RVX ASSET MANAGEMENT LLC

Q4 | 2020

Emerging Markets Equity

Objective

The Emerging Markets Equity Strategy objective is to outperform the MSCI Emerging Markets Index over the long term by utilizing a concentrated, low turnover, fundamental, bottom-up, relative value approach. By focusing on companies whose stocks sell at a discount to an estimate of their underlying business values, portfolios are constructed with a buffer that should shield investors from protracted stock price declines while offering significant appreciation potential.

Philosophy

We believe actively managed strategies with a fundamental, bottom-up, relative value approach will generate a consistent pattern of alpha over the long term. By focusing on companies whose stocks sell at a discount to an estimate of their underlying business value and generate strong free cash flow our portfolios should provide a buffer that shields investors from protracted stock price declines while offering significant appreciation potential.

Portfolio Managers

Cindy A. New, CFA
Robin R. Kollannur, CFA

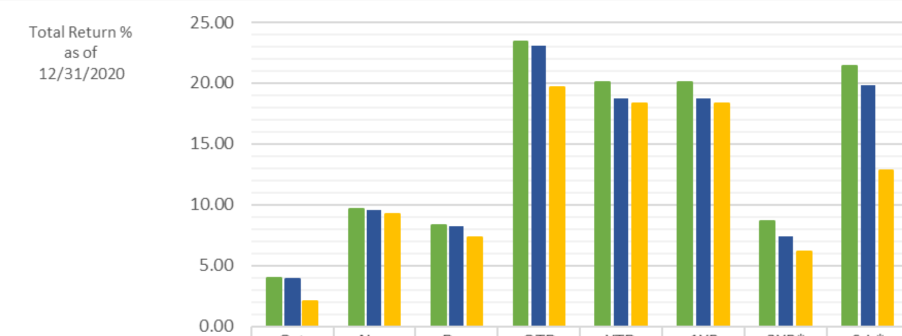
Inception Date

December 31, 2015

Strategy Profile

Perf. Benchmark.................. MSCI EM Index
Style....................................... Relative Value
Market Cap...................................... All-Cap
Range of Markets............................. 10 - 20
Range of Holdings........................... 25 – 50
Cash Position....................................... 0 - 5%
Name Turnover................................. 20-60%

PERFORMANCE:



	Oct	Nov	Dec	QTD	YTD	1YR	3YR*	S.I.*
RVX EM (gross)1	3.95	9.63	8.31	23.44	20.10	20.10	8.64	21.38
RVX EM (net)2	3.86	9.54	8.22	23.12	18.71	18.71	7.43	19.86
MSCI EM Index (net div.)	2.06	9.25	7.35	19.70	18.31	18.31	6.17	12.79

SOURCE: RVX ASSET MANAGEMENT AND MSCI EM INDEX
*RETURNS 1 YEAR + ARE ANNUALIZED

1. Results portrayed for the RVX EM Equity Strategy prior to January 1, 2019, are based on performance of a model portfolio.
2. Results portrayed post January 1, 2019, are based on actual performance of a live representative account.
3. Model and actual performance results, referenced above, reflect the deduction of all advisory fees, brokerage commissions or other client paid expenses
4. Please see DISCLOSURE for further details.

COMMENTARY:

For emerging markets equities, the fourth quarter ended up being the best performing one for the year. The MSCI Emerging Markets index was up +19.70%, surpassing the +18.08% the index delivered in the second quarter of the year. The return handily outpaced the S&P 500 which rose +11.67% and slightly outpaced the MSCI EAFE index which rose +16.05%. The more notable difference was between the return of the value vs. growth indexes as the MSCI EM Value index outperformed the MSCI EM Growth index on a quarterly basis for the first time since the 2nd quarter of 2019 by rising +22.98% vs. an increase of +16.83%, respectively. Despite the outperformance in the last quarter, for the full year, the EM Value index still vastly underperformed the EM Growth index by rising just +5.48% vs. the +31.33% for the EM Growth index. Turning to the performance of the portfolio, it returned +23.44%, meaningfully outperforming the +19.70% rise of the EM index.

