

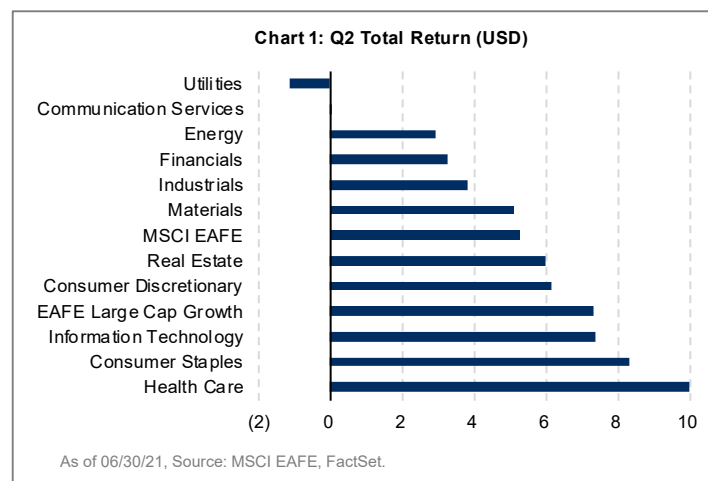


July 2021

Altrinsic International Equity Commentary – Second Quarter 2021

Dear Investor,

Equity markets delivered strong gains in the second quarter, aided by continued policy stimulus, robust economic and corporate earnings growth, positive sentiment stemming from fewer global COVID-19 cases, and a supportive interest rate environment. Health care stocks led the market on softening political rhetoric and positive new drug discoveries, while higher quality stocks in consumer staples and technology also advanced sharply. The Altrinsic International Equity portfolio gained 4.1%, compared to the 5.2% return of the MSCI EAFE Index, as measured in US dollars¹. Our relative performance was held back by underperformance in financials and our minimal exposure to highly priced “quality growth” stocks. **Chart 1** graphically depicts the varied performance underlying headline index results.



Perspectives

Developments involving inflationary pressures and interest rates, China, and cyber risks are among the topics capturing headlines and are likely to have significant influence on markets in both the near- and long-term. Interest rates, which for decades were tethered to inflation, are increasingly fixed at low levels, as central bankers seek to buoy the global economy and governments work to manage their war-time debt levels. Simultaneously, rising inflationary pressures, which began with the prices of goods, are now appearing in the service industries in many countries. Meanwhile, China is embarking on the delicate act of slowing its considerable and highly leveraged “old” economy and managing continued geopolitical tensions at home and abroad, while increasingly relying on its internet giants to forge its future. Atop these other macro forces, cyber risks transcend all boundaries. They are underappreciated, intensifying, and will have a significant bearing on individuals, companies, and nations.

These issues, independently and in aggregate, present both risks and nuanced opportunities for companies and investors alike.

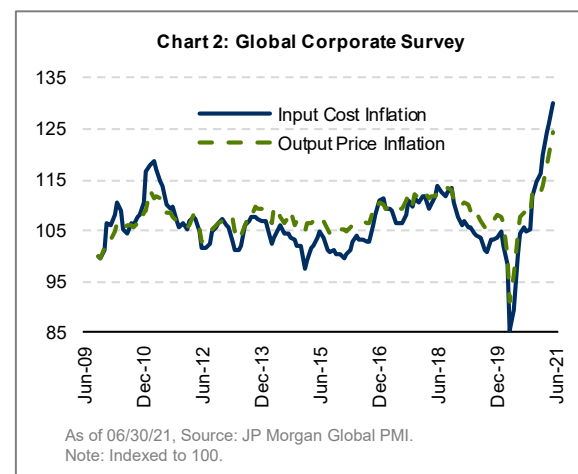
Inflation & Interest Rates

Inflation continues to march higher due in part to base effects from last year's collapse, massive stimulus, and supply chain disruptions, or what many pundits are referring to as "transitory" factors. While a modest pick-up in inflation would be welcome, consumers are now feeling the pinch in important goods and services like transportation, energy, housing, and food (**Table 1**). Food prices will weigh heavily on emerging market and low-income developed market households, as the category typically accounts for 20% to 50% of spending. Centuries of history also demonstrate that food inflation is linked to social unrest, from the French and Bolshevik Revolutions to the more recent Arab Spring and current Cuban protests. If high inflation in these categories persists much longer, it risks upsetting the strong consumption recovery underway. The slowdown in US home sales is an early example.

