

Trivalent International Core Equity Strategy Quarterly Commentary

As of September 30, 2019

Market Environment

International equities retreated in the third quarter amid rising trade tensions and weak global economic data. For the quarter, the MSCI EAFE (Europe, AustralAsia, and Far East) Index declined 1.1%, while the Trivalent International Core Equity strategy outperformed the benchmark. Most countries ended in negative territory. Hong Kong fell 11.9% on growing concerns over mass pro-democracy protests to resist mainland China authority. Germany, Europe's largest economy, fell 4.0% as manufacturing orders declined more than expected. The United Kingdom was down 2.5% as hard-line Brexiter Boris Johnson was elected to succeed Theresa May as Britain's Prime Minister. On the upside, Belgium rose 3.4% and was the best performing market, largely driven by Anheuser-Busch InBev's decision to divest its Australian subsidiary, which the market viewed positively. Japan also outperformed, up 2.7% despite an escalating trade dispute with South Korea.

Seven of eleven sectors posted negative returns. Energy stocks were hit the hardest, down 6.5% as the price of Brent Crude fell 8.7%. Materials stocks declined 5.4% largely due to weaker metals prices. The more defensive HealthCare and Utilities sectors were the top performers, up 2.4% and 2.3%, respectively.

Portfolio Review

Overall security selection was positive and accounted for most of the strategy's outperformance. Excess returns were generated in three of four regions and seven of the eleven economic sectors. Notable outperformance was generated in the Consumer Discretionary, Energy, and Industrials sectors. Beach Energy was among the top contributors. The Australian oil and gas producer rose 23.0% after delivering strong full-year results and increasing mid-term production and financial guidance. A sizable position in Sony Corporation boosted relative performance in the Consumer Discretionary sector. The Japanese consumer electronics manufacturer rose 12.3% as earnings results were better than expected with particularly strong growth in its image sensor business. Within Industrials, Japanese trading company Itochu Corporation rose 9.6% with results outperforming peers as its non-resource domestic businesses are proving resilient.

On the downside, security selection was weakest in the Materials sector and was most negatively impacted by three holdings. Rio Tinto and Anglo American declined 11.2% and 16.8%, respectively on renewed trade war concerns in the third quarter. Global commodity prices declined as well with copper falling 5% and iron ore declining 18% during the period. ArcelorMittal, the global steel producer, fell 21.5% as the industry is experiencing slowing global steel consumption due to the weaker economic environment in many of the company's main markets. The company reported a second quarter loss during the quarter.

Market Outlook

Market uncertainty is likely to continue as global trade tensions weigh on economic growth, particularly impacting export-oriented manufacturing companies. Within the Eurozone, manufacturing PMI has remained below the contraction level for the last eight months. In response, the European Central Bank has cut the interest rate on bank reserves by a tenth of a percentage point to -0.5% and has restarted its asset purchase program at €20B per month. The rate cut pushes the ECB's monetary policy further into uncharted territory as investors remain uncertain of the implications and overall effectiveness of negative interest rates. In theory, ultra-accommodative monetary policy should be stimulative. Despite the macroeconomic headwinds facing the Eurozone, domestic demand remains resilient as lending to eurozone business grew at the fastest pace in a decade. Any positive trade developments between the United States and China would be a meaningful boost to international equities, particularly for Europe and Japan. Within the United Kingdom, Brexit remains key as Parliament voted to prevent Prime Minister Boris Johnson from withdrawing from the European Union on October 31st without a deal in place. The Benn Act requires the Prime Minister to ask the European Union for an extension to the Brexit negotiation period. From a valuation standpoint, international earnings multiples remain attractive relative to U.S. equities and historical levels, trading below their five-year average multiples. Opportunities for relative outperformance remain, particularly among the diverse and broad segment of international equities. We continue to be guided by our bottom-up analysis and remain focused on stock selection while adhering to our disciplined country and sector risk exposures.

Representative Account Top 5 Contributors* (%)	Return	Contribution to Relative Return
Advantest Corp.	62.0	0.3
Sony Corporation	12.3	0.2
Beach Energy Limited	23.0	0.2
JD Sports Fashion Plc	24.1	0.2
Nestle S.A.	4.8	0.1

Representative Account Top 5 Detractors* (%)	Return	Contribution to Relative Return
Rio Tinto Limited	-11.2	-0.3
Anglo American plc	-16.8	-0.2
ArcelorMittal SA	-21.5	-0.2
SAP SE	-14.5	-0.1
Kering SA	-13.9	-0.1

Source: FactSet.

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.

Representative Account Top 10 Holdings	Country	Sector
Nestle S.A.	Switzerland	Consumer Staples
Roche Holding AG	Switzerland	Health Care
Rio Tinto Limited	Australia	Materials
Sony Corporation	Japan	Consumer Discretionary
Novartis AG	Switzerland	Health Care
Swiss Life Holding AG	Switzerland	Financials
BP p.l.c.	United Kingdom	Energy
3i Group plc	United Kingdom	Financials
Itochu Corporation	Japan	Industrials
Toyota Motor Corp.	Japan	Consumer Discretionary
Total % of Portfolio		18.14%

ANNUALIZED RETURNS

Composite Performance (%)	ANNUALIZED RETURNS						Since Inception 9.1.07
	QTR	YTD	1-YR	3-YR	5-YR	10-YR	
Trivalent International Core Equity (Gross)	-0.16	14.47	-1.56	7.07	4.32	7.22	2.20
Trivalent International Core Equity (Net)	-0.31	13.94	-2.17	6.31	3.55	6.57	1.61
MSCI EAFE Index (Net)	-1.07	12.80	-1.34	6.48	3.27	4.90	1.66

Source: Zephyr StyleADVISOR.

DISCLOSURES

Investing involves risk and there is no guarantee any investment will be profitable specifically in extreme market conditions. Loss of principal is possible. The value of an investment will fluctuate in response to macro factors such as general economic conditions, interest rates, and the political environment, as well as changes in the prospects of particular companies, including market, liquidity, credit, and management risks.

Past performance cannot guarantee future results. Returns for periods greater than one year are annualized. Returns are expressed in U.S. dollars. Composite returns are net of transaction costs and gross of non-reclaimable withholding taxes, if any, and reflect the reinvestment of dividends and other earnings.

Gross-of-fees returns are presented before management and custodial fees but after all trading expenses. Net-of-fees returns are calculated by deducting 1/12 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. Actual fees may vary depending on, among other things, the applicable fee schedule and portfolio size. The firm's fees are available on request and may be found on Part II of its Form ADV.

The Trivalent International Core Equity strategy seeks to outperform its benchmark, the MSCI EAFE Index, over an investment cycle while maintaining an appropriate level of risk.

Index returns are provided to represent the investment environment during the periods shown. The index is fully invested, including the reinvestment of dividends and capital gains. Index returns do not include transaction costs, management fees or other costs. Non-US indices are net of non-reclaimable withholding taxes, if any.

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*Contributors and Detractors Source: FactSet. The top contributors and detractors are presented to illustrate examples of the portfolio's investments and may not be representative of the portfolio's current or future investments. The percent displayed in the final column is contribution to return. Holdings are as of quarter end and may change at any time.

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