The overall setup for emerging market equities is very favorable heading into the new year. From a top-down perspective, there are a plethora of tailwinds. First, the rollout of a Covid-19 vaccine means that global economic activity will steadily return to a growth path, which is a positive for emerging markets as they are generally leveraged to global growth. The only caveat is that conditions on the ground in many countries could get temporarily worse before they improve. Second, lower interest rates in the developed world have allowed the central banks in emerging markets to lower their rates as well. This is a double-positive as borrowing costs drop and more credit becomes available for these capital-starved economies. In addition, there is the supportive effect of investment flows out of what had been high-yielding domestic fixed income markets into the equity markets, which are typically under-owned by domestic EM investors. Third, a weaker U.S. dollar is generally a constructive environment for emerging markets as assets in non-U.S. markets become relatively more attractive – in fact, we are already seeing large capital inflows into emerging market investment vehicles. The stronger local currencies also lessen the burden of any U.S. dollar debt owed by companies and governments. Finally, rising commodity prices are a positive for numerous countries within emerging markets. In addition to giving a boost to the local economies via a trickle-down to greater services demand and higher incomes, it also helps improve the governments' fiscal balances.

In terms of sector positioning, there will be an increased focus on identifying companies that will benefit from growth of their respective domestic economies. Due to their weaker healthcare systems, the Covid-19 mobility restrictions were often more severe in these poorer countries compared to those in the developed world. As a result, companies that had revenues from exports fared relatively better, leaving consumer discretionary and financials as relative underperformers. With the re-opening of the economies, we expect this trend to reverse to some extent.

Looking at country positioning, we will seek opportunities in countries that will benefit from the combination of lower interest rates and higher commodity prices, both of which are a boost to domestic economies. Specifically, Brazil will be a country of interest. The equity market there has only recently reached its pre-pandemic high in late December, while its currency remains relatively cheap. In addition, domestic interest rates have dropped to historically low levels over the past year and many sectors of the economy will benefit from higher commodity prices. Two other countries who have this similar profile are Indonesia and Russia. On the other hand, exposure to the tech and export driven economies of Korea and Taiwan will likely be reduced. Even though there are some world-class companies in each of these markets, the valuations have reached relatively expensive levels.

Investment Process

Identify Stocks

- *Value characteristics*
- *No illiquid, highly leveraged, or distressed securities*

Proprietary Database

- *Ranks undervalued stocks using multi-factor model*
- *Approximately 650 stocks by decile monthly*
- *Model inputs validated by team*
- *Broad industry and country representation*

Fundamental Analysis

- *Top 30% of Database are research candidates*
- *Focus on sustainable cash flow and dividends*
- *Identifiable catalysts for appreciation*
- *Analyst recommendation on intrinsic value*

Decisions

- *Systematic process*
- *Portfolio construction*
- *Risk management*
- *Weekly investment meetings*

Execution

- *Timing*
- *Goal is to minimize trading costs*

Portfolio Characteristics

Dividend Yield...................................... 1.6%
(P/E) Ratio (trailing)............................. 21.7
(P/E) Ratio (forward)............................. 14.3
(P/CF) Ratio.. 8.5
(P/B) Ratio.. 1.8
Holdings.. 38
Countries.. 13
Top 10 Weight.................................... 44.8%
Name Turnover (Trail 12-mth).......... 40.4%

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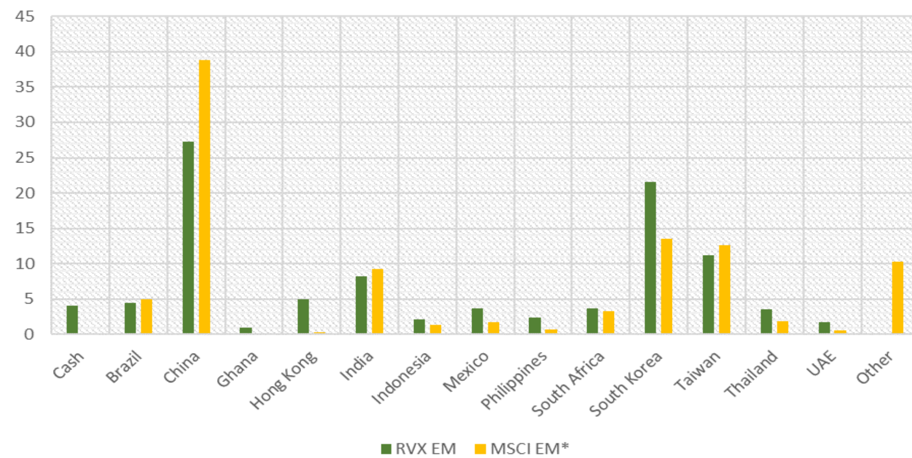
TOP TEN HOLDINGS:

Security	Country	Sector	Mkt Cap (US$ Bil)	% Wgt
SAMSUNG ELECTR-GDR REG S	South Korea	Information Technology	445	7.8
TAIWAN SEMICONDUCTOR-SP ADR	Taiwan	Information Technology	489.2	6.8
TENCENT HOLDINGS LTD	China	Communication Services	697.8	5.7
BAIDU INC - SPON ADR	China	Communication Services	73.6	5.3
SK HYNIX INC	South Korea	Information Technology	79.4	3.8
HDFC BANK LTD-ADR	India	Financials	108.3	3.5
ALIBABA GROUP HOLDING LTD	China	Consumer Discretionary	629.7	3.1
ISHARES MSCI INDIA SMALL-CAP	India	Funds	0.2	3.1
SANDS CHINA LTD	Hong Kong	Consumer Discretionary	35.5	3.0
KB FINANCIAL GROUP INC-ADR	South Korea	Financials	16.6	2.8

The Top Ten Holdings were selected based on objective, nonperformance-based criteria and the criteria used is applied consistently from period to period.

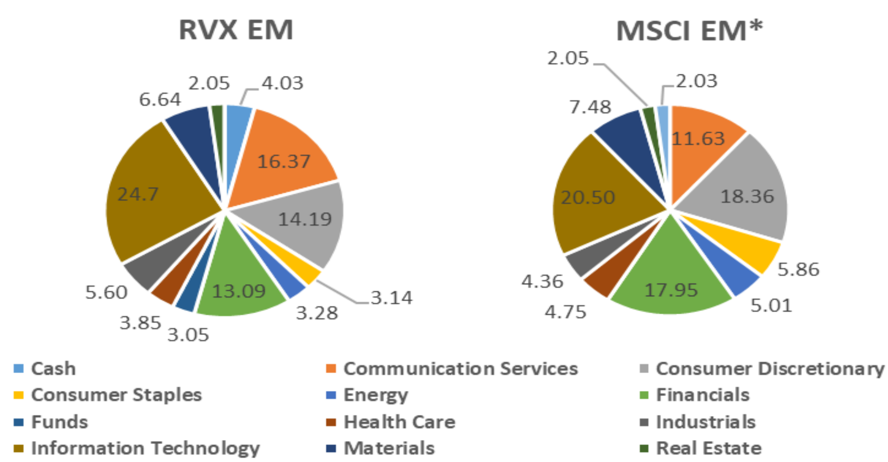
SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG,
INFORMATION BASED ON A REPRESENTATIVE ACCOUNT

COUNTRY WEIGHTINGS:



**Ishares MSCI Emerging Markets ETF used as a proxy for the MSCI Emerging Markets Index*
SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG,
INFORMATION BASED ON A REPRESENTATIVE ACCOUNT

SECTOR WEIGHTINGS:



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