



# Frontier 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.

**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

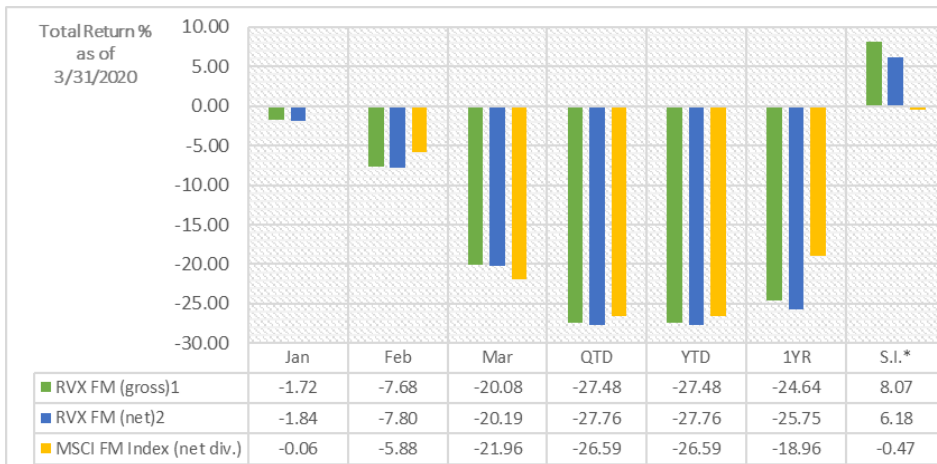
**Inception Date**

December 31, 2015

**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..... 20-60%

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

**COMMENTARY:**

In 1Q 2020 frontier equity markets, as represented by the MSCI Frontier Markets (FM) Index, underperformed vs. emerging market and developed market peers: the MSCI FM Index was down -26.6% vs. the MSCI EM Index -23.6% and the S&P 500 -19.6%. Our model portfolio was down -27.5%, underperforming the index for the quarter.

In our model portfolio, Egypt and Nigeria were relative outperformers for the month while the laggards were Vietnam and Ghana. Our underweight to Financials and overweight to Health Care were key contributors from a sector standpoint, while our Energy overweight was a key detractor.

The quick spread of the COVID-19 virus and the ensuing economic havoc has brought the global economy to a standstill. In early March, the standoff between Russia and Saudi Arabia also caused a major downturn in oil prices. The combination of these events led to a historic selloff in frontier market equities in 1Q. Having managed portfolios through similar crises such as the SARS virus, we believe fear-based selloffs are great opportunities to improve the quality of the portfolio if one can tolerate some short-term pain in the process. Given the availability of numerous high-quality companies at historically low valuations, we have both lowered the number of names in our portfolio and increased the weights to our highest-conviction ideas, which we have done in prior frontier market selloffs.

Going forward, we are seeing early stages of a rebound albeit on a selective basis. From a sector standpoint, we have increased weights to Communication Services, focusing on technology companies that stand to benefit from recent dislocations. We have significantly lowered our weights to Energy; we expect a short-term snapback on a Saudi Arabia-Russia détente then further volatility downwards as demand characteristics look very weak. Even with its recent underperformance, we remain positive on Vietnam and expect the country to rebound given its attractive fundamentals. While Kuwait remains in transition as it is expected to join the MSCI EM Index sometime in 2020, we are maintaining our underweight.

With the help of our in-house economist, we are also carefully watching frontier market currencies for signs of stress: the recent oil downturn has created a mixed bag of winners and losers, and some countries may have difficulty paying for COVID-10 stimulus packages without significant economic stress. While the next few months will be turbulent, we are confident that after COVID-19 is conquered by human innovation and cooperation, the global economic rebound driven by pent-up demand and coordinated liquidity by global central banks will be as historic as the recent downturn. We also anticipate the recent U.S. dollar strength will abate as the virus is defeated, providing an additional tailwind for frontier performance. Frontier markets have very attractive fundamental growth profiles for long-term investors: the world's most favorable demographics, strong urbanization trends, and above-average growth from low installed bases of goods, services, and infrastructure. Given the recent selloff, the asset class is now trading at significant discounts to long-term historical averages while sporting a high dividend yield that investors may appreciate more in the near future.

The performance data quoted represents past performance; Past performance does not guarantee future results.

**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.....	6.1%
(P/E) Ratio (trailing).....	9.0
(P/E) Ratio (forward).....	7.4
(P/CF) Ratio.....	5.1
(P/B) Ratio.....	1.5
Holdings.....	28
Countries.....	15
Top 10 Weight.....	52.8%
Name Turnover (Trail 12-mth).....	35.7%

**Contact Information**

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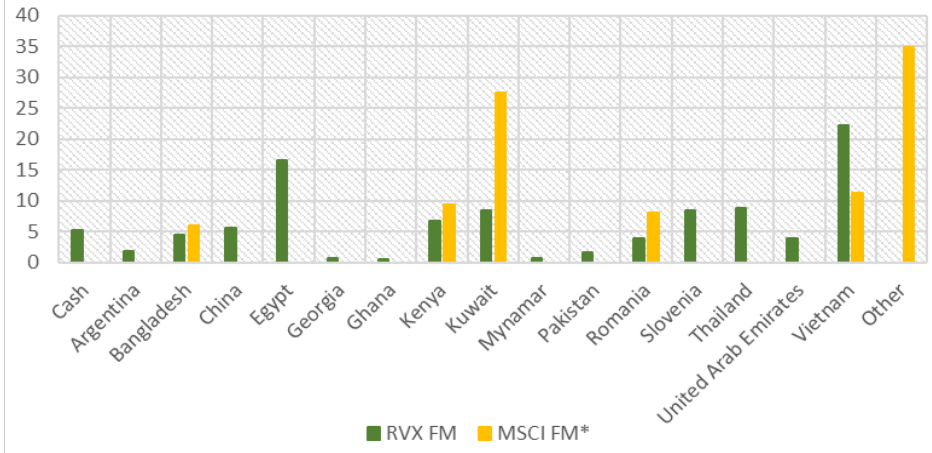
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**TOP TEN HOLDINGS:**

Security	Country	Sector	Mkt Cap (US\$ MM)	%Wgt
SAFARICOM PLC	Kenya	Communication Services	10,082	6.76
CENTAMIN PLC	Egypt	Materials	1,745	6.49
VINACAPITAL VIETNAM OPPORTUN	Vietnam	Funds	N/A	6.38
FPT CORP	Vietnam	Information Technology	1,180	5.91
KRKA	Slovenia	Health Care	2,345	5.29
MEGA LIFESCIENCES PCL	Thailand	Health Care	591	4.60
EASTERN CO SAE	Egypt	Consumer Staples	1,765	4.51
GRAMEENPHONE LTD	Bangladesh	Communication Services	3,801	4.42
THAI BEVERAGE PCL	Thailand	Consumer Staples	10,687	4.27
VIETNAM ENGINE & AGRICULTURA	Vietnam	Industrials	1,574	4.20

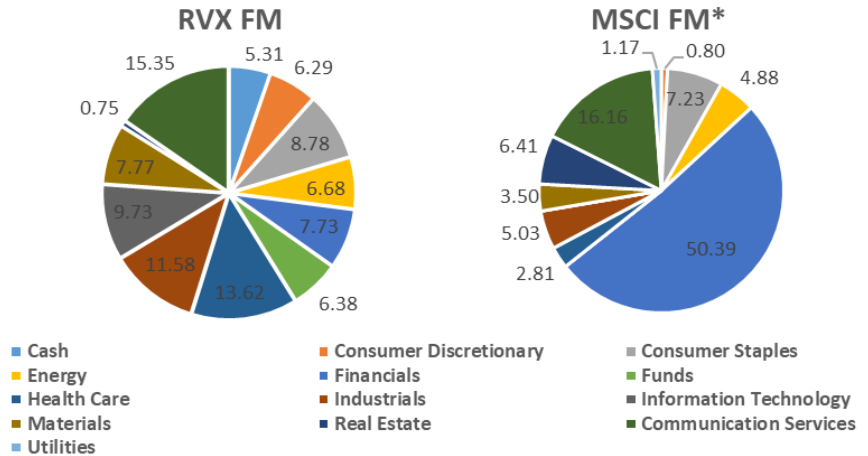
SOURCE : RVX ASSET MANAGEMENT AND BLOOMBERG, INFORMATION BASED ON A MODEL PORTFOLIO

**COUNTRY WEIGHTINGS:**



\*Ishares MSCI Frontier Markets 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:**



\*Ishares MSCI Frontier Markets ETF used as a proxy for the MSCI Frontier Markets 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 Frontier Markets 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.