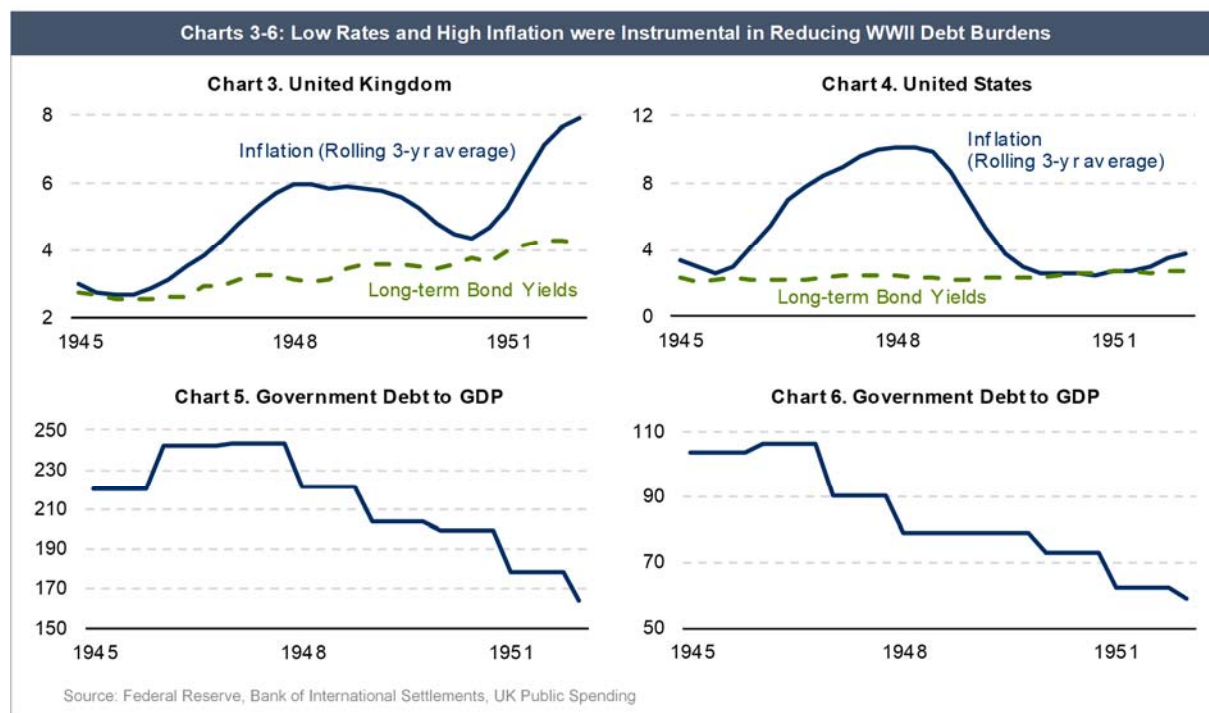
	May-21	10-year Average
Transportation	12	1
Food*	40	0
Energy	18	1
House Prices	9	3
Medical Care & Drugs	0	2

Source: Based on US, European, and Japanese data, Bank of International Settlements, FactSet. *Based on United Nations data.

Another consideration is the rise in business input costs (**Chart 2**), which will test many companies' pricing power, and those lacking competitive discipline or product differentiation will face a difficult path. Deep cyclical stocks, particularly low-quality ones, rallied sharply over the last year and are now embedding considerable profit margin expectations that appear increasingly difficult to attain. Thomas Oetterli, CEO of leading European industrial Schindler, summed it up during a May conference call: "Now you have the further increase in commodity prices, which will then put even more pressure on our margins. So, for that, I think we have to prepare ourselves operationally and we are working very hard on that...but it just demonstrates how fragile the future is at the moment, how uncertain."



Bond markets, meanwhile, are looking past emerging inflationary pressures and expecting patience from central bankers. Thus far, monetary stimulus remains broadly accommodative in most developed nations, but this is slowing sharply and many central banks are now discussing early exit strategies. The IMF expects global government deficits in 2021 to be triple the long-term average. After injecting wartime-level stimulus, many governments are saddled with a heavy debt burden, cannot handle a significant rise in rates, and will likely see any sharp increase in taxes as politically unpalatable. Governments often manage post-war debts and deficits by suppressing interest rates and higher inflation, as we saw in the UK and US after World War II (**Charts 3-6**). We would expect several countries to utilize a similar playbook in the coming years, with varying degrees of success. Artificially suppressed rates against a backdrop of major economic imbalances could promote an environment of increased volatility in asset prices, as we have already begun to experience.



Simplistically speaking, inflation should benefit “old economy” companies in sectors such as banking or commodities, but this is a dangerous generalization and is highly dependent upon the scale and type of inflationary pressure. These stocks now discount a permanent step up in profitability despite significant encroachment from technology businesses, increasing substitutes for their products and services, and shifting demand patterns from their end-customers. Our holdings are well-positioned for an uncertain macro environment given underlying valuations, a greater focus on higher-quality services companies, strong staples brands with pricing power, and an underweight to lower-quality industrial and discretionary companies.

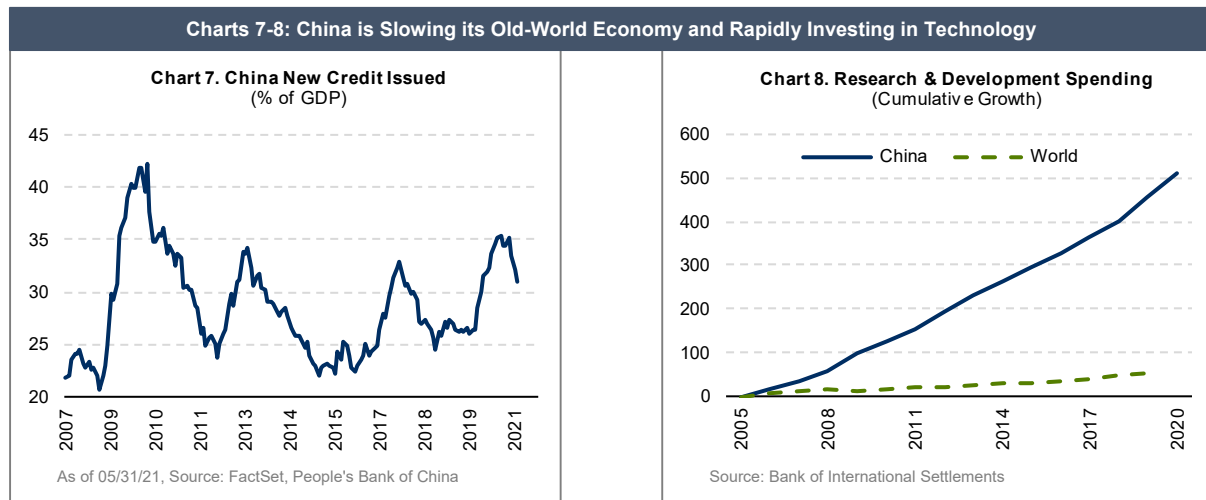
China

China further complicates the global investment landscape given its size, geopolitics, and policies aimed at managing its post-pandemic economy – including transitioning toward a higher value-added economy. China was the first in and one of the first out of the COVID-19 pandemic, and after 2020’s record-breaking year for credit stimulus, the country is applying the brakes in 2021 (**Chart 7**). This is sensible given its significant debt burden but recent economic data points, from retail sales to industrial production, highlight slowing growth. We expect the suppression of credit growth to further impact China’s “old” economy, including demand in the commodity complex, where China often accounts for 20% to 60% of global consumption.

Geopolitical tensions are also flaring up, particularly with the United States, after the Biden administration announced investment sanctions against Chinese defense companies, a continued ban on the sale of advanced semiconductor fabrication equipment, and an investigation into the potential of a Wuhan lab leak as the genesis of the COVID-19 pandemic.

China’s leadership is working to transition the economy from capital-heavy investment to global technological leadership as it seeks to reduce its international reliance. Public and private R&D spending grew by 55% in the last five years alone (**Chart 8**), and China now spends more than four times that of Germany and nearly as much as the United States. The domestic tech push coincides with a regulatory crackdown, increasing near-

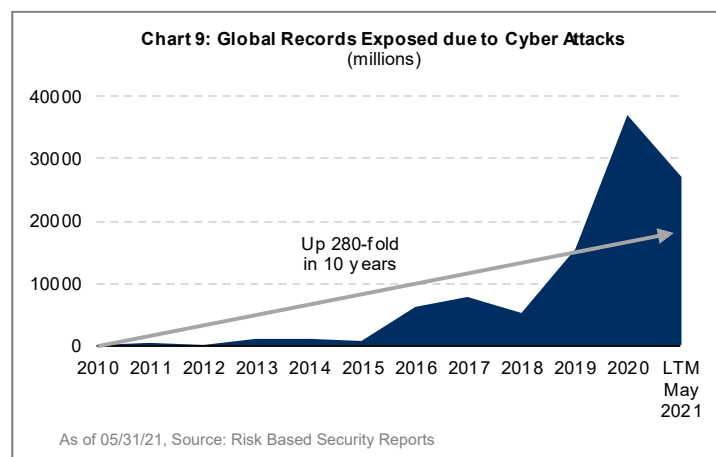
term uncertainty among the well-known domestic technology companies. Despite these restrictions, the country's internet champions are key enablers of the desired long-term transition.



We took advantage of the uncertainty in China to increase our stakes in Baidu, Alibaba, and Tencent Music over the last quarter. Baidu should benefit from a cyclical rebound in its search business, and there is significant optionality around its burgeoning cloud and autonomous driving investments. China remains several years behind the United States in its cloud transition, and we expect Alibaba to lead the charge in its ongoing development while continuing to grow its leading logistics and e-commerce platforms. Tencent Music is China's dominant music streaming platform and remains extremely under monetized; we see several avenues for profit expansion, including increased advertising and rising prices for its popular services.

Cyber Risks

The highly publicized shutdown of the Colonial Pipeline in May highlighted the rapidly-growing threat of cyber-attacks. Some in the industry, including two highly-regarded global insurance executives, are calling cyber-attacks “the next pandemic” due to the potential for wide-ranging and borderless repercussions. Our contacts in the intelligence community concur with this view. With the SEC considering mandating disclosure of cyber incidents, cybersecurity is now a board-level concern. Globally, cybersecurity spending is up 77% over the last five years. However, this pales in comparison to the four-fold increase in daily data creation and 45-fold increase in cyber-attacks over the same period (**Chart 9**). Older IT systems with less automation are particularly vulnerable. Corporations will need to increase the pace of spending going forward to modernize and harden their internal systems. Approximately 10% of our portfolio is positioned to benefit from this trend, including Check Point Software, SAP, and Cognizant. Our insurance holdings will also benefit from enormous long-term demand for cyber insurance but are proceeding extremely cautiously given the risks.



Performance and Investment Activity

Q2 relative performance was heavily influenced by our lack of highly-valued large cap growth stocks. At a more granular level, the greatest sources of positive attribution were derived from our investments in the consumer staples (Heineken, Diageo, Nestlé) and health care (Astellas, Fresenius Medical, GlaxoSmithKline) sectors. Negative attribution was derived from investments in consumer discretionary (Trip.com, Sands China), financials (Sumitomo Mitsui Trust and Tokio Marine) and technology (Cognizant).

There were several positive developments for our holdings in Q2. Japanese pharmaceutical company Astellas provided a confident message on upcoming pipelines in cancer, menopause, and anemia all while planning to keep a tight lid on operating costs. Our insurance holdings continue to exceed our expectations, as the improving competitive environment is producing considerable revenue growth and margin expansion; our ongoing industry due diligence leads us to believe this is not a one-quarter phenomena but rather a multi-year opportunity. In consumer staples, both Diageo and Heineken are using their leading brands to take advantage of the global re-opening, and profits are normalizing faster than we anticipated. In technology, SAP is executing extremely well on its greatly underestimated cloud transition strategy and producing the fastest growth in new cloud business in five years. Lastly, after years of disappointment, UK telecom BT Group is orchestrating a rebound in growth and is now backed by telecom giant Altice, which took a 12% stake in the firm and confirmed confidence in BT's capital allocation strategy.

We sold six positions during the quarter including ABN Amro, Bangkok Bank, Compass Group, Hitachi, RSA Insurance, and Tenaris. We acquired new stakes in Everest Re and Smiths Group, both of which are examples of business model transitions, an ample source of investment idea generation in recent years. Everest Re is a global reinsurer that is transforming its business under a new management team, several of whom come from best-in-class insurer Chubb. The group is focusing on lower volatility, higher profitability business lines where it has the most control over its destiny. We see paths to improving return on equity through a combination of better business mix, improving demand in an increasingly risky world, and an improving competitive environment. Smiths Group is an industrial conglomerate with leading market positions in security scanning equipment and mechanical seals. The business suffered for years due to inconsistent execution, but new management is seeking to simplify the company, shed non-core assets, and reap the benefits of its increased R&D spending, all while taking advantage of a cyclical rebound in its end markets.

Closing Thoughts

The global economy has rebounded sharply from the depths of the pandemic with economic and earnings growth rates likely peaking during the current quarter. As these growth rates slow, the major unknowns are where they will settle and if they are sustainable given how much future growth has been brought forward because of stimulus packages. The ultimate test will be when policymakers begin to remove the stimulus punchbowl.

In the meantime, inflationary pressures could have a meaningful impact on corporate profitability, valuation levers, and stock performance. Traditional axioms about "old economy" stocks are likely to be tested given current valuation levels, margin expectations, and accelerating threats from new technologies. At the other end of the spectrum, many "new economy" companies may produce considerable revenue growth but find they do not meet the lofty hurdles set by investors or see their stocks prices swing considerably due to small changes in interest rates.

We continue to see the greatest opportunities between these two extremes, primarily among companies that are not overly dependent on strong economic growth and have the ability to improve shareholder value through their independent initiatives. Our portfolio is attractively positioned, focusing on companies with underappreciated business models in which fundamentals are improving and where disciplined leaders are allocating capital in our long-term interest.

Thanks for your interest in Altrinsic.

Sincerely,

John Hock
John DeVita
Rich McCormick

¹ *The performance data presented in this document through the period ended June 30, 2021 is preliminary. Altrinsic will provide you with corrected performance data if the final verified numbers are materially incorrect. 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 or that any investment in the securities discussed will be profitable. Please see Important Considerations and Assumptions at the end of this letter for additional disclosures. Data sourced from FactSet, MSCI, and Altrinsic research.*

GIPS Report – Altrinsic International Equity Composite

Year to Date	Total Firm Assets (millions)	Composite Assets			Annual Performance Results					Ex-Post Standard Deviation (3 Yr Annualized)	
		USD (millions)	% of Firm Assets	Number of Accounts	Composite		MSCI EAFE (Net)	Composite Dispersion (Gross)	Composite (Gross)	MSCI EAFE (Net)	
					Gross	Net					
2021Q	9,606	4,934	51%	10	3.58%	3.37%	3.48%	N.A. ¹	16.80%	17.49%	
2020	8,763	4,192	48%	8	3.78%	2.90%	7.82%	0.38%	16.96%	17.89%	
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. The composite inception date is 1 July 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, 2020.

A firm that claims compliance with the GIPS standards must establish policies and procedures for complying with all the applicable requirements of the GIPS standards. Verification provides assurance on whether the firm's policies and procedures related to composite and pooled fund maintenance, as well as the calculation, presentation, and distribution of performance, have been designed in compliance with the GIPS standards and have been implemented on a firm-wide basis. The Altrinsic International Equity Composite has had a performance examination for the periods beginning December 8, 2000 through June 30, 2020. The verification and performance examination reports are available upon request.

Altrinsic Global Advisors, LLC is a registered investment adviser. A list of all composite and pooled fund investment strategies offered by the firm, with a description of each strategy, is available upon request. The type of portfolios in which each strategy is available (segregated account, limited distribution pooled fund, or broad distribution pooled fund) is indicated in the description of each strategy.

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 US 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 investments, calculating performance, and preparing GIPS Reports 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.

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