RVX ASSET MANAGEMENT LLC

Q1 | 2024

Emerging Markets All Cap Equity

Investment Team

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Economist

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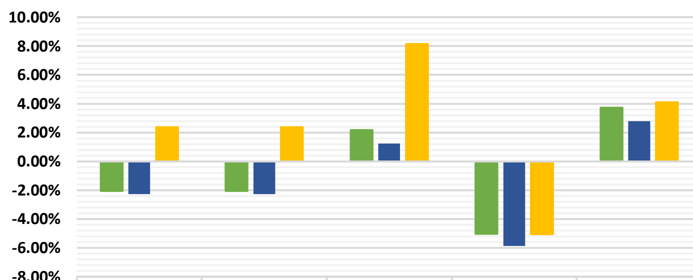
Investment Philosophy

- *We believe an actively managed portfolio constructed on the basis of bottom-up, fundamental analysis with a focus on safe, high-quality companies that are set to benefit from change and that are purchased at price levels that reflect conservative scenarios in our discounted cash flow intrinsic valuation model will generate attractive excess returns, while at the same time deliver those returns with lower downside volatility than the overall market.*

- *We believe that building upon more traditional characteristics like value, growth, or quality and ensuring our investments also possess a combination of safety and change to drive value realization is a differentiated approach that will deliver durable and significant alpha from investing in Emerging Markets.*

PERFORMANCE:

Total Return % as of 3/31/2024



	QTD	YTD	1YR	3YR*	S.I.* 11/1/18
RVX EM All Cap Equity Composite(gross)	-2.06%	-2.06%	2.16%	-5.03%	3.72%
RVX EM All Cap Equity Composite(net)	-2.28%	-2.28%	1.24%	-5.88%	2.79%
MSCI EM Index (net div.)	2.37%	2.37%	8.15%	-5.05%	4.10%

**Annualized Returns*

The performance data quoted represents past performance; Past performance does not guarantee future results. Specific investments described herein do not represent all investment decisions made by RVX. The reader should not assume that investment decisions identified and discussed were or will be profitable. Specific investment advice references provided herein are for illustrative purposes only and are not necessarily representative of investments that will be made in the future. Please see DISCLOSURE at bottom of Page 5 for further details.

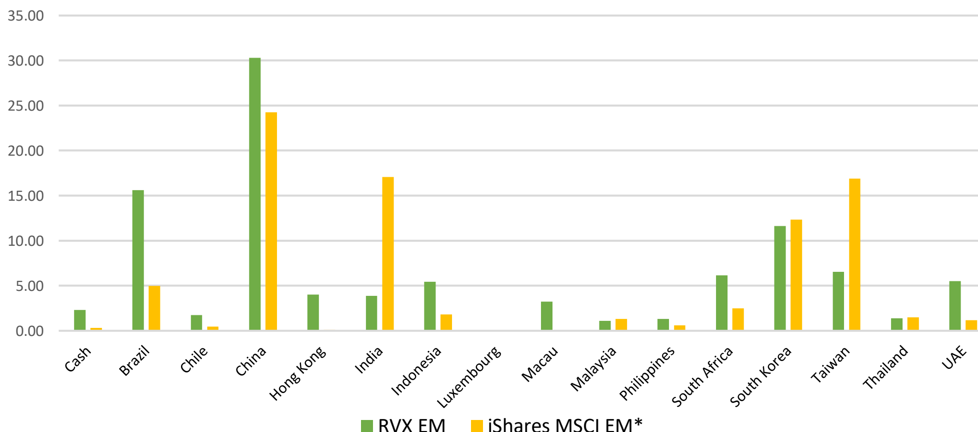
TOP TEN HOLDINGS:

Security	Country	Sector	Mkt Cap (US$ Mil.)	% Wgt
NASPERS LTD-N SHS	South Africa	Communication Services	32,392	6.14
SK HYNIX INC	South Korea	Information Technology	98,974	5.98
ALIBABA GROUP HOLDING LTD	China	Consumer Discretionary	184,042	4.98
CHINA EDUCATION GROUP HOLDIN	China	Consumer Discretionary	1,402	4.70
TRIP.COM GROUP LTD	China	Consumer Discretionary	28,360	4.26
CSPC PHARMACEUTICAL GROUP LT	China	Health Care	9,355	4.24
SSY GROUP LTD	Hong Kong	Health Care	1,958	4.01
GRUPO SBF SA	Brazil	Consumer Discretionary	629	3.60
INDOFOOD CBP SUKSES MAKMUR T	Indonesia	Consumer Staples	8,521	3.39
LOJAS RENNER S.A.	Brazil	Consumer Discretionary	3,261	3.35
				44.65

