



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

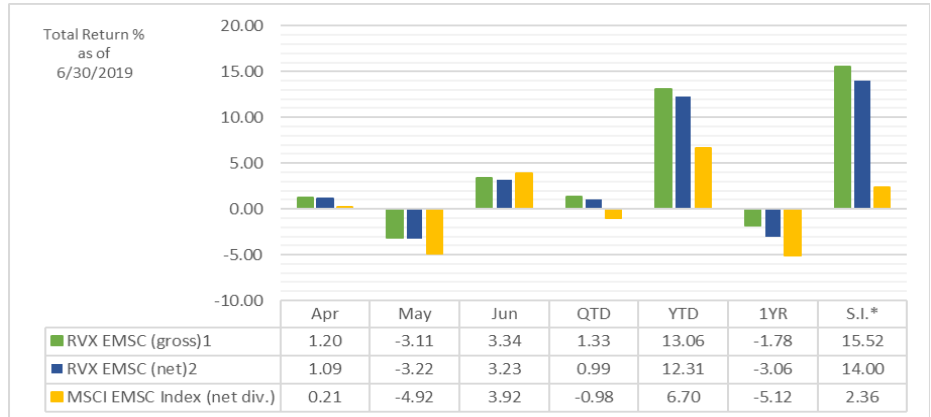
Inception Date

February 28, 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
*RETURNS 1 YEAR + ARE ANNUALIZED

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 underperformed broader emerging and frontier markets in 2Q. The MSCI Emerging Markets Small Cap Index (net) was down -0.98% for the quarter vs. the MSCI EM (net) return of +0.61% and the MSCI FM (net) return of +4.69%.

In our model portfolio, stock selection in South Africa and our underweight to South Korea were the primary drivers of outperformance from a country standpoint. By sector, our overweight positions to Health Care and stock selection in Financials positively impacted results.

We had entered 2019 with the base scenario of oil prices continuing to gradually rise, given the drawdown of global inventories, a normalizing of shale projections, and further geopolitical tensions in the Middle East. Energy prices have been volatile in 2019 given recent U.S. – Iran rhetoric and an increase in tensions around the Strait of Hormuz, as well as political instability around key producers Venezuela, Libya, and Nigeria. We expect the next few quarters to show continued support for energy prices and a gradual resumption upwards, especially as spare capacity remains tight. 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 volatility, consensus has not formed yet that the recent rally has staying power. Regardless, nothing has changed our fundamental view and we are maintaining our overweight.

We have increased our 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 regulatory burdens from China to ease in 2H 2019, which would help overall sentiment and have a positive knock-one effect in the sector.

Worries about a protracted trade battle between the U.S. and China seems to have abated, and our base scenario is an agreement amenable to both sides. While market participants are discussing the ramifications of the inverted yield curve in the U.S. for emerging markets, we believe it is too early to call for a potential EM slowdown. EM had already been underperforming the U.S. since the aftermath of the global financial crisis in 2009, while fundamentals in EM have been relatively improving over the last few years. From a macro standpoint, the recent downtrend in U.S. interest rates and the outperformance of gold and other commodities may portend a weakening of the US dollar in the near future. The 10-year U.S. Treasury yield briefly dipped below the Fed Funds rate in 2Q, which has been a fairly reliable recession indicator over the last few decades. Given the overvaluation of U.S. equities vs. emerging market small cap counterparts, we would expect these negative U.S. macro indicators to be a relative tailwind for emerging market small cap equities.

Going forward, we expect emerging market small caps to relatively outperform other asset classes given a combination of high economic growth rate and reasonable valuations. Our portfolio currently trades around 13x current earnings with a 4.1% dividend yield.

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.....	4.1%
(P/E) Ratio (trailing).....	13.2
(P/E) Ratio (forward).....	11.0
(P/CF) Ratio.....	8.2
(P/B) Ratio.....	1.5
Holdings.....	60
Countries.....	24
Top 10 Weight.....	27.7%
Name Turnover (Trail 12-mth).....	12.0%

Contact Information

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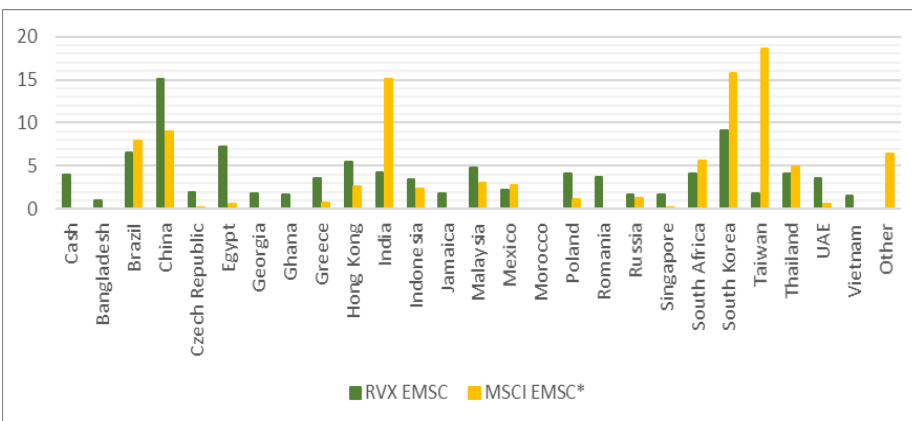
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TOP TEN HOLDINGS:

Security	Country	Sector	Mkt Cap (US\$ Mil)	% Wgt
SOCIETATEA NATIONALA DE GAZE	Romania	Energy	2,988	3.68
IBNSINA PHARMA SAE	Egypt	Health Care	521	2.59
OSSTEM IMPLANT CO LTD	South Korea	Health Care	927	2.53
HARMONY GOLD MNG-SPON ADR	South Africa	Metals	1,217	2.41
ARWANA CITRAMULIA TBK PT	Indonesia	Industrials	260	2.36
MALAYSIA AIRPORTS HLDGS BHD	Malaysia	Industrials	3421	2.33
AMATA CORP PUBLIC CO LTD	Thailand	Real Estate	848	2.32
GRUPO AEROPORTUARIO CEN-ADR	Mexico	Industrials	2,407	2.22
HUYA INC-ADR	China	Communication Services	5,388	2.20
ARAMEX PJSC	United Arab Emirates	Industrials	1,654	2.10

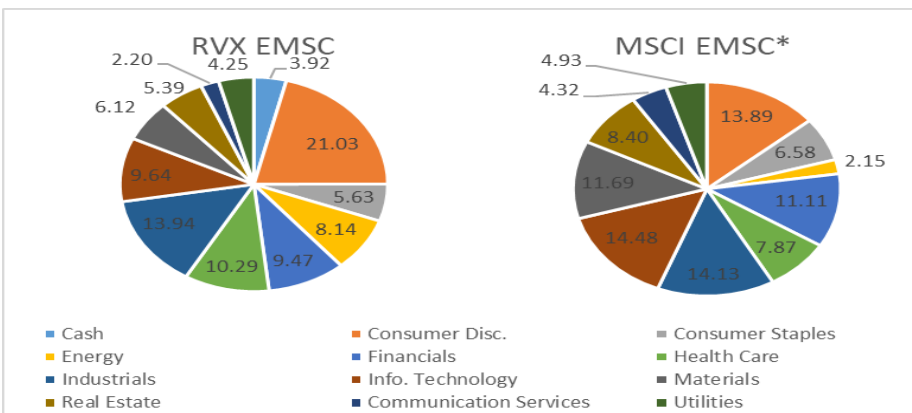
SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG, INFORMATION BASED ON A MODEL PORTFOLIO

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

RVX Model Portfolio Hypothetical Performance/Gross of Fee Returns: This material includes information related to the gross and net (hypothetical) performance of the RVX Emerging Markets Small Cap Equity strategy. The performance results included in this material related to RVX's model are hypothetical returns which 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