



# Frontier Markets Equity

**Objective**

The Frontier Markets Equity Strategy objective is to outperform the MSCI Frontier 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

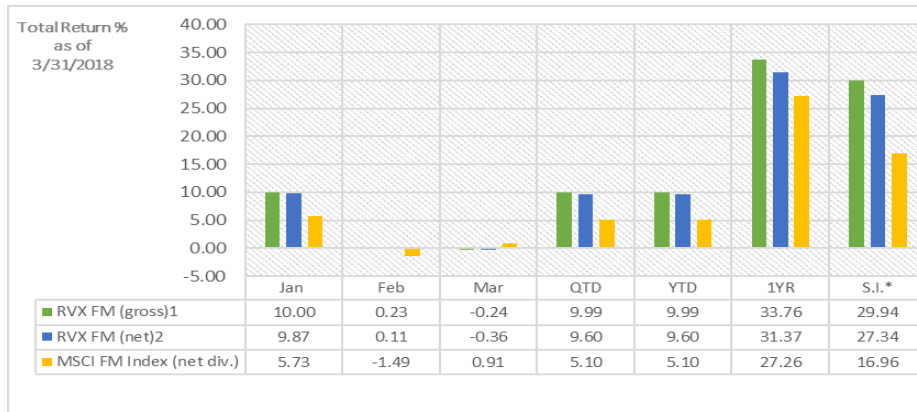
**Inception Date**

January 1, 2016

**Strategy Profile**

Perf. Benchmark.....MSCI FM Index  
Style.....Relative Value  
Market Cap.....All-Cap  
Range of Markets.....10 - 20  
Range of Holdings.....25 – 50  
Cash Position.....0 - 5%  
Name Turnover.....20–40%

**PERFORMANCE:**



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

1. THE PERFORMANCE REFERENCED ABOVE IS FOR THE RVX FRONTIER MARKETS 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:**

Frontier equity markets, as represented by the MSCI Frontier Markets Index, handily outperformed all major indices with a return of 5.15% (gross) for the quarter. Key outperformers were Kenya and Romania. Kenya enjoyed positive news flow on potential changes to interest rate caps set in place in 2016 as well as signs of political stability. Romania is enjoying strong domestic demand trends driven by a virtuous cycle of tax cuts, low interest rates, and wage growth. The main laggards were Argentina (increasing currency worries and twin deficits) and Oman (downgrade of sovereign ratings due to rising debt burdens).

While volatility has returned to equity markets in 1Q, we have always seen such environments as opportunities to improve our portfolio of companies and make volatility work in our favor. As a by-product of our bottom-up process, we had become less cyclical and more defensive going into this volatility, so we feel we are well - positioned in this environment. We also felt that the massive flows into passive products last year (many of which were cap-weighted like their underlying indices) amplified inefficiencies in the equity markets which were bound to correct.

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 dividends and cash flow and strict adherence to a time-tested investment process will serve us well if the markets remain volatile. We expect frontier markets to continue to outperform, given a combination of high economic growth rates, reasonable valuations, and rising energy and commodity prices. For 2Q, we will be closely monitoring the impact of potential index changes in June (Argentina, Saudi Arabia) and a key election in Pakistan in July.

**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 buy 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.....4.5%  
 (P/E) Ratio (trailing).....11.2  
 (P/CF) Ratio.....6.1  
 (P/B) Ratio.....1.7  
 Holdings.....28  
 Countries.....16  
 Top 10 Weight.....47.8%  
 Name Turnover (Trail 12-mth) ....19.0%

**Contact Information**

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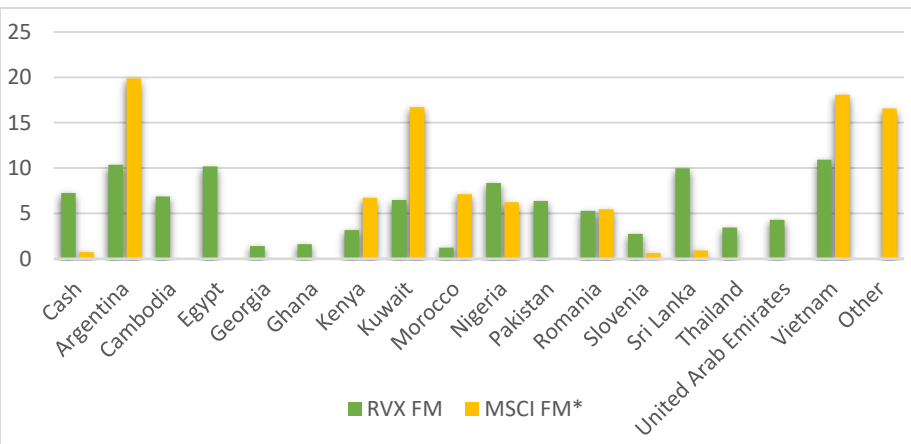
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**TOP TEN HOLDINGS:**