Source: RVX Asset Management Representative Account as of 3/31/24

The Top Ten Holdings were selected based on objective, nonperformance-based criteria and the criteria used is applied consistently from period to period. Fund holdings and allocations are subject to change and should not be considered a recommendation to buy or sell a security

COUNTRY WEIGHTINGS:



*Source: RVX Asset Management Representative Account and *iShares MSCI Emerging Markets ETF used as a proxy for the MSCI Emerging Markets Index as of 3/31/24*

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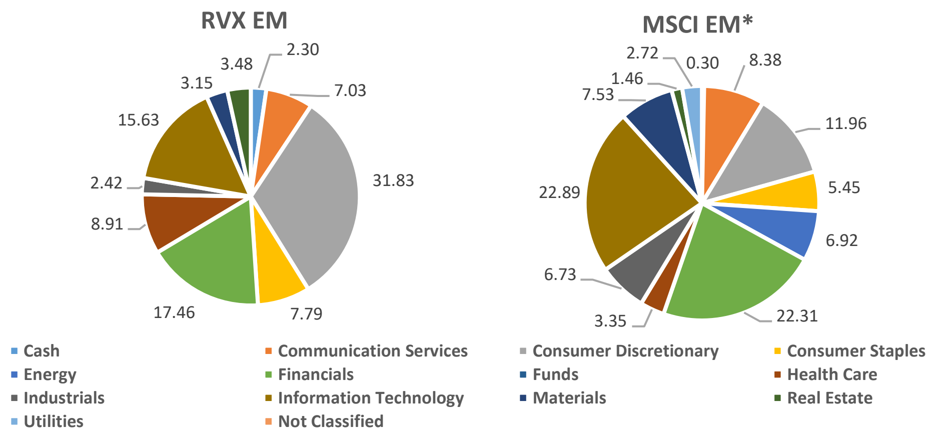
SECTOR WEIGHTINGS:



*Source: RVX Asset Management Representative Account and *iShares MSCI Emerging Markets ETF used as a proxy for the MSCI Emerging Markets Index as of 3/31/24*

PORTFOLIO CHARACTERISTICS:

Active Share	*92.58%*
Beta	*1.06*
Dividend Yield	*2.60%*
(P/E) Ratio (trailing)	*14.7*
(P/E) Ratio (forward)	*9.8*
(P/CF) Ratio	*7.2*
(P/B) Ratio	*1.3*
Wtd Avg Mkt Cap	*30,645*
Holdings	*45*
Countries	*15*
Top 10 Weight	*44.65%*
Turnover (Trail 12-mth)	*82.12%*

Source: RVX Asset Management Representative Account as of 3/31/24

COMMENTARY:

PERFORMANCE REVIEW

For the 2024 Q1 quarter, the RVX Emerging Markets strategy decreased -2.1% (net -2.3%) compared to the MSCI Emerging Markets index which increased +2.4%. The gain in the MSCI Emerging Markets index compares to a gain in the S&P 500 of +10.6% and to a gain in the MSCI EAFE index of +5.9%.

The main driver of the strategy's underperformance this quarter continues to be our country allocations. For the strategy, the attribution by countries showed a large negative country allocation effect of -3.9% and a minor negative stock/company selection effect of -0.5%. Breaking it down by individual countries, the largest contributors to returns relative to the index were South Korea +0.5%, South Africa +0.5% and Chile +0.3%, while the largest detractors from relative returns were China -2.1%, India -1.4%, Brazil -1.1%, and Taiwan -1.1. The strategy is overweight the lagging markets of China -2.2% return in the quarter and Brazil -7.4%, and underweight the high-flying, momentum-driven markets of Taiwan +12.5% and India +6.2%.

A clear distinction we can make between the leading and lagging markets is the valuation gap. The lagging markets have low valuations – China P/E LTM 12x, P/Bk 1.2x and Brazil P/E LTM 8x, P/Bk 1.4x – while the leading markets have much higher valuations – India P/E LTM 28x, P/Bk 4.4x and Taiwan P/E LTM 24x, P/Bk 2.8x.

Given these valuation differentials and based on the general commentary in the press and from the sell side, one would think that the leading markets have exceedingly better outlooks and higher EPS growth rates, but that is not entirely the case – while it is true that their growth is higher, the differences are not as substantial as the valuation differentials would suggest. Cumulative EPS growth for the next 2 years for China is expected to be +26%, for India +40%, for Taiwan +44%, and for Brazil +23%. The same stands for expected GDP growth rates – they are higher for the leading markets, but not substantially so. GDP growth for China is expected in the 4.5-5.0% range, for India 6.5-7.0% range while Taiwan is in the 2.5-3.0% range and Brazil in the 1.7-2.0% range. Although the strategy does not invest with a top-down approach based on these figures, we cite them as they are indicative of the even more extreme differences, we see at the individual company level in which companies with similar growth rates and returns on investment are valued immensely differently depending on their country of domicile.

Our view is that the lagging markets and companies within them remain very significantly undervalued vs. the leading markets. Even though their overall fundamentals measured by EPS growth and GDP growth are lower, the differentials in these metrics are not nearly as wide as the valuations imply.

Investment Process

Idea Generation

- *Universe of Emerging and Frontier market securities with market caps greater than U$500 million and liquidity over U$1 million/day.*
- *Screen to eliminate low quality and unsafe companies. Result is the "RVX Good Company list".*
- *Rank the "RVX Good Company list" using a multi-factor model.*
- *Top 30% of ranked results are research candidates.*

Bottom-up, Fundamental Analysis

- *Triage using extensive historical fundamental data sets.*
- *Focus on the Change and Growth Opportunities criteria of our "1s2g3c" framework.*
- *Review a full range of Negative and Positive scenarios.*
- *Use our proprietary DCF to determine the intrinsic value of the company under a wide range of scenarios. Reflect these scenarios in our Buy and Sell price target ranges.*
- *Pre-investment checklist for each criteria of our "1s2g3c" framework.*

Portfolio Construction and Risk Management

- *Portfolio designed with target number of positions in each position-size group.*
- *Structure ensures prioritization of ideas with the most compelling reward/risk profiles.*
- *Daily monitoring of exposures by PM and Chief Compliance Officer.*

Composite Inception Date

November 1, 2018

Strategy Profile

Perf. Benchmark	*MSCI EM Index**
Style	*Quality, Relative Value*
Market Cap	*All-Cap*
Range of Markets	*10 - 20*
Range of Holdings	*35 – 50*
Cash Position	*0 - 5%*
Turnover	*30-70%*

**See Disclosure 5. on Page 3*

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COMPANIES

In terms of specific companies, these were the top contributors to returns:

1. (best) SK Hynix (South Korea) – SK Hynix makes DRAM and NAND memory semiconductors. SK Hynix was also one of the top 3 contributors last quarter so we have already discussed the core positives of the company quite recently. To briefly recap, we expected SK Hynix to benefit from the upturn in memory chip prices after makers cut back sharply on supply. This occurred and prices are now rising. In addition, we recognized the importance of high bandwidth memory chips to the development and use of AI. Finally, more memory will be needed in the next generation of smartphones and laptops. Given these positive dynamics, prices for memory chips continue to rise, driving higher expected profits and a revaluation of SK Hynix.

2. Trip.com (China) – Trip.com is the largest online travel agency in China, with an especially strong competitive position in international travel. Travel has been a standout performing industry in China ever since the beginning of 2023 and the end of the zero-Covid policy in the country. As in other countries, China has been experiencing a boom in "revenge travel". This was first seen via a large volume of travel domestically, with a preponderance of short-haul travel to nearer destinations. This was followed by domestic travel but to farther destinations. By the end of 2023, the number of travelers domestically had reached 2019 levels with daily passengers increasing 34% over the year and domestic hotel stays increasing by similar levels. However, the average spend per traveler still trailed 2019 levels. Nonetheless, the trend was steadily improving and by the recent Qing Ming festival in early April the average spend per domestic traveler finally surpassed 2019 levels. Even though international travel is still below 2019 levels, it is also rising quickly with international travel capacity at 70% of 2019 levels vs. only 30% at the start of 2023. Outbound travel is expected to increase over 100% year-on-year in 2024q1. All these trends, especially the rise in international travel, are very positive for Trip.com and explain its solid returns.

