1Q 2021 Fund Commentary

Overview

> *"It was as if God had decided to put to the test every capacity for surprise and was keeping the inhabitants of Macondo in a permanent alternation between excitement and disappointment, doubt and revelation, to such an extreme that no one knew for certain where the limits of reality lay. It was an intricate stew of truths and mirages that convulsed the ghost of José Arcadio Buendía with impatience and made him wander all through the house even in broad daylight."*

Gabriel García Márquez, 100 Years of Solitude

Columbian novelist Gabriel Garcia Marquez earned a Nobel Prize for Literature for *One Hundred Years of Solitude*. He is the father of magical realism, a literary genre where the world is grounded in reality but fantastical elements are considered normal. This in many ways describes the past year on planet Earth. Consider:

- A global pandemic-driven lockdown beginning March 2020. No friends, no school, no restaurants, no gatherings, no office, no travel.
- Combined U.S. Federal Reserve, Bank of Japan, European Central Bank and People's Bank of China balance sheet expansion of $7.5 trillion in 2020, equivalent to 14% of combined GDP. Unprecedented. By the end of 2021 it is estimated that these four largest economies will hold greater than 55% of their combined GDPs on their balance sheets.
- A run on toilet paper and other staples across America. Empty grocery shelves for weeks on end.
- A 27% surge in M2 over the last 13 months vs. the more normal ~6% CAGR (Compounded Annual Growth Rate).
- An oil price that went negative in April 2020, meaning that sellers were *paying* buyers to take their oil.
- Unprecedented fiscal stimulus packages from countries like Japan (54% of GDP), Germany (36%), Italy (28%), and the U.S. (27%).
- The rise of special purpose acquisitions companies (SPACs) or "blank check companies" which have raised over $120 billion in the last 15 months.
- Record-high and still-rising margin debt.
- A massive margin call on "family office" Archegos Capital, resulting in a fire sale of more than $24 billion in stock and billions of dollars of losses at Credit Suisse Group and Nomura Holdings.

- The largest mass demonstrations in U.S. history, led by the Black community, in support of racial equality and police reform. These protests have evolved into a broader national discussion around race relations in America.
- Unprecedented and devastating wildfires in Australia and California.
- The release of actual footage of an "Unidentified Aerial Phenomena" (aka: UFO) by the Pentagon.
- The lodging of the massive Ever Given container ship in the Suez Canal, a major East-West trade route.
- The exit of the United Kingdom from the European Union. Brexit happened. Really.

Life really can be stranger than fiction. It certainly has been over the last year.

So where do we stand?

Across emerging markets broadly, resource-rich and tourist-beneficiary countries are surging as capital floods back to these previously unloved corners of the market. At the same time, many growth stocks with high valuation multiples are coming under pressure. The Chinese equity market has been particularly volatile. China's financial regulators are publicly warning against the risks of asset bubbles in foreign financial markets as well as stress in its own property market. Chinese regulators continue to take a tough anti-trust stance on its internet companies, which created an overhang on these stocks and encouraged profit-taking. Geopolitical issues in Brazil and Turkey have renewed investors' concerns regarding those developing nations that are more vulnerable to rising U.S. Treasury yields and a strong dollar. Companies in these countries—those with fragile current accounts accounts—have been among the worst performers in the index, while equity markets in North Asia are holding up relatively better.

Uneven as it is, an economic recovery in much of the world appears to be well underway. That is especially true in the developed world. Equity markets and other financial assets have staged an impressive recovery from their March lows, propelled by stimulus and liquidity. U.S. real GDP is forecast to rebound past 6% in 2021, according to a Bloomberg survey of economists, after contracting 3.5% in 2020. The IMF expects the world economy to grow at almost the same rate this year, although at varying speeds across countries.

Yet, despite this progress, major uncertainties about the recovery linger.

Consider, for instance, the dilemma facing the Federal Reserve as it attempts to stimulate a recovery in employment while avoiding asset bubbles and excessive inflation. With U.S. unemployment still exceptionally high at over 6%, it is difficult to imagine robust wage-driven inflation until unemployment falls below the pre-pandemic level of 3.5%. In fact, the national unemployment landscape may be far weaker than the 6% headline figure captures. Using a broader government measure (U-6) that includes people who stopped looking for work in the last 12 months as well as those who can only find part-time jobs, unemployment stands at a whopping 10.7%.

The Fed's messaging has been clear: It will tolerate higher inflation for longer periods of time before policy rates rise. Should that outcome be achieved, the adverse impact on equity markets could be substantial. Longer-dated sovereign bonds tend to rapidly incorporate any hint of rising inflation, leaving long-duration equities especially vulnerable and debt service costs higher. We have seen glimpses of this already in 2021. Yet the last few years have also shown how fragile the U.S. economy is against higher interest rates, limiting the potential for harmful runaway inflation, in our view. Sustained, sharply higher private borrowing costs would likely cause a material domestic credit contraction. The ensuing economic slowdown may throw cold water on rising prices rather quickly. One need only recall how quickly financial markets tumbled and prevailing price levels cooled in late 2018 and 2019 during the Fed's so-called "autopilot" quantitative tightening phase to see that the Fed's ability to anchor price levels, should it choose to do so, appears to be quite robust.

The inflation debate will be resolved as we move into 2022 and beyond. In the meantime, much of the world is focused on getting back to normal—to living again. The dramatic surge in the global savings rate during the pandemic (skewed to upper-income earners—the subject of a future white paper) is likely to normalize as consumers travel, eat out, dress up and otherwise enjoy life. So many companies will benefit from these trends. We own many of them across both funds. We believe that they will do well regardless of most inflation outcomes, regardless of the gyrations in the market from one day to the next as investors vacillate between greed and fear.

Rondure New World Fund

On a stock specific basis, the largest contributors to performance were **Taiwan Semiconductor Manufacturing Ltd (2330 TT)** and **Momo.com (8454 TT).** The companies generated 43 bps and 33 bps of contribution on an absolute basis, respectively. While Momo.com is not held in the benchmark and attributed 30 bps of relative performance, we were underweight Taiwan Semiconductor which meant that the company detracted from relative performance to the tune of 4 bps. Taiwan Semiconductor is the undisputed global powerhouse in semiconductor foundry. Its scale and technological leadership continue to attract marquee clients worldwide. The company should continue to benefit from the 5G upcycle as well as robust demand from other industries, such as high-performance computing, automotive and industrial IoT. However, we will be mindful of our large position relative to the risks associated with the inventory cycle and the sector's aggressive capex plans in the coming years. Momo.com is Taiwan's leading e-commerce operator with steady track-record in market share gain. While Taiwan is a relatively developed nation, there is still a long growth runway for Momo.com as e-commerce platforms account for only 13% in the overall retail industry. We believe that the company is still reasonably priced relative to its growth prospects and return metrics.

The two largest detractors from performance on an absolute basis were **Philippine Seven Corporation (SEVN PM)** and **China Resources Beer Holding (291 HK).** The companies detracted 49 bps and 37 bps of performance, respectively. Philippine Seven was also a bottom contributor on a relative basis, detracting 51 bps versus the benchmark. Philippine Seven is the leading convenience store operator in the Philippines. The company has a long history of expanding its store networking in a profitable fashion, as well as introducing value-added services to consumers. However, the headwinds from COVID-related lockdowns and limited consumer mobility caused a contraction in its revenue for the majority of 2020. The lack of visibility into an effective containment of COVID remains the key reason for weakness in the stock, though we are hopeful that the company could emerge stronger than peers with less financial strength. China Resources Beer is China's largest beer company by volume. In recent years, the company managed to expand margins via premiumization efforts. While its revenue declined in 2020, its contraction is relatively modest compared to regional and global peers. We appreciate the company's resilience and believe that the recent correction was mainly due to valuation multiples converging to close to historical averages after a strong run in 2020. The long-term thesis of improvement in production efficiencies and return on equity is intact, in our view.

In terms of sector, our holdings in Information Technology and Health Care were the main contributors to absolute performance, together accounting 56 bps of performance. Taiwan Semiconductor was the key performer, which we touched on earlier. Our holding in **Tata Consultancy Services (TCS IN)** in India was another contributor within Information Technology. Tata Consultancy Services delivered strong quarterly earnings after the most disruptive periods during COVID. The company is on track to win sizable deals from client spending in cloudification in a variety of industries. Among our Health Care holdings, **Bumrungrad Hospital (BH TB)** in Thailand was the main contributor. The Thai hospital operator is a well-run franchise known globally in the medical tourism space. We believe its moat was not impaired but rather the stock of sold off too aggressively last year as Thailand suffered from a large decline in visitors. We capitalized on the attractive valuations last year and built a position. Its quality and moat stand out, and we believe travel and the ensuing demand for the hospital's services should begin to show gradual improvements in the coming quarters. We have already begun to see the stock perform in line with the direction of its fundamentals.

Consumer Staples and Materials accounted for the negative absolute performance and relative underperformance. Our holdings in Consumer Staples detracted 120 bps from overall performance. The underlying holdings that contributed to the weaknesses were Philippine Seven Corporation and China Resources Holdings, which we explained above. In general, the two other alcoholic beverage companies we hold in China also experienced some normalization in their valuation multiples due to a strong run-up in share price in previous quarters. Generally, the portfolio's holdings in Materials generated flattish (-38bps) performance, while the benchmark holdings enjoyed a strong run due to heightened interest in companies sensitive to the upswing in commodity prices. We tend to not keep pace with these kinds of deep cyclical runs.

In terms of country-based attribution, Taiwan and India contributed 89 bps and 60 bps of performance on an absolute basis, respectively. We discussed the strengths of our Taiwan holdings above already, although our underweight in this country detracted from performance on a relative basis. Our overweight in India was accretive during the quarter. While most countries within the emerging market universe experience large movements share price and volatilities associated with technical factors, our basket of quality holdings in India registered satisfactory upside generally speaking. Most of our India holdings showed various degree of sequential improvements in their earnings and somewhat counter balanced the pick-up in volatilities we saw toward the end of the quarter.

Rondure Overseas Fund

During the first quarter, international developed markets continued their climb, albeit at a more measured pace than 4Q 2020, with the MSCI EAFE Index rising around 3.5%. The quintessential value plays, Financials (up 10.7%) and Energy (up 9.8%) led the way after suffering in the prior year, down 3% and 27% respectively. It makes sense, as the yield curve has steepened and oil prices have risen 25% from $48/barrel to $60/barrel (WTI) over the last few months.

After an incredible year in 2020 where the Overseas Fund outperformed MSCI EAFE by over 750 bps, we did not manage to keep up with our benchmark during the first quarter. With a return of -0.51%, we trailed the benchmark by 408 bps. The culprits, an underweight Financials and an overweight in Consumer Staples, were the very heroes of our portfolio in 2020. This ebbing and flowing is to be expected.

Within Financials, both the underweight versus the benchmark and stock selection were responsible for the ~130 bps of relative underperformance. **London Stock Exchange Group (LSEG LN)** traded off significantly at the beginning of March despite posting a resilient set of results. The issue was the recent $27 billion merger with Refinitiv where integration costs will now be higher than expected, eroding prior accretion guidance. Despite the near-term disappointment, we believe that the quality of the company's moat, cash flows (tilt toward recurring) and forward growth has certainly improved with Refinitiv and the combined company warrants a higher multiple.

With respect to Consumer Staples, the ~120 bps of relative underperformance was mostly due to our overweight (30% vs. 10%) and less so to the underperformance of inflation fear victims such as **Unilever PLC (UNA NA)**, and chocolatier **Lindt & Sprungli AG (LISN SW)**. We continue to hold both names in the portfolio, Unilever for its solid brands, good top line growth and margin improvement, and sustained strong cash flows, