SOPHUS EMERGING MARKETS STRATEGY QUARTERLY COMMENTARY

Sophus CAPITAL℠
A VICTORY CAPITAL℠ INVESTMENT FRANCHISE

As of September 30, 2019

Executive Summary

Sophus Capital employs a disciplined, bottom-up approach utilizing both quantitative and fundamental processes to invest in companies that we believe have superior and sustainable earnings growth at attractive valuations, with revisions as the catalyst. By investing in companies with these characteristics, coupled with our risk-managed approach, we seek to provide a consistent return pattern over time.

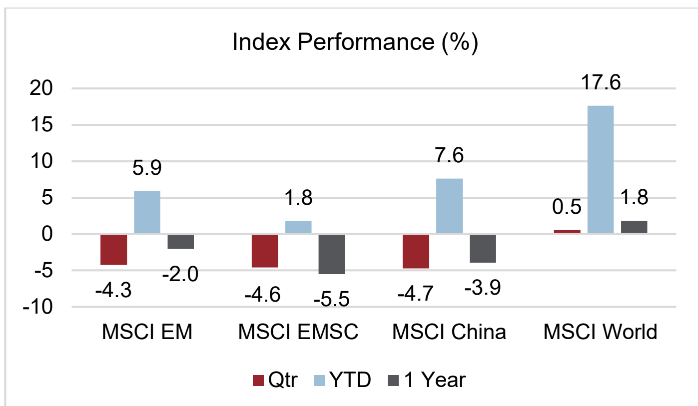
- The Sophus Emerging Markets Strategy (Gross) outperformed the MSCI Emerging Markets Index (Net)[1] during the third quarter, returning -2.40% versus -4.25% for the index. Year-to-date, the strategy is outperforming by 313 basis points on a gross basis.
- Emerging markets once again fluctuated on the on-again/off-again/on-again saga that is the US/China trade negotiations and finished the quarter down 4.25%, underperforming developed markets, which were up 0.53%.
- We believe the low interest rate environment, with inflation held in check and relatively stable global growth, is supportive of emerging markets equities.

Performance Recap

The Sophus Emerging Markets Strategy was down 2.40% (gross) for the quarter, outperforming its benchmark by 185 basis points. Year-to-date, the strategy is outperforming by 313 basis points on a gross basis. By sector, the largest contributor to performance in the quarter was stock selection in health care and energy. The largest detractor to relative performance was stock selection in consumer staples. By country, the largest contributor was stock selection in China. The largest detractor was stock selection in Indonesia. At the stock level, the largest contributor to relative performance was the Chinese health care company CSPC Pharmaceutical Group (Ticker: 1093HK). CSPC is one of the largest innovative drug manufacturers in China. During the quarter the company benefited from a couple of regulatory rulings involving China's centralized drug procurement policy designed to reduce drug prices and promote consolidation in the industry. The program was announced in December of last year, and the regulators have been releasing additional details of the plan throughout this year. A favorable modification to the program was announced early in the quarter, and CSPC shares rallied on the news. Furthermore, the company released solid 1H19 results that saw strong revenue growth in the quarter, with good progress in a number of drugs successfully navigating various stages in clinical trials. Chinese consumer staple company Ausnutria Dairy (Ticker: 1717HK) detracted the most from relative performance in the quarter. Ausnutria is a vertically integrated high-end cow-milk and goat-milk infant formula provider. During the quarter an activist investment firm issued a short seller report on the company, making a list of a number of alleged fraudulent activities by management. Management vehemently denied the claims, and their two largest shareholders (one is a large state-owned institution) stood behind the company. Regardless of the denials and investor support, the shares continued to remain weak into the end of the quarter. We have since taken profits in the shares.

Market Overview

Like Hall of Fame catcher and grand orator Yogi Berra used to say, "It's like déjà vu all over again," as emerging markets once again fluctuated on the on-again/off-again/on-again saga that is the US/China trade negotiations. Emerging markets finished the quarter down 4.25%, underperforming developed markets, which were up 0.53%. The quarter started out on a positive note, with the US and China agreeing to resume trade talks coming out of the G20 summit in late June, and President Trump declaring he would freeze tariffs as long as the talks progressed. A dovish Fed also provided a boost. However, these could not quell investor fears of a slowdown in global growth, helping to push the US dollar higher and weighing on emerging markets equities in July. For the month of August, emerging markets were down 4.88%. EM equities started off on a weak note with the re-escalation of the trade war as President Trump announced 10% tariffs on an additional $300 billion of Chinese goods. China retaliated with the halt of purchases of US agricultural goods. The US then designated China as a currency manipulator. This back-and-forth between the US and China fueled global growth concerns, leading to a risk-off sentiment in the markets. In the middle of August, sentiment improved a bit as the US agreed to delay tariffs on certain products and both countries agreed to go back to the table. A stronger US dollar, up 0.41%, also weighed on EM equities. In September, optimism regarding the October US/China trade talks and accommodative central banks globally helped to push emerging markets equities higher. However, EM equities gave up some of their earlier gains on global growth concerns to finish up 1.91% in September.



Source: MSCI

Commodities were down 4.54%, with oil down 8.67% on ongoing global growth concerns. Precious metals continued to rally higher, up 5.51% in the quarter as global central banks turn to easing mode. Gold advanced 4.47% in the quarter given the more defensive posture by investors. The US dollar finished the quarter up 3.38%, while a basket of EM currencies was down 4.10%. The Argentine peso saw the largest decline across emerging markets,

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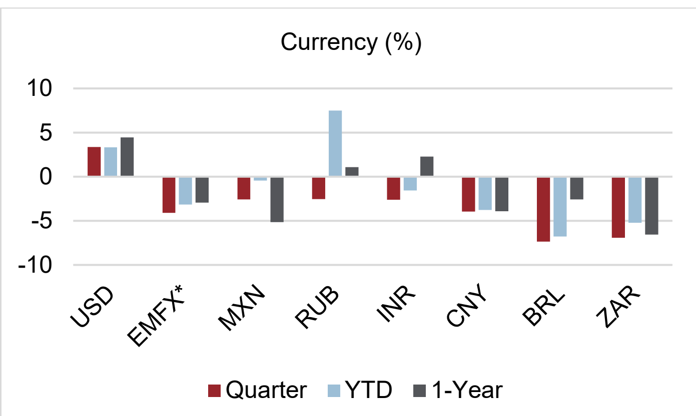
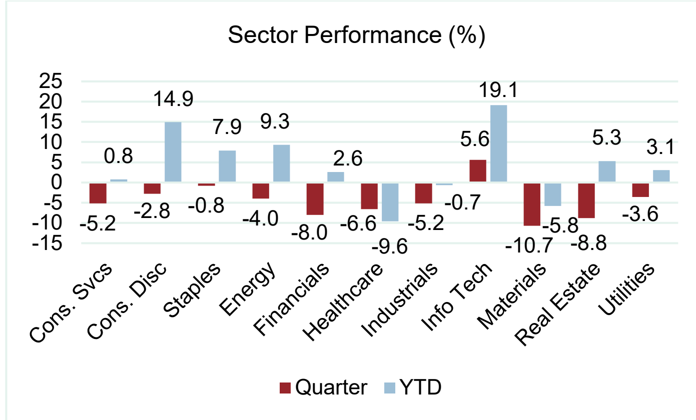
down 26.34% as a worsening financial crisis there has increased the chances that a protectionist opposition government will unseat President Macri's pro-business administration in the country's October 27 presidential election. The Brazilian real was down 7.37%, with much of that coming in August when the central bank had to intervene and use FX reserves for the first time in 10 years.

On a regional basis, Asia was the top performer, down 3.41%. Taiwan was up 5.19% in the quarter, as the country has been in the sweet spot from a trade perspective: they are not in the crosshairs of either Washington or Beijing and are doing business with both the US and China. China equities were down 4.73%, while India was down 5.15% after recovering a bit in September on the back of improved sentiment from the announced corporate tax cuts. Latin America was down 5.61%. Mexico was the top performer in the region, down 1.72%. Mexico overcame the uncertainty raised by the surprise resignation of its finance minister early in the quarter with aggressive central bank rate cuts and anti-corruption investigations. Brazil declined 4.58% on weak economic data. EMEA was off 7.02% in the quarter. Turkey was the top performer in the region, advancing 11.65% on a rally in their currency and a surprise 425 basis point rate cut by the CBRT in July followed by another 325 basis point rate cut in September in the wake of continued disinflation. Russian equities declined 1.39%, outperforming the broader index on three rate cuts by the Bank of Russia. South Africa declined 12.60% on slower economic growth and a weaker rand (-6.93%).



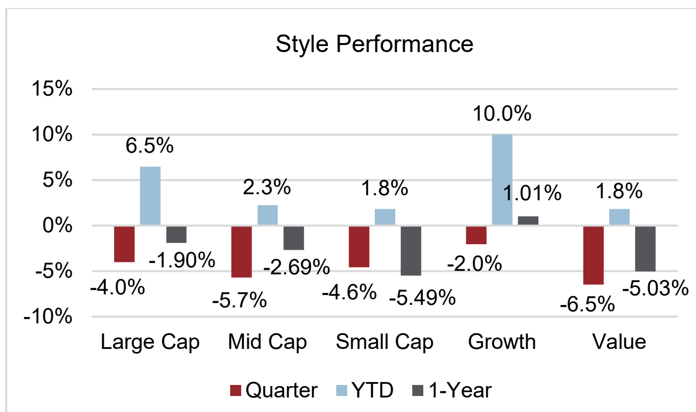
*JPMorgan EM Currency Index
Source: Bloomberg

On a sector basis, IT was the best performer and the only sector in positive territory for the quarter, advancing 5.64%. Returning DRAM demand and an intensifying NAND shortage are evidence of a resurging memory market. Slower global economic growth weighed heavily on the materials sector, which declined 10.72%, and was the worst performing sector in the quarter.



Source: Factset

On a style basis, large-caps (-4.01%) outperformed both mid-caps (-5.71%) and small-caps (-4.58%), expanding their year-to-date lead by 423 basis points and 467 basis points, respectively. Growth trounced value in the quarter, declining 2.04% versus down 6.48%. Year-to-date, growth has outperformed value by 822 basis points. Looking across market factors, momentum was the best performing factor in the quarter. Interestingly, in September, momentum sold off during the first half of the month, while value stocks had a big rally during the same period. Together with this dramatic switch into value, beta also outperformed significantly (but underperformed for the quarter). However, this value rally fizzled in the second half of September, while momentum rallied again. This short-lived value and beta rally serves as a reminder that a sustainable regime change may not happen without the support of improving macroeconomic signals.



Source: MSCI

Outlook

Accommodative monetary policy by the Fed has helped to drive interest rates down across emerging markets, with several countries already cutting rates. It appears that the trade tensions are wagging the monetary policy dog. Trade friction continues to feed concerns on global economic growth and, up to this point, the Fed has cut rates to try to stay out in front of this. As long as inflation and interest rates stay low, and growth stabilizes, we believe the EM equity environment will stay supportive. US and

China delegates are meeting in the US in October to negotiate a trade deal. While the consensus view appears to be that some sort of truce will come out of this, with agreement to continue the dialogue on a scheduled path, we believe the markets are not reflecting this, which could be a catalyst if any progress is made.

The fluctuation in the markets lends itself well to our active bottom-up process, discovering new attractive opportunities and building on positions in those stocks where we believe price and fundamentals have become disjointed. We continue to find opportunities with the characteristics we seek, namely superior and sustainable earnings growth at attractive valuations, with revisions as a catalyst.

We thank you for your continued support.

Sincerely,

The Sophus Emerging Markets Team

Top Relative Contributors/Detractors

As of September 30, 2019

Top Relative Contributors
CSPC Pharmaceutical Group Limited
Nanya Technology Corporation
King Yuan Electronics Co., Ltd.
Qualicorp Consultoria e Corretora de Seguros S.A.
Wuhu Sanqi Int Ent Network Tech Grp Co., Ltd. Class A
Top Relative Detractors
CIMC Enric Holdings Limited
Tongcheng-Elong Holdings Limited
Anglo American plc
PT Bank Negara Indonesia (Persero) Tbk Class B
Ausnutria Dairy Corp. Ltd.

Top 10 Holdings[2]

As of September 30, 2019

Holding	% of Portfolio
Alibaba Group Holding Ltd. Sponsored ADR	5.22
Tencent Holdings Ltd.	5.06
Samsung Electronics Co., Ltd.	4.06
Taiwan Semiconductor Manufacturing Co., Ltd.	3.79
Ping An Ins. (Group) Co. of China, Ltd. Class H	2.29
China Construction Bank Corporation Class H	2.04
Oil company LUKOIL PJSC	1.68
SK hynix Inc.	1.62
Reliance Industries Limited	1.58
Itau Unibanco Holding SA Pfd	1.58

Regional Allocation

As of September 30, 2019

Sector	% of Portfolio
Asia	72.03
EEMEA	14.21
Latin America	13.12
Cash/Other	0.64

Performance

Average Annual Returns as of September 30, 2019

Sophus Emerging Markets Strategy	Third Quarter 2019	YTD	1-Year	3-Year	5-Year	Since Inception (3/31/13)
Gross of Fees	-2.40%	9.03%	-1.22%	7.16%	4.17%	3.62%
Net of Fees	-2.59%	8.36%	-2.03%	6.24%	3.30%	2.74%
MSCI Emerging Markets Index (Net)[1]	-4.25%	5.90%	-2.02%	5.97%	2.33%	2.00%

For purposes of compliance with the Global Investment Performance Standards (GIPS®), the Firm is defined as Victory Capital Management Inc. Victory Capital Management Inc. claims compliance with the GIPS® standards. To receive a list of composites and/or a GIPS®-compliant presentation, contact: 1.877.660.4400. Index futures (and currency forwards and futures, where applicable or appropriate) are occasionally used to equitize cash and manage portfolio risk. Other derivative instruments may be used, as allowed, as part of the investment strategy. Victory Capital Management Inc. is a registered investment adviser. The Sophus Emerging Markets strategy primarily invests in a diversified portfolio of companies in emerging market countries. The benchmark is the MSCI Emerging Markets Index. The index does not include the effects of sales charges and cannot be invested in directly.

All investing involves risk, including potential loss of principal. There is no guarantee that the Strategy will achieve its objective. International investing involves special risks, which include changes in currency rates, foreign taxation and differences in auditing standards and securities regulations, political uncertainty, and greater volatility. Emerging markets involve heightened risks related to the same factors as well as increased volatility and lower trading volume. Except as otherwise specifically stated, all information and portfolio manager commentary, including portfolio security positions, are as of September 30, 2019.

1 The MSCI Emerging Markets Index is a market-capitalization-weighted index composed of companies representative of the market structure of 26 emerging market countries in Europe, Latin America, and the Pacific Basin; it excludes closed markets and those shares in otherwise free markets which may not be purchased by foreigners. The MSCI Emerging Markets Free Index (Net) is an unmanaged index that is not available for direct investment. The index reflects no deduction for fees, expenses, or taxes except foreign withholding taxes.

2 Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities.

Performance returns for periods of less than one year are not annualized. This material represents an assessment of the market environment at a specific time and is not intended to be a forecast of future events or a guarantee of future results. Performance quoted represents past performance and does not guarantee future results. Portfolio holdings are subject to change and should not be considered a recommendation to buy or sell individual securities. This information should not be relied upon as research or investment advice regarding any security in particular. A complete list of all recommendations of security selection is available by request for the previous 12 months. Furthermore, Victory Capital Management Inc., and its affiliates, as agents for their clients, and any of its officers or employees, may have a beneficial interest or position in any of the securities mentioned, which may be contrary to any opinion or projection expressed in this report. This information should not be relied upon as research or investment advice regarding any security in particular.

Returns include reinvestment of dividends and capital gains. Composite and benchmark returns are presented net of non-reclaimable withholding taxes. Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of fees returns are calculated by deducting one-twelfth of the highest tier of the standard fee schedule in effect for the period noted (the model fee). The composite model fee for each period is either the highest tier of the current fee schedule or a higher value, whichever is required to ensure the model composite net-of-fee return is lower than or equal to the composite net-of-fee return calculated using actual fees.

Investing involves risk, including the possible loss of principal and fluctuation of value. Returns are expressed in U.S. dollars.

Information relating to portfolio holdings is based on the representative account in the composite and may vary for other accounts in the strategy due to asset size, client guidelines, and other factors. The representative account is believed to most closely reflect the current portfolio management style.

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