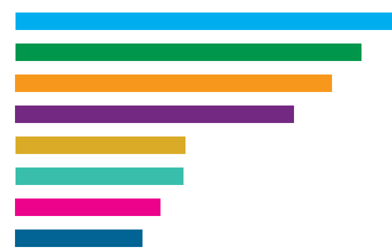

Rajiv Jain

GQG Emerging Markets Equity

TICKER	GQGIX			
ASSETS	$55.2 million			
PERFORMANCE As of 5/31/17. Source: Morningstar	YTD **13.21%**	1 yr. **N/A**	3 yr. **N/A**	5 yr. **N/A**
TOP FIVE HOLDINGS	Alibaba Group, British American Tobacco, Sberbank Russia, Samsung Electronics, Taiwan Semiconductor Manufacturing Co.			
CONTACT INFO	866-362-8333 gqgpartners.com			

ALLOCATION* Top Countries (As % of portfolio)

Russia	**14.03**
Brazil	**12.44**
China	**11.39**
Korea	**10.02**
Mexico	**6.11**
United Kingdom	**6.04**
Argentina	**5.22**
Hong Kong	**4.57**



*Other countries total 30.18%. As of 3/31/2017. Source: GQG Partners, from FactSet

Emerging Markets Star Sets Up Shop

Rajiv Jain is aiming for another success story with his new fund. **By Marla Brill**

WHEN RAJIV JAIN LEFT VONTOBEL ASSET Management in May 2016 to set up his own shop, it's a good bet his former employer wasn't very happy. A 22-year veteran of the Switzerland-based firm, who started as an analyst and left as its chief investment officer, Jain was a marquee name with a loyal following and nearly $50 billion in international and emerging market assets under his supervision. When he left, Vontobel's stock dropped and billions of dollars in assets under management left the firm.

It's not easy these days for one person to earn such clout—when index-based and quantitative investment strategies are grabbing market share from star active managers. Jain was able to turn heads in the U.S., however, because of his track record at the Virtus Vontobel Emerging Markets Opportunities Fund (HIEMX).

The 50-year-old manager is aiming for another success story with his new vehicle, the GQG Partners Emerging Markets Equity Fund (GQGIX). It's one of two U.S. mutual funds offered by Fort Lauderdale-based GQG Partners, a firm established by Jain a year ago that has already accumulated some $5 billion in assets and 29 employees. The emerging markets equity fund, launched in December 2016, invests for the long term in high-quality companies that have sustainable earnings growth and are available at a reasonable price. The fund typically holds between 50 and 80 stocks, and has no market cap restrictions.

Jain emphasizes that he's a benchmark-agnostic, active manager willing to shift positions should conditions warrant. "Emerging markets tend to swing from one extreme to another, so buy-and-hold does not work well here," he says.

Charting A New Course

Jain set out on his own after a change in management at Vonto-

PHOTOGRAPHY BY SONYA REVELL

bel "created differences of opinion about where the business should be heading." He also wanted to create a corporate culture that aligns firm and client incentives.

Since GQG is an employee-owned firm, a meaningful portion of its employees' incentive compensation, and much of Jain's personal net worth, is invested alongside the clients' money. The investment team includes traditional and nontraditional analysts, with backgrounds in things such as investigative reporting and forensic accounting. As a private company, GQG avoids shareholder pressure to grow assets under management and to focus purely on investment results. The fees for the emerging market fund and the firm's international fund are well below their peer medians, and Jain plans to keep it that way.

"I wanted to have a truly institutional-grade shop from day one," he says. "Managing someone else's money is a privilege, and I am always mindful that retirement funds and college accounts are going to be impacted by my decisions."

Sector Weightings

(As % of stock portfolio)

Utilities	10.40
Financials	29.42
Consumer Staples	12.13
Cash	4.04
Industrials	5.54
Health Care	1.22
Materials	5.59
Telecomm Services	3.44
Real Estate	0.0
Information Technology	21.72
Energy	4.01
Consumer Discretionary	2.47

As of 3/31/17. Source: GQG Partners, from FactSet

Market Capitalization

(As % of portfolio)

Giant	67.82
Large	21.73
Medium	10.45
Small	0.00
Micro	0.00

As of 3/31/2017. Source: Morningstar

Whenever a star manager leaves a mutual fund, the fund companies often try to reassure investors that the heart of a fund's strategy and success lies in a time-tested investment process, not one person. But a look at the differences between Virtus Vontobel's and GQG's emerging market offerings suggests that managers, even those who follow similar investment philosophies and strategies, can follow very different investment paths.

Matthew Benkendorf took the helm at Vontobel's emerging markets fund in 2016 after Jain's departure; he'd joined the firm in 1998 and worked closely with Jain for many years. Yet their funds have diverged. At the end of the first quarter of this year, the Vontobel fund had 35% of its invested assets in consumer staples and 20% of assets in India. The GQG Partners Emerging Markets Equity Fund had just 12% of assets in consumer staples and 4.2% of assets in India.

At Vontobel, Jain's portfolios held sizable overweight positions in India's stocks for a number of years. But his enthusiasm waned in early 2016 when investors began jumping in and valuations on many of the stocks rose to record levels, just as earnings growth was slowing down. He also foresees short- and medium-term political troubles, especially as

Fees And Expenses

Expense Ratio	1.08%
Deferred Load	—
Minimum Investment	$500,000

Source: GQG Partners

Portfolio Characteristics

Number Of Securities	59
Weighted Average Market Cap*	$74.1
Median Market Cap*	$13.0
Multiples	
Price/Book	2.2
Price/Cash Flow	7.4
Price/Earnings	15.2
Price/Sales	1.8
Return On Equity	23.2%

*Billions. As of 3/31/2017.
Source: GQG Partners, from FactSet

the Indians move from cash payments to banks, credit cards and digital transactions, prompted by the government of Prime Minister Narendra Modi. Today, Jain calls India "the most expensive market in the world."

Meanwhile, in India and some other emerging market countries, the stocks of many consumer staples companies have become more expensive than Jain is comfortable with. At one time, the sector was a favorite hunting ground for investing, and a basic investment thesis for these stocks remains intact—as poor countries with large populations become richer, their consumption should increase.

Yet over the last few years, the steady earnings and dividends of these companies have attracted bond investors searching for higher yields, as well as hordes of investors seeking low volatility plays through exchange-traded funds. As a result, their valuations have become extraordinarily high, even as many have been unable to deliver more than single-digit earnings growth. Moreover, any increase in interest rates could make bond yields more attractive than consumer staples stocks. On the other hand, Jain is more optimistic about companies in the less richly valued financial and information technology sectors, which he believes will drive portfolio returns over the next few years.

Instead of paying top dollar for popular stocks, Jain prefers to step in when the stock of a strong company with the potential for earnings growth isn't doing well because of market misperception or a short-term (yet fixable) problem. On the other hand, he might sell a stock if it loses a long-term advantage against its competitors, if it hits a pricing target, if its long-term earnings growth prospects deteriorate, or if he is simply lured to a better investment.

His refusal to pay premium prices for stocks and his strict sell discipline has sometimes hurt his short-term performance, especially when market momentum propels expensive stocks to become even more expensive. That happened during the first four months of 2017, when India stocks rose nearly 20%. Because of Jain's negative outlook, the fund had a minimal presence in the country.

"We sometimes sell early, and no one can time the market perfectly," Jain emphasizes. "But in the long run, our discipline pays off."

'Da' To Russia

Part of that discipline of not overpaying involves getting into a stock well before most other investors think it's attractive. One particularly contrarian move lately has been an overweight presence in Russian equities, a corner of the market that Jain has generally avoided for most of his career. He believes that perceptions about the country are worse than the reality. The earnings growth for companies is improving with economic growth, and the impact of sanctions is unlikely to get worse. Valuations are attractive, governance has improved and costs have been significantly reduced. Some stocks also have dividend yields north of 4%. "In our eyes, Russia today is probably the best three-to-five-year opportunity available to us," he says.

Fund holding Sberbank checks all Jain's boxes in terms of valuation and financial strength. The largest bank in Russia, it controls about half the country's deposits, and despite government ownership it's extremely well run. He expects earnings growth in the high-single-digit to low-double-digit range, and return on equity of 25% this year. The stock's dividend yield is around 4.5%.

He's also casting a net for the right mix of value and growth in Latin America. Brazil's Itau Unibanco, another holding, boasted a 15% plus return on equity every year for the last 20 years, even during recessions. He has also established a position in Banco Santander-Chile, which has significantly upgraded its loan quality over the last few years while shifting its focus to the high end of the consumer market. The bank is poised to benefit from improving consumer confidence and a pickup in business activity, particularly in the mining sector.

Despite a comeback in emerging market stocks that began last year, Jain thinks overall valuations remain attractive, and that global economic growth is more entrenched than many people think. Interest rates in a number of countries, especially Russia and Brazil, are likely to fall even as rates look poised to rise in developed markets, which should help spur credit growth in those countries. His optimism about emerging markets is reflected in the relatively high 20% allocation toward the group in the firm's diversified international fund.

"Overall, emerging markets have underperformed developed markets over the last five or six years and valuations are attractive, especially outside of Asia," he says. "I wouldn't be surprised if emerging markets outperformed U.S. equities over the next three to five years." FA

Manager
Rajiv Jain

Age
50

Education
Undergraduate and master's degrees, University Of Ajmer; Master's degree, University of Miami

Professional Background
International equity analyst Swiss Bank Corporation; worked at Vontobel in various positions until 2016, when he left to found GQG Partners, a boutique investment firm focusing on long-only global and emerging market equity strategies.

IMPORTANT INFORMATION

As of June 30, 2017 annualized performance since inception (12/28/16) of The GQG Partners Emerging Markets Equity Fund Investor Class is 14.70%. The Investor Class gross expense ratio is 1.50%, net is 1.33%. Fee waivers are contractual and in effect until November 30, 2018.

The performance data quoted represents past performance. Past performance does not guarantee future results. Current performance of the portfolio may be lower or higher than the performance quoted. Performance data current to the most recent month-end may be obtained by calling +1 (866) 362-8333. The investment return and principal value of an investment will fluctuate so that an investor's shares, when redeemed, may be worth more or less than their original cost. Returns greater than one year are annualized. Performance reflects agreements to limit the Fund's expenses, which would further reduce performance if not in effect.

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 GQG Partners Emerging Markets Equity 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.***

As of July 5, 2017, the GQG Partners Emerging Markets Equity Fund held positions in Sberbank and Itau Unibanco that collectively comprised 6.22% of its portfolio.

Portfolio holdings are subject to change without notice, and are dollar weighted based upon the total net assets of the portfolio. The holdings identified and described do not represent all securities purchased, sold, or recommended for inclusion in the Fund and no assumption should be made that such securities or future recommendations were or will be profitable in the future.

Dividend yield: A financial ratio that shows how much a company pays out in dividends each year relative to its share price. A company may reduce or eliminate its dividend, causing losses to the Fund.

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 Partners Emerging Markets Equity Fund. The GQG mutual fund is distributed by SEI Investments Distribution Co. (SIDCo), which is not affiliated with GQG Partners, LLC.

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