials, communications, and industrial industries.

Investment activity during the second quarter was more subdued than the first, which was the most active buying in our team’s history, as we built new stakes in nine companies during the depths of the COVID-19 crisis. We did establish three new positions: Aena (Spanish airport operator), Compass Group (the largest food service provider), and HDFC Bank (leading private sector Indian bank), while selling out of four: Fraport, Mitsubishi UFJ, Sensata, and Uniper. Other activity primarily involved sales made during the rally.

Overall portfolio exposures and risk will evolve over time based upon where the most compelling company-specific opportunities emerge. Our most significant investment exposures currently include:

- Financials (32%): We have meaningful exposure to companies in the non-life insurance and insurance brokerage industries, where we have identified attractively valued businesses with solid balance sheets, strong management teams, strong business models, and supportive industry conditions that should deliver superior returns on equity. Chubb, AON, Zurich Insurance, and Tokio Marine are some of our largest positions. Our exposure to banks is primarily in Asia.
- Healthcare (16%): Our healthcare investments comprise pharmaceutical and medical device companies as well as dialysis service provider Fresenius Medical. Each stands to benefit as governments’ involvement in health care spending increases, particularly in the U.S., while adding value through innovation, greater efficiency, and/or better health outcomes will drive performance.
- Consumer staples (12%) exposure consists of leading global beverage and food companies, each with increasingly scarce sustainable revenue growth and margin improvement potential coupled with strong or improving management execution.
- Communications (8%): Our investments include European broadband and telecommunications companies (Liberty Global, Vodafone, and BT) that are poised to benefit from improved execution, consolidation opportunities, and an improving regulatory environment. Our Asian investments (Nintendo, Z Holdings, Baidu) are supported by structural long-term growth prospects and improving monetization that is not captured in current valuations.
- Throughout the portfolio are businesses undergoing some form of transformation or enhancement to their business models through strategic initiatives that are not captured by traditional factor-based statistics. These have been some of our best-performing investments, and we are very positive on the prospect of more opportunities emerging under this umbrella. Among our current holdings at varying stages of this journey are Zurich Insurance, AXA, AON, Nintendo, and Sandvik.

Table 2. Altrinsic International Equity Portfolio

	EUROPE		JAPAN		OTHER		Portfolio Risk Summary		
	AGA	Index	AGA	Index	AGA	Index			
	95.5	100.0	66.4	63.0	16.5	25.4		12.6	11.6
Comm Svcs	7.8	5.4	4.9	2.6	1.5	2.4	1.4	0.4	<ul style="list-style-type: none"> • Concentration in three areas: <ol 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, Tokio Marine III. Event driven, idiosyncratic, and/or “deeper value” plays across industries –eg., Nintendo, Linde, Liberty Global, Grupo Financiero Banorte • Large exposure to financials. Significantly underweight European banks.
Cons Disc	4.1	11.2	3.2	5.9	--	4.7	0.8	0.7	
Cons Stpls	12.0	11.9	11.4	9.3	--	2.0	0.6	0.7	
Energy	3.2	3.4	2.5	2.9	--	0.2	0.6	0.3	
Financials	31.6	19.3	19.4	10.7	8.1	3.0	4.1	5.6	
Healthcare	15.9	14.1	12.9	10.1	2.9	3.0	--	1.1	
Industrials	8.9	15.3	4.8	8.2	4.0	6.2	--	1.0	
Info Tech	7.8	8.2	4.8	5.6	--	2.4	3.0	0.2	
Materials	4.3	7.1	2.3	4.6	--	1.2	2.0	1.3	
Utilities	--	4.0	--	3.1	--	0.4	--	0.5	

As of 06/30/20; 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.

Uncertain fundamentals, mounting debt, fall elections, and increasing geopolitical risk emanating from U.S.-China relations portend an increase in volatility. As we progress through this pandemic episode, we will continue to balance our consideration of margin of safety in our investments with opportunity during bouts of volatility.

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

Sincerely,

John Hock

John DeVita

Rich McCormick

¹Performance 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.

ALTRINISIC 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				
2020 YTD	7,079	3,501	49%	8	-12.79%	-13.17%	-11.34%	0.28%	14.13%	14.96%
2019	7,397	3,300	45%	8	21.78%	20.76%	22.01%	0.43%	9.70%	10.81%
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 December 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 December 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

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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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