



Emerging Markets Small Cap Equity

Objective

The Emerging Markets Small Cap Equity Strategy objective is to outperform the MSCI Emerging Markets Small Cap 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

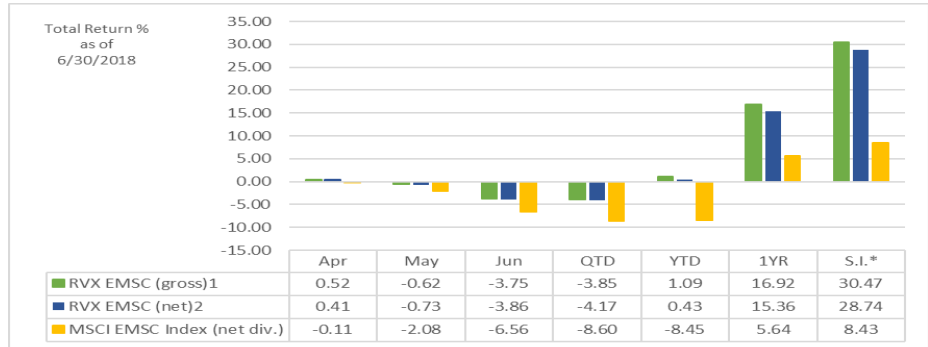
Inception Date

March 1, 2017

Strategy Profile

Perf. Benchmark.....MSCI EMSC Index
Style.....Relative Value
Market Cap.....Small-cap
Range of Markets.....20 - 40
Range of Holdings.....50 - 100
Cash Position.....0 - 5%
Name Turnover.....50 - 100%

PERFORMANCE:



SOURCE: RVX ASSET MANAGEMENT, BLOOMBERG AND MSCI

1. THE PERFORMANCE REFERENCED ABOVE IS FOR THE RVX EMERGING MARKETS SMALL CAP HYPOTHETICAL MODEL PORTFOLIO, NOT A LIVE INVESTED PORTFOLIO. PLEASE REFER TO THE BACK PAGE FOR FURTHER VALUABLE INFORMATION REGARDING THE LIMITATIONS OF HYPOTHETICAL MODEL PERFORMANCE.
2. NET PERFORMANCE IS NET OF HYPOTHETICAL MANAGEMENT FEES AND TRADING COSTS.

COMMENTARY:

Emerging market small cap equities showed a negative return for 2Q, slightly underperforming broader emerging markets and out-performing frontier markets. The MSCI Emerging Markets Small Cap Index was down -8.60% for the quarter vs. the MSCI EM return of -7.96% and the MSCI FM return of -15.19%. China and Qatar were the top performers for the quarter, while South Korea and Brazil were the main laggards. From a sector standpoint, Telecommunications and Energy were the strongest performers while Industrials and Consumer Discretionary were the worst.

While volatility has returned to equity markets in 2018, we have always seen such environments as opportunities to improve our portfolio of companies. As a by-product of our fundamental, bottom-up process, from a sector positioning standpoint we continue to remain overweight the Consumer Discretionary sector and underweight the Information Technology sector. As a result, our largest country underweights are in the tech-heavy countries of Taiwan and South Korea. As trade rhetoric heats up and global supply chains come under greater scrutiny, small-cap technology companies in these countries may be negatively impacted. Generally, they would not have the scale or diversification of larger players to alter their business models, where the impact of a trade war in one area is somewhat mitigated by diversification in product or geographic lines.

We continue to find value in "domestic demand" small-cap companies that are more dependent on local economic trends. Our new idea pipeline is focused on such companies in countries that have lagged for many years but are now seen the early stages of an economic recovery i.e. Egypt and Greece. For 3Q, we will be closely monitoring the impact of key elections in Turkey, Mexico, and Brazil, and the continued move in energy and commodity prices.

The main risk to our positioning is if last year's momentum-based bull market resumes with a quick upwards climb in the short-term. There seems to be too many clouds on the horizon (US trade policy, central bank tightening, geopolitical tensions) for that to be a high-probability event. Regardless, we believe our continued focus on sustainable cash flow and strict adherence to a time-tested investment process will serve us well if the markets remain volatile. We also remain confident that EM and FM small caps will continue to relatively outperform developed small cap counterparts, as earnings growth will be more organic and higher quality i.e. not engineered by share buybacks propelled by tax windfalls or debt reduction bolstered by the manufactured low interest rate environment in developed markets. Another wildcard would be the velocity and magnitude of interest rate increases in developed markets, which may have a negative impact on small caps that have earned low returns on capital but have been bolstered by leverage and positive credit trends.

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.....3.8%
 (P/E) Ratio (trailing).....14.0
 (P/E) Ratio (forward).....12.0
 (P/CF) Ratio.....9.0
 (P/B) Ratio.....1.4
 Holdings.....53
 Countries.....23
 Top 10 Weight.....25.6%
 Name Turnover (Trail 12-mth).....22%

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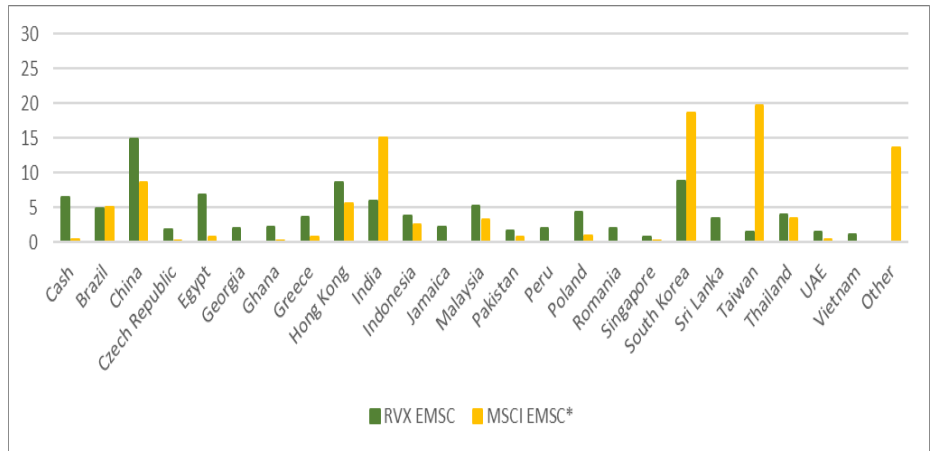
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TOP TEN HOLDINGS:

Security	Country	Sector	Mkt Cap (US\$ Mil)	% Wgt
COSMAX INC	South Korea	Consumer Staples	1,465	3.04
WISDOM EDUCATION INTERNATION	China	Consumer Discretionary	1,784	2.83
GIORDANO INTERNATIONAL LTD	Hong Kong	Consumer Discretionary	992	2.67
CHINA MAPLE LEAF EDUCATIONAL	China	Consumer Discretionary	2,685	2.64
DOOSAN HEAVY INDUSTRIES	South Korea	Industrials	1,645	2.63
MEGA LIFESCIENCES PCL	Thailand	Health Care	1,040	2.50
EMBRAER SA-SPON ADR	Brazil	Industrials	4,665	2.46
I.T LTD	Hong Kong	Consumer Discretionary	853	2.30
MATAHARI DEPARTMENT STORE TB	Indonesia	Consumer Discretionary	1,792	2.27
IBNSINA PHARMA SAE	Egypt	Health Care	481	2.27

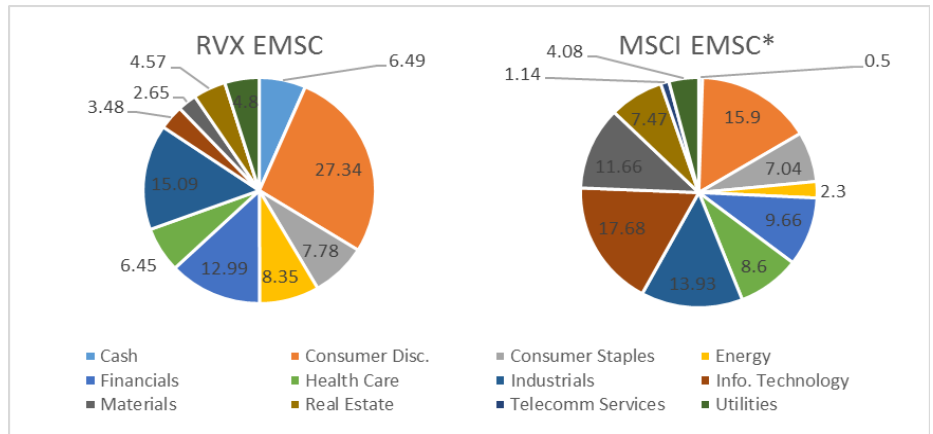
SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG, INFORMATION BASED ON A MODEL PORTFOLIO

COUNTRY WEIGHTINGS:



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

SECTOR WEIGHTINGS:



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

THE INFORMATION PROVIDED ON THESE PAGES REPRESENTS THE RVX EMERGING MARKETS SMALL CAP HYPOTHETICAL MODEL PORTFOLIO. ALL HYPOTHETICAL MODEL PERFORMANCE IN THIS PRESENTATION HAS CERTAIN INHERENT LIMITATIONS AND DOES NOT REPRESENT THE RESULTS OF A REAL INVESTMENT PORTFOLIO, REAL RECOMMENDATIONS, OR ANY ACTUAL PAST PERFORMANCE OF RVX OR ANY AFFILIATED REAL PORTFOLIO, SEPARATE ACCOUNT, OR FUND.

THE HYPOTHETICAL MODEL PERFORMANCE SHOWN HEREIN IS BASED ON SIMULATED OR HYPOTHETICAL TRADES MADE BY RVX FOR THE HYPOTHETICAL MODEL EMERGING MARKETS SMALL CAP PORTFOLIO CONTAINING INVESTMENTS OF THE TYPE RVX GENERALLY EXPECTS TO PURCHASE FOR ACCOUNTS UTILIZING EMERGING MARKETS SMALL CAP 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 A REAL PORTFOLIO UTILIZING RVX'S EMERGING MARKETS SMALL CAP STRATEGY THAT RVX BELIEVES THIS INFORMATION TO BE RELEVANT TO PROSPECTIVE CLIENTS. HOWEVER, THERE ARE CERTAIN MATERIAL INHERENT LIMITATIONS ON DATA DERIVED FROM THE APPLICATION OF THE EXPECTED EXPOSURE OF A CLIENT ACCOUNT TO A HYPOTHETICAL MODEL PORTFOLIO THAT, ALTHOUGH INVESTED SIMILARLY, IS NOT THAT OF A CLIENT ACCOUNT AND THERE ARE MANY REASONS WHY ACTUAL RESULTS MAY DIFFER. ONE OF THE LIMITATIONS IS THAT HYPOTHETICAL TRADING DOES NOT INVOLVE FINANCIAL RISK. THERE ARE NUMEROUS OTHER FACTORS RELATED TO THE MARKETS IN GENERAL AND TO THE IMPLEMENTATION OF ANY SPECIFIC TRADING STRATEGY WHICH CANNOT BE FULLY ACCOUNTED FOR IN THE PREPARATION OF HYPOTHETICAL PERFORMANCE RESULTS AND ALL OF WHICH CAN ADVERSELY AFFECT ACTUAL TRADING RESULTS. 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 A CLIENT'S ACTUAL PORTFOLIO, RVX'S ADVISORY FEES AND FUND TRADING COSTS WOULD DECREASE SUCH RETURNS. RVX'S INVESTMENT ADVISORY FEES ARE DESCRIBED IN ITS FORM ADV, PART 2A. THE HYPOTHETICAL NET RETURNS SHOWN IN THIS PRESENTATION ASSUME A 1.15% ADVISORY FEE AND 0.20% TRADING COST. ACTUAL COSTS MAY VARY DEPENDING ON ACCOUNT SIZE AND MARKET ENVIRONMENT.

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