Launch Alert: GQG Partners Emerging Markets Equity Fund (GQGPX)

By David Snowball

Rajiv Jain

Our first commitment to investors is alignment. Managing another person's wealth is a privilege, an honor. I never forget that.

On December 28, 2016, GQG Partners LLC launched their Emerging Markets Equity Fund which will be managed by Rajiv Jain.

The fund pursues an eminently sensible strategy. They are looking for companies that they believe are "reasonably priced, and have strong fundamental business characteristics, sustainable earnings growth and the ability to outperform peers over a full market cycle and sustain the value of their securities in a market downturn, while [trying to] avoid investments in companies that it believes have low profit margins or unwarranted leverage, and companies that it believes are particularly cyclical, unpredictable or susceptible to rapid earnings declines." That will tilt the portfolio toward high quality growth stocks.

Without question, the fund's primary draw is Mr. Jain. Mr. Jain is GQG's Chairman and CIO and he's the fund's sole portfolio manager. Before that, he was Co-CEO, CIO and Head of Equities at Vontobel Asset Management, an arm of a major Swiss bank. He joined Vontobel in 1994 as an analyst and rose to become the manager or co-manager for 17 funds available to American or European investors. By far the most famous of them is **Virtus Emerging Markets Opportunities Fund** (HEMZX) which he managed from 2006-2016. Over the five years prior to Mr. Jain's departure, it grew to $9.4 billion. The fund was particularly adept at minimizing the damage caused by major market declines, though that same discipline caused it to lag when markets got frothy. When word of Mr. Jain's departure was released, Vontobel's stock dropped 11%. The fund saw billions in outflows by year's end. That seems to substantiate the judgment by Axel Schwarzer, the head of Vontobel, that Mr. Jain was "the bedrock for the firm's success over the past 22 years."

Ultimately, Mr. Jain was responsible for managing $48 billion in assets. We know that he was concerned by the ballooning size of his fund and managed to close other avenues into the strategy, though the fund remained open. His discussion of GQG's principles, which focus on aligning the advisor's interests with the investors', raise the prospect that he was not uniformly delighted with the bank's business decisions.

GQG is contractually waiving fees and reimbursing expenses to keep Investor Class expense ratio from exceeding 1.33%, and the Institutional and Retirement classes from exceeding 1.08%, through November, 2018.

The fund offers three share classes; the Investor Class (GQGPX) has a $2,500 minimum initial investment, the Institutional Class (GQGIX) has a $500,000 minimum and the R6 Retirement Class (GQGRX) has no minimum.

The fund's website is http://gqgpartners.com/products/us-mutual-funds/; there's a three minute introductory video from Mr. Jain and his partners that's really worth listening to.

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David Snowball, PhD, is the Talbott-Harbour Professor at Augustana College in Rock Island, Illinois, and publisher of the Mutual Fund Observer (MFO). MFO is a monthly web publication which focuses on innovative, independent new and smaller funds. Our 30,000 readers are intellectually curious, serious investors—managers, advisers, and individuals—who need to go beyond marketing fluff, beyond computer-generated recommendations and beyond Morningstar's coverage universe. It is non-profit, non-commercial and independent.

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IMPORTANT INFORMATION

The GQG Partners Emerging Markets Equity Fund invests in foreign securities, which will involve greater volatility and political, economic, and currency risks and differences in accounting methods. It also invests in emerging markets, which involve unique risks, such as exposure to economies less diverse and mature than the U.S. or other more established foreign markets. Economic and political instability may cause larger price changes in emerging markets securities than other foreign securities. It is possible to lose money by investing in securities. The Fund is non-diversified.

You should carefully consider the investment objective, risks, and charges and expenses of the Fund before investing. The Fund's prospectus and summary prospectus contain this and other important information about the Fund, which can be obtained by visiting http://gqgpartners.com**. Please read the prospectus carefully before investing.**

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