And these were the bottom detractors from returns:

1. (worst) Zamp (Brazil) – Zamp is the Burger King and Popeye's Chicken franchisee for Brazil. Zamp had a confluence of issues that drove its poor performance in the quarter. Right at the beginning of the year, Zamp had a change in control in which Mubadala, one of the UAE's sovereign wealth funds (which actually has a large investment presence on the ground in Brazil), finally gained majority ownership of the company. Mubadala initially proposed to buy Zamp back in August 2022, at a price of BRL 8.31 (today's price is BRL 3.17). It has been accumulating shares since that time and after a series of block purchases reached a 59% stake in the company. This control stake allowed it to take over the board of directors, hire new management, and re-orient the strategy of the company towards a path more focused on long-term growth instead of short-term cost savings and margin maximization. This change in control and management obviously introduced more uncertainty in the short term and caused a sell-off in the shares. We feel this change will be a positive as the prior strategy of margin maximization via a firm, high pricing strategy was out of sync with what has been a relatively weak consumer environment in Brazil. Zamp's new strategy calls for more competitive price points driving increased traffic. Zamp's arch-rival Arcos Dorados, the McDonald's franchisee in Brazil, has followed this strategy of value pricing with great success over the past year. The flaw in Zamp's prior strategy was made evident with its poor results for the last quarter of 2023 which further negatively impacted the share price when they were reported in March. Zamp is now the cheapest restaurant stock that we can identify in Emerging Markets at an EV/Sales of 0.6x compared to 0.9x for Arcos, Chinese peers at 1.0x to 1.8x, and Indian peers at 2.5x-6x. The same valuation gap exists at the EV/EBITDA multiple (the most comparable global multiple given differing depreciation policies) with Zamp at 4.6x compared to Arcos at 8.2x, Chinese peers at 5.5x-10x, and Indian peers at 23-35x.

2. CSPC Pharma (China) – CSPC is one of China's leading broad, traditional pharmaceutical companies with a strength in drugs focused on the central nervous system, the cardiovascular system, and anti-infectives. It is comparable in industry position to a Pfizer or Bristol Myers in the United States. As with Zamp, CSPC dropped post the announcement of a corporate reorganization. Specifically, in January, a subsidiary of CSPC called CSPC Innovation (74% owned by CSPC) announced that it would be buying another CSPC subsidiary called CSPC Beike (100% owned by CSPC) – one subsidiary buying another subsidiary. The transaction would be done at favorable terms to the parent CSPC and allow the parent CSPC to increase its ownership in CSPC Innovation beyond its current 74%. Management is seeking ways to highlight its innovative drug pipeline and unlock its value so it is selling assets to its subsidiary that trades at a much higher valuation multiple (CSPC Innovation trades at P/E LTM 57x and EV/EBITDA 45x compared to CSPC (the parent) at P/E LTM of 11x and EV/EBITDA 6.5x). Both CSPC Innovation and CSPC Beike are developing more leading-edge innovative drugs like the obesity GLP-1 drugs that have boomed in the West and driven up pharma companies that produce them to much higher valuation levels.

PORTFOLIO ACTIVITY HIGHLIGHTS

There were three new additions to the portfolio in the quarter and two complete sales. The following are brief reviews of two of the additions:

The strategy initiated a position in one of Brazil's leading rental car companies. Its share price has been depressed as it is still digesting the impact from the volatility surrounding both new and used car prices due to disruptions in the supply of new cars during the pandemic. This long-lasting impact is due to the fact that the company typically holds the new cars it buys for 2-3 years. As new car prices rose sharply during the pandemic, the company tactically decided not to buy new cars at the time and instead held on to its current fleet for longer. This caused its margins to swell during those years, but the downside is that its margins are now being depressed as it must sell those older cars for lower prices than its historical discount.

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We believe that the company will be able to renew its fleet by selling the vintages of older cars in its fleet and will report steadily improving results as it does so. Concerns about its execution ability are fully reflected in its valuation as it trades at 40 to 50% discounts versus its historical averages and at attractive levels on an absolute basis. Separately, during the pandemic years, the company acquired the 3rd largest rental car company in the country to consolidate the industry and remove the player that had been gaining market share by lowering prices. This is a significant improvement to the structure of the industry which should lead to lower competitive intensity and help margins return to at least their historical levels.

The strategy added two positions in South Korea. The first is Samsung Electronics, Korea's largest company and best-known brand. Samsung makes a very wide range of products headlined by smartphones, televisions, appliances and other electronics. What is less well known is that Samsung is also the world's largest producer of DRAM and NAND memory chips and this segment is normally its largest profit contributor. It competes against SK Hynix and Micron in this industry. Samsung is set to benefit from two drivers. First, smartphone inventory has normalized so volumes and pricing should stabilize. If AI at the edge drives a smartphone refresh cycle this would be a positive for Samsung. More importantly and timely for our purchase is that Samsung is the memory maker that will benefit the most from the upturn in basic memory (as opposed to high bandwidth memory) pricing and volumes. A further driver is that Samsung has been a laggard in the development of high bandwidth memory that is crucial for AI, but it is now rolling out new chips that are competitive so should increase sales of this high margin product. Valuations for Samsung are at mid-cycle levels compared to peers that are trading nearer to peak-cycle levels.

The second position in South Korea is in a bank/financial group. The banking regulator in Korea has been very restrictive over the past few years, forcing the banks to retain earnings and not allowing them to repurchase shares. This was in response to the uncertainty of the pandemic. Now that the impact of the pandemic is fading with negligible worsening in asset quality, the regulator is beginning to allow banks to return capital to shareholders. The managers at the bank we purchased have told us for the last couple of years that they would like to repurchase their own shares as they see them as highly undervalued at a P/Bk of 0.4x and P/E LTM of 5.2x. A new catalyst for bank shares in Korea has also emerged with the government pushing for a "Value Up" program similar to Japan's for companies that trade at too large of a discount to book value. Banks in Korea clearly fit that target.

4. INSIGHTS FROM RECENT MEETINGS

Based on recent meetings and conversations with companies, we share insights on some countries and industries of importance to the strategy.

We had the greatest number of interactions with **companies in China** this quarter in order to review their yearly earnings reports and to get their feedback to the news coming from the government's "two sessions" meetings. Even before the "two sessions" meetings confirmed it, companies had been telling us that they felt the government had become more concerned about the economy and therefore more supportive of the economy. Private companies noted that a clear difference from this year's 2 sessions was a directive for the public sector to encourage and support the development of the private sector, which they were already feeling in practice via a lighter regulatory touch. By now, all China watchers are familiar with the phrase "new quality productive forces" which is the government's rallying cry for the country to focus on higher-quality and more stable growth via moving up the value-added production chain. Communiqués from the 2 sessions referred to the need for government at all levels to encourage and support the private sector since it accounts for 70% of the country's innovation and are therefore a key factor in the development of new quality productive forces. Dutifully, private companies in both written communications like annual reports and direct communications in conference calls are highlighting their role in this goal. In our talks with companies, they seem to be interpreting this directive to mean that should incorporate more technology and efficiency in their planning, products, and production processes, and that they should implement long-term sustainable growth plans rather than short-term fixes. The focus on more sustainable growth can even be seen in state-owned entities. Some publicly controlled companies confirmed that their KPIs now included ROE targets and operating cash flow generation targets. All in all, this means that it is unlikely that China will stimulate aggressively to provide a short-term sugar high, but is trying to focus economic agents on investing with a more sustainable, long-term, returns-oriented mentality.

In **Malaysia**, companies are optimistic that the new government will have the ability to push through basic reforms and provide stability that will encourage consumption and investment. Malaysian politics have been chaotic since the loss by the BN party in 2018. A new unity government came to power in November 2022, and post six state elections in August 2023, its power has been consolidated with the new King stating he would not support early elections before the one scheduled for late 2027. Companies are optimistic that there will be a period of stability and political action. Early moves point in this direction with subsidy reforms that are more targeted rather than available to all, which should lead to fiscal consolidation. Likewise, the government is following India's lead and seeking to increase government led capital expenditures by nearly 75% and focused on catalytic projects. The strategy owns a bank in Malaysia is seeing an uptick in renewed demand for loans for capex and the need for working capital support. Malaysia is also seeking to attract more tourist arrivals by easing visa requirements and the country is aiming to become an option for companies seeking to add a +1 to their presence in China.

Brazilian retailers are seeing a moderate, but steady pick up in confidence and demand. Over the past few years, demand by consumers in Brazil has been negatively impacted by the surge in inflation and the rise in interest rates to try to contain the inflation. Retailers continue to report a trade-down effect with higher demand for value and lower priced products, but there are green shoots of spending in higher priced items. They take this as a sign of consumer health beyond just the impact of the initial drop in interest rates. Companies report that Lula's policies of increasing the minimum wage have been a positive driver of demand at the low end of the economic pyramid and that it is trickling up through mid-income levels as many salaries are tied to the minimum wage. Overall, retailers' outlooks are more positive as further decreases in the cost and availability of credit will be significant drivers of demand now that they are both closer to historical levels. Various retailers also mentioned that they were forced to focus on efficiency improvements during the pandemic years so they believe they will have outsized operating leverage to any increase in their top lines.

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4. The RVX Emerging Markets All Cap Equity Composite ("EMAC Composite") consists of fully discretionary Accounts invested in its related investment strategy ("Strategy"). Accounts consist primarily of emerging market equities across a variety of market capitalizations. The investment objective of the Strategy is to outperform the index by 2 to 3% annualized over the long term by utilizing a concentrated, low turnover, fundamental, bottom-up, relative value approach. Investing in securities always carries the risk of potential loss of investment principal. Securities are subject to general market risks due to factors that affect the overall market, which may include, but are not limited to, government actions,
investor behavior, and economic conditions. Economic conditions may be influenced by liquidity risk, geopolitical risks, monetary and fiscal policy, interest rate risk, and inflation, among others. Key material risks include the risks that stock prices will decline, foreign currency prices will decline, available liquidity will decline, rule of law will decline, and the composite will underperform its benchmark.
5. The composite was created in January 2022, and the inception date is 1 November 2018.
6. The benchmark is the MSCI Emerging Markets Index, a market-capitalization-weighted equity index of large- and medium-capitalization emerging market stocks as determined by MSCI, Inc. The benchmark is provided for comparative purposes only to represent the investment environment during the time periods shown. The benchmark is unmanaged and reflects no fees or expenses. Individuals cannot invest directly in an index. The composite Accounts differ from the index content and asset allocation of the benchmark, an unmanaged index.
7. Account returns are calculated using a time-weighted return ("TWR") methodology that calculates period-by-period returns reflecting the change in value, and negating the effect of external cash flows. The monthly composite return is the asset-weighted performance of all Accounts in the composite. Monthly composite returns are geometrically linked to form year-to-date and annual returns. Returns include the reinvestment of dividends and other earnings. Valuations are computed and performance is reported in U.S. dollars.
8. Gross-of-fee returns are presented before management and custodial fees, but after all trading expenses. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Net-of-fee returns are calculated by deducting a monthly model management fee of 0.075%, 1/12th of the highest annual management fee of 0.90%, from the monthly gross-of-fee composite return. The management fee schedule for Accounts is as follows: 0.90% on the first $25 million; 0.75% on the subsequent $75 million; 0.60% thereafter.
9. Internal dispersion is calculated using the asset-weighted standard deviation of annual gross-of-fee returns of those Accounts that were included in the composite for the entire year.
10. The three-year annualized standard deviation measures the variability of the composite's gross-of-fee returns and the benchmark's returns over the preceding 36-month period.
11. A list of composite descriptions, as well as policies for valuing investments, calculating performance, and preparing GIPS Reports are available upon request. Please contact the Chief Compliance Officer, Victoria Berns, at vberns@rvx-am.com.
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