



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.

“We believe having in-house equity and debt expertise, augmented by the macroeconomic research of a classically trained economist on staff, gives us a competitive advantage in today’s investing landscape.”

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:



SOURCE: RVX ASSET MANAGEMENT, BLOOMBERG AND MSCI
*RETURNS 1 YEAR + ARE ANNUALIZED

1. RESULTS PORTRAYED FOR THE RVX EM EQUITY STRATEGY PRIOR TO JANUARY 1, 2019 ARE BASED ON HYPOTHETICAL PERFORMANCE DERIVED FROM A MODEL PORTFOLIO. AS SUCH, RESULTS PORTRAYED POST JANUARY 1, 2019 ARE BASED ON ACTUAL PERFORMANCE FROM A LIVE REPRESENTATIVE ACCOUNT.
2. NET PERFORMANCE IS NET OF HYPOTHETICAL MANAGEMENT FEES AND TRADING COSTS.

COMMENTARY:

1Q 2019 saw a strong rebound in emerging markets, after 2018 ended with increased volatility and a drawdown in the asset class. Actively investing the portfolio during the pullback resulted in attractive entry points for many companies with long-term fundamental catalysts. While the portfolio did initially underperform in 4Q 2018 as these names were being accumulated, the performance in 1Q 2019 showed a sharp rally with the portfolio outpacing the MSCI EM Index 12.33% vs 9.92%. We were encouraged that the rally was driven by names we either bought or added to in the prior quarter.

1Q earnings season is mostly behind us, and our portfolio companies have generally met or beat street expectations. We have always believed earnings growth in EM should command at least an equal multiple to their developed market peers, as we have seen less financial engineering among EM companies to derive earnings in recent results.

Energy prices, a key swing factor in emerging markets, have rebounded YTD given recent OPEC and Russia compliance on production cuts, and political instability around key producers Venezuela, Libya, and Nigeria. Another factor that would create upside risk include slower US shale growth and the unwinding of hedging activity that impacted the sector in 4Q 2018. Stock performance within the sector has lagged the underlying commodity's price performance, which we have also encountered in prior rallies. Market participants are generally underweight the sector and given the magnitude of the price drop in 4Q 2018, consensus has not formed yet that the recent rally has staying power. Regardless, nothing has changed our fundamental view and we even added to our positions during last quarter's selloff.

We are maintaining our increased exposure to technology stocks (both in the Communication Services and Information Technology sector), as valuations continue to be attractive relative to the companies' fundamentals and earnings power. We would expect China to ease its regulatory activity in the sector in 2019, especially in the crucial gaming segment.

We continue to be generally underweight more defensive sectors such as Consumer Staple and Utilities, which is a byproduct of our fundamental, bottom-up process. We would expect further relative underperformance in these areas, which may also mean that a buying opportunity arises later in the year. Key priorities for our 2Q research docket are coincidentally areas where we have a large underweight: more work on undervalued opportunities in India (especially given potential volatility around upcoming elections) and the banking industry in South Korea. The latter has some of the cheapest valuations in the EM asset class, but a lack of growth and clear catalysts have kept investors away. As we have invested in the sector in the past and are familiar with the companies, recent news flow that Korean banks may be interested in growing outside of Korea has piqued our curiosity.

We are encouraged by the healthy rebound in emerging markets YTD and would expect this outperformance to continue for 2Q. Worries about a protracted trade battle between the US and China seems to have abated, and our base scenario is an agreement amenable to both sides. We would expect the Chinese equity rally to continue, as recent economic data has been positive. While market participants are discussing the ramifications of the inverted yield curve in the US for emerging markets, we believe it is too early to call for a potential EM slowdown. EM had already been underperforming the US since the aftermath of the global financial crisis in 2009, while fundamentals in EM have been relatively improving over the last few years. In summary, EM continues to hold favorable characteristics vs. developed counterparts, currency issues generally seem to be in the rear-view mirror, new areas of opportunity include India and South Korea, and upside risks appear to outweigh downside risks going into 2Q.

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.....	3.2%
(P/E) Ratio (trailing).....	13.6
(P/E) Ratio (forward).....	12.0
(P/CF) Ratio.....	5.3
(P/B) Ratio.....	1.4
Holdings.....	49
Countries.....	18
Top 10 Weight.....	30.3%
Name Turnover (Trail 12-mth).....	28.0%

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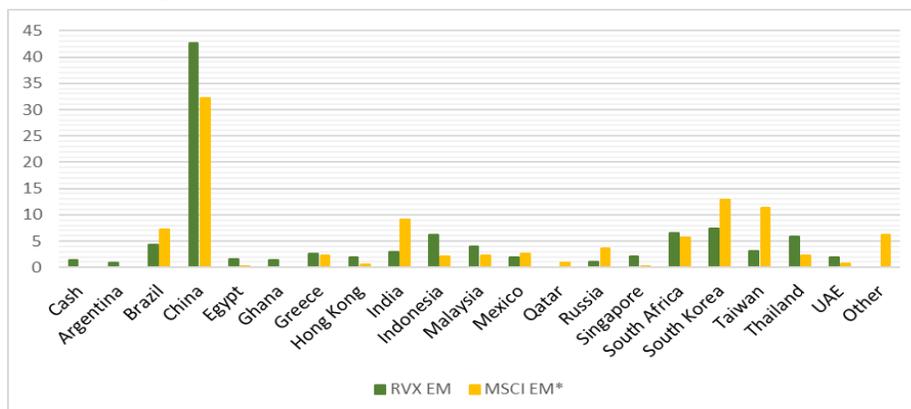
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TOP TEN HOLDINGS:

Security	Country	Sector	Mkt Cap (US\$ Mil)	% Wgt
ALIBABA GROUP HOLDING-SP ADR	China	Consumer Discretionary	471,728	3.69
THAI BEVERAGE PCL	Thailand	Consumer Staples	15,667	3.39
SAMSUNG ELECTR-GDR	South Korea	Information Technology	234,267	3.34
TAIWAN SEMICONDUCTOR-SP ADR	Taiwan	Information Technology	206,237	3.17
SANDS CHINA LTD	China	Consumer Discretionary	40,612	3.12
PING AN INSURANCE GROUP CO-H	China	Financials	207,824	2.85
DR. REDDY'S LABORATORIES-ADR	India	Health Care	6,658	2.77
BAIDU INC - SPON ADR	China	Communication Services	57,593	2.65
NETEASE INC-ADR	China	Communication Services	31,709	2.65
BANK RAKYAT INDONESIA PERSER	Indonesia	Financials	35,680	2.62

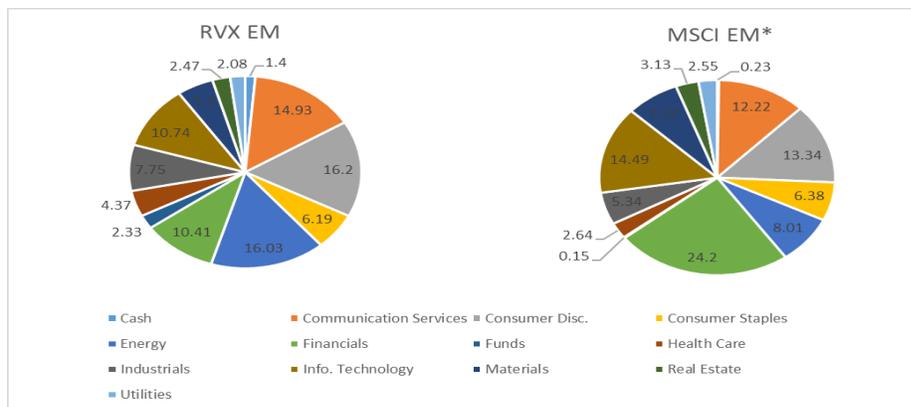
SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG, INFORMATION BASED ON A REPRESENTATIVE ACCOUNT

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:



*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

RVX Model Portfolio Hypothetical Performance/Gross of Fee Returns: This material includes information related to the net (hypothetical) performance of a model portfolio established by RVX (the Emerging Markets Portfolios). The performance results of the Emerging Markets portfolio reflect actual returns post January 1, 2019. The performance results included in this material related to RVX's model are hypothetical returns have been compiled by RVX. The model performance results do not represent actual trading and that they do not reflect the impact that material economic and market factors contributed to the Adviser's decision-making if RVX were actually managing clients' money pursuant to the depicted model.

The hypothetical model performance shown herein is based on simulated or hypothetical trades made by RVX for the referenced hypothetical model containing investments of the type RVX generally expects to purchase for accounts utilizing its emerging markets and frontier markets strategies (although there may be potentially significant differences which may affect performance). The assets which formed the basis for the hypothetical performance were invested in a style currently expected to be so similar to the fund or a real portfolio utilizing RVX's strategy that RVX believes this information to be relevant to prospective clients. The U.S. dollar is the currency used to express hypothetical model performance. All hypothetical model performance shown herein is not necessarily based on the same types of gains. Hypothetical model performance figures shown herein include reinvestment of all dividends, interest, and capital gains, are pre-tax averages of individual year's results (unless otherwise indicated), are based on end-of-day data, and are presented gross of advisory fees and estimated commission fees. All hypothetical model results are estimated, unaudited, subject to adjustment, and not intended to comply with AIMR-PPS™ or GIPS guidelines. Furthermore, hypothetical model results may not reflect the correct impact, if any, that certain market or economic factors might have had on RVX'S decision making if RVX were actually managing a client's money. No hypothetical model performance is a guarantee of future results, and no representation is being made that any fund or account of RVX will or is likely to achieve profits or losses similar to those shown or described herein. Bear in mind that if hypothetical model performance results were for the funds or a client's actual portfolio, RVX'S advisory fees and fund trading costs, fees and expenses (including custody, third party administration fees, audit fees, legal fees, etc.) would materially decrease such returns.