Elevator Talk: Rajiv Jain, GQG Partners Emerging Markets Equity (GQGPX, GQGIX)

By David Snowball

February 2017

Mutual Fund Observer

Since the number of funds we can cover in-depth is smaller than the number of funds worthy of in-depth coverage, we've decided to offer one or two managers each month the opportunity to make a 200-word pitch to you. That's about the number of words a slightly-manic elevator companion could share in a minute and a half. In each case, I've promised to offer a quick capsule of the fund and a link back to the fund's site. Other than that, they've got 200 words and precisely as much of your time and attention as you're willing to share. These aren't endorsements; they're opportunities to learn more.

Rajiv Jain

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

Rajiv Jain, with the assistance of a seven-person team, has managed GQG Partners since the fund's launch on December 28, 2016. While it's technically accurate to say that Mr. Jain has been managing the fund for six weeks, it would be akin to a 2009 newspaper report noting that Brett Favre has been the Minnesota Vikings quarterback for the past six weeks. Mr. Jain is celebrating his 20th year as an emerging markets investor, the last ten of those years prior to joining GQG Partners as manager of Virtus Emerging Markets Opportunities Fund (HEMZX / HIEMX).

Mr. Jain joined Vontobel Asset Management as an equity analyst in 1994. By the time he left in May 2016, he'd risen to become their chief investment officer, co-CEO and manager on 15 funds available to American and European investors. He was responsible for portfolios valued at almost $50 billion, including approximately $30 billion in emerging markets investments, and built their Quality Growth boutique. His new firm builds on that tradition: GQG Partners stands for Global Quality Growth Partners, a name which simultaneously reflects his investment style and his interest in creating a partnership with his investors.

It is fair to describe his career to-date as "spectacularly successful." From the perspective of American investors, the most visible manifestation of his work in the emerging markets was leadership of the Virtus Emerging Markets Opportunities Fund.

Analysts have noticed Mr. Jain. He was recognized as Morningstar's International Fund Manager of the Year for 2012) and won Morningstar Europe's Global Equity Manager of the Year ("Risk-averse investors who look for global equity exposure are in very good hands here") nod in 2013. Investors' short term reaction to Mr. Jain's departure from Vontobel was swift and negative: Vontobel stock dropped 11% and nearly $11 billion left the firm.

We asked Mr. Jain about his decision to strike out on his own and his discipline. Here are Mr. Jain's 200 words on why you should add GQGPX to your due-diligence list:

> *Make no mistake, I have great respect and affection for my former colleagues but I wanted to create a vehicle that better expressed my own core commitments. I believe GQG Partners will be that vehicle.*

Our first commitment to investors is alignment. Managing another person's wealth is a privilege, an honor. I never forget that it is somebody's life and retirement at stake. Respecting that means you have to have true and appropriate alignment. That plays out in a few different ways. I like to have the majority of my personal net worth in the same product as my clients; I invest with no other managers and in no hedge funds. It's meaningful money. We accept no soft dollar commissions. No one at the firm is allowed active personal trading; all of us will have a meaningful investment—including a portion of our employee bonuses —in the same strategies we manage for clients.

We also want our fees to be below the median and we fully expect they will drop over time as our asset base grows.

The second commitment is to a particular culture. It should be very competitive with an intense focus on performance. The average manager has no reason to exist since he can't outperform a simple index. And if we can't deliver, we have no reason to exist. Tim Carver, who has overseen a dozen start-ups, is our CEO because I want my focus to be on my portfolio.

This is my 20th anniversary as an EM sole manager. I've been through 10 bear markets marked by 20% declines and three bear markets that saw 50%-plus declines. That required evolution to match changing markets and a consciousness about taking less risk because, ultimately, absolute returns matter.

If I can forecast anything, it is that we will have years in which we underperform and years where we over perform. Across all those years and all those markets, we will strive to eliminate the noise, keep our focus, maintain a long-term view, trade lightly, dig deep, and cover the ground.

GQG Emerging Markets Equity has a $2500 minimum initial investment which is reduced to $100 for IRAs and other types of tax-advantaged accounts. Expenses are capped at 1.33% through November, 2018. The institutional share class has a $500,000 minimum and expenses capped at 1.08%. Morningstar reports assets of $37 million (1/30/17), though that number is apt to be very fluid. Here's the fund's homepage. There's a nice presentation of the fund's strategy and distinctions in the inelegantly-named "pitch book." It's worth reading.

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.**

Information on the Virtus Fund should not be deemed an offer to sell or a solicitation of an offer to buy shares of any funds other than the GQG funds. The GQG mutual funds are distributed by SEI Investments Distribution Co. (SIDCo), which is not affliliated with GQG Partners, LLC. Views expressed are those of an independent third party and not those of the Adviser.

Established in 1988, the Morningstar Fund Manager of the Year award is designed to recognize portfolio managers who demonstrate excellent investment skill and the courage to differ from the consensus to benefit investors. According to Morningstar, to qualify for the award managers' funds must have not only posted impressive returns for the year, but the managers also must have a record of delivering outstanding long-term risk-adjusted performance and of aligning their interests with shareholders.

The Fund Manager of the Year winners are chosen based on Morningstar's proprietary research and an in-depth evaluation by its manager research analyst team. Up to five awards are given every year for managers from each of the following asset classes: Domestic Stock, International Stock, Fixed Income, Allocation, and Alternatives. To be eligible for the award, managers must run funds that are under Morningstar manager research analyst coverage, which includes approximately 1,200 open-end U.S. funds, and have received a Morningstar Analyst Rating of Gold, Silver, or Bronze over the past 12 months. Nominations are made by Morningstar manager research analysts then narrowed to a list of finalists by a nominating committee. The entire analyst team meets to debate the merits of the finalists in each asset class. Voting commences immediately after each asset-class meeting, and nominees receiving the most votes are the winners.

Any account or fund advised by GQG involves significant risks and is suitable only for those persons who can bear the economic risk of the complete loss of their investment. There can be no assurance that any account or fund will achieve its investment objectives. Accounts are subject to price volatility and the value of an account's portfolio will change as the prices of investments go up or down. Before investing in a strategy, you should consider the risks of the strategy as well as whether the strategy is suitable based upon your investment objectives. There may be additional risks associated with international investing involving foreign, economic, political, monetary, and/or legal factors. International investing may not be for everyone. It is possible to lose money by investing in securities.

This article has been excerpted and reprinted with the permission of Mutual Fund Observer. The information reflected does not necessarily reflect the view of GQG Partners and has not been reviewed by the firm for completeness or accuracy. The information contained in the article has been created, published, maintained or otherwise posted by Mutual Fund Observer which is independent of GQG Partners. GQG Partners does not endorse, approve, certify the information contained within and does not assume responsibility for the accuracy, completeness or timeliness of the information.