



# Emerging Markets Small Cap 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

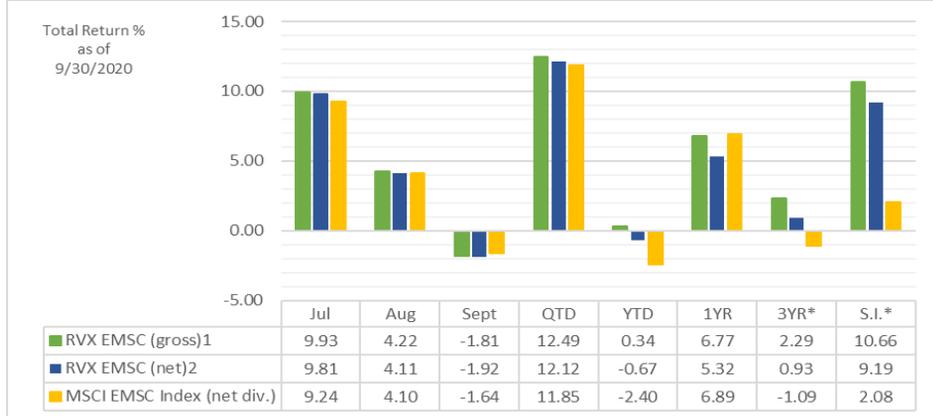
**Inception Date**

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 AND MSCI EMSC INDEX  
\*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 SEE DISCLOSURE FOR FURTHER DETAILS.  
2. NET PERFORMANCE IS NET OF HYPOTHETICAL MANAGEMENT FEES AND TRADING COSTS.

**COMMENTARY:**

Emerging market small cap equities outperformed broader emerging markets in 3Q. The MSCI Emerging Markets Small Cap Index (net) was up +11.85% for the quarter vs. the MSCI EM (net) return of 9.56%. The RVX EM Small Cap model portfolio was up +12.49%, outperforming for the quarter. The main contributors to outperformance were stock selection within the Consumer Discretionary and Information Technology sectors as well as Hong Kong and India from a country standpoint.

We would expect above-average volatility going into year-end due to many factors: (1) global economic data appears to be generally weakening as stimulus benefits have run its course (2) there are early indications of a potential second wave of COVID-19 infections in many countries that could lead to more lockdowns (3) a contested U.S. election may add to geopolitical uncertainties. In this market environment, we would expect defensive positioning to relatively outperform. As a result, we expect to pare back some of our winners from 3Q and use the proceeds to moderately increase our defensive exposure. Our research docket is focused on new opportunities in India and Brazil.

Especially if the U.S. election results face a prolonged outcome, we would expect the dollar to weaken (as it did during Bush-Gore in 2000 and Nixon’s impeachment in 1974), which in turn would provide a tailwind to emerging market small cap equities. As EM countries rebound from pandemic-induced slowdowns, we believe the demand for the dollar may come down as well.

In aggregate, valuations in EM small cap continue to be the most attractive we have seen in years. As we come into year-end, many of the smaller EM economies may face considerable economic strain if a second wave of COVID-19 erupts. From a positioning standpoint, we are keeping away from countries that may face currency weakness as a result of this scenario. From a sector standpoint, Information Technology should continue to do well as lockdown initiatives increase online activities. Materials companies should outperform as hedges on the ensuing currency weakness. We would expect Energy to remain a serial underperformer, especially given the rise of ESG (Environmental, Social, and Governance) initiatives.

**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.....	2.4%
(P/E) Ratio (trailing).....	15.3
(P/E) Ratio (forward).....	12.3
(P/CF) Ratio.....	5.1
(P/B) Ratio.....	1.5
Holdings.....	69
Countries.....	24
Top 10 Weight.....	28.9%
Name Turnover (Trail 12-mth).....	39.1%

**Contact Information**

RVX Asset Management, LLC  
20900 NE 30th Avenue, Suite 401  
Aventura, FL 33180

Todd S. Jessup, CFA  
Dir. of Institutional Client Services

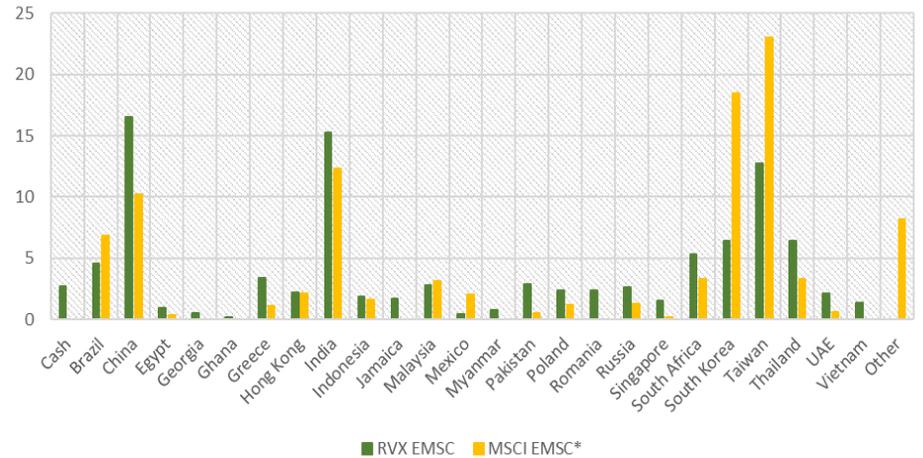
(305) 204-3020  
tjessup@rvx-am.com  
www.RVX-AM.com

**TOP TEN HOLDINGS:**

Security	Country	Sector	Mkt Cap (US\$ MM)	% Wgt
XINYI GLASS HOLDINGS LTD	China	Consumer Discretionary	8,112	3.68
ALCHIP TECHNOLOGIES LTD	Taiwan	Information Technology	1,037	3.67
PERSISTENT SYSTEMS LTD	India	Information Technology	1,389	3.66
PRESTIGE ESTATES PROJECTS	India	Real Estate	1,368	3.12
HARMONY GOLD MNG-SPON ADR	South Africa	Materials	3,210	2.72
SIBANYE STILLWATER LTD	South Africa	Materials	8,084	2.62
CHINASOFT INTERNATIONAL LTD	China	Information Technology	1,962	2.46
SOCIETATEA NATIONALA DE GAZE	Romania	Energy	2,637	2.39
REALTEK SEMICONDUCTOR CORP	Taiwan	Information Technology	6,490	2.37
HUYA INC-ADR	China	Communication Services	5,327	2.23

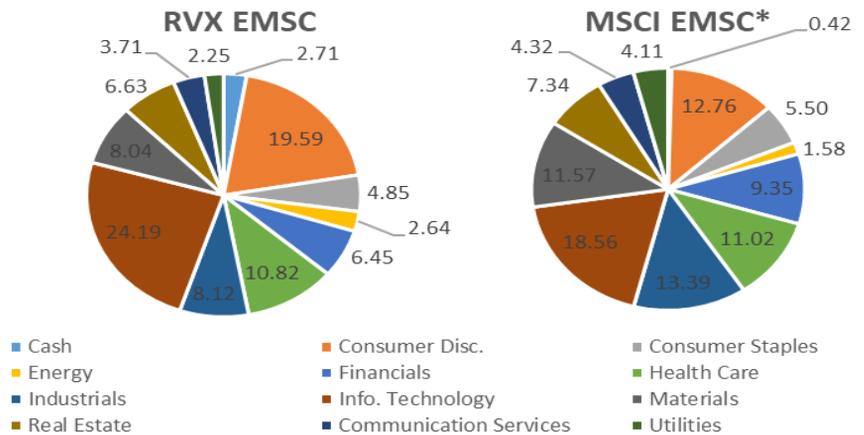
SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG, INFORMATION BASED ON A MODEL PORTFOLIO

**COUNTRY WEIGHTINGS:**



\*Ishares MSCI Emerging Markets Small Cap ETF used as a proxy for the MSCI EMSC 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 EMSC 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.