Security	Country	Sector	Mkt Cap (US\$ MM)	%Wgt
NAGACORP LTD	Cambodia	Consumer Discretionary	\$ 4,480	6.88
EASTERN TOBACCO	Egypt	Consumer Discretionary	\$ 3,368	5.69
SOCIETATEA NATIONALA DE GAZE	Romania	Energy	\$ 3,841	5.30
JOHN KEELLS HOLDINGS PLC	Sri Lanka	Industrials	\$ 1,423	4.68
IBNSINA PHARMA SAE	Egypt	Health Care	\$ 373	4.48
FBN HOLDINGS PLC	Nigeria	Financials	\$ 1,246	4.39
AIR ARABIA PJSC	United Arab	Industrials	\$ 1,448	4.30
TERNIUM SA-SPONSORED ADR	Argentina	Materials	\$ 6,378	4.09
NATIONAL BANK OF KUWAIT	Kuwait	Financials	\$ 15,547	4.04
ZENITH BANK PLC	Nigeria	Financials	\$ 2,555	3.97

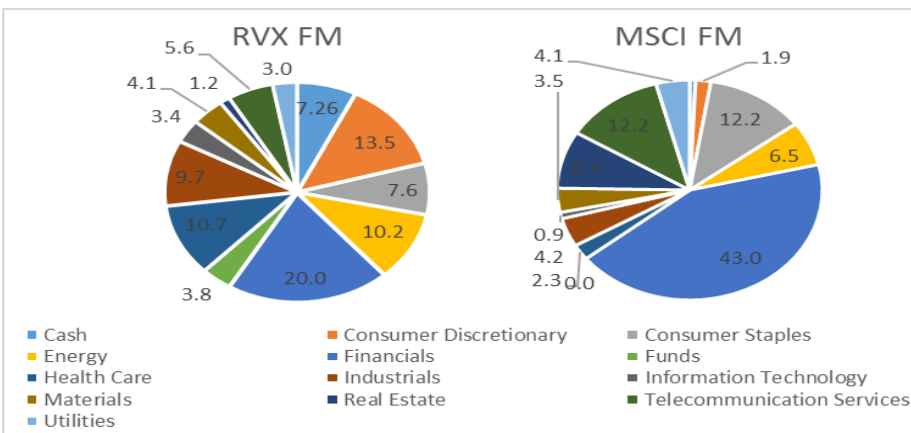
SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG, INFORMATION BASED ON A MODEL PORTFOLIO

**COUNTRY WEIGHTINGS:**



\*ISHARES MSCI FRONTIER 100 ETF USED AS A PROXY FOR THE MSCI FRONTIER MARKETS INDEX  
 SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG, INFORMATION BASED ON A MODEL PORTFOLIO

**SECTOR WEIGHTINGS:**



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**THE INFORMATION PROVIDED ON THESE PAGES REPRESENT THE RVX FRONTIER MARKETS HYPOTHETICAL MODEL PORTFOLIOS. 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 HYPOTHETICAL MODEL FRONTIER MARKETS PORTFOLIOS CONTAINING INVESTMENTS OF THE TYPE RVX GENERALLY EXPECTS TO PURCHASE FOR ACCOUNTS UTILIZING 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 A REAL PORTFOLIO UTILIZING RVX'S FRONTIER MARKETS STRATEGIES 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 1.1% ADVISORY FEE AND 0.20% TRADING COST. ACTUAL COSTS MAY VARY DEPENDING ON ACCOUNT SIZE AND MARKET ENVIRONMENT.

RVX IS CURRENTLY REGISTERED AS AN INVESTMENT ADVISOR WITH THE SEC. THIS MATERIAL IS FOR INFORMATIONAL PURPOSES ONLY AND REPRESENTS RVX'S INVESTMENT OPINIONS AND SHOULD NOT BE CONSTRUED AS PERSONALIZED INVESTMENT ADVICE. RVX CANNOT ASSESS, VERIFY, OR GUARANTEE THE SUITABILITY OF ANY PARTICULAR INVESTMENT TO ANY PERSONAL SITUATION AND THE READER OF THIS MATERIAL BEARS COMPLETE RESPONSIBILITY FOR ITS OWN INVESTMENT RESEARCH AND SHOULD SEEK THE ADVICE OF A QUALIFIED INVESTMENT AND/OR TAX PROFESSIONAL PRIOR TO MAKING ANY INVESTMENT DECISIONS. RVX MAY ONLY TRANSACT BUSINESS OR RENDER PERSONALIZED ADVICE, AND OFFERS OF SERVICE CAN ONLY BE MADE, IN THOSE STATES OR INTERNATIONAL JURISDICTIONS WHERE RVX IS REGISTERED OR WHERE AN EXEMPTION OR EXCLUSION FROM REGISTRATION IS AVAILABLE. NOTHING HEREIN IS AN OFFER OF ANY SERVICE THAT IS NOT LEGAL FOR OFFER INTO ANY PARTICULAR JURISDICTION WITH RVX'S CURRENT LICENSURE (IF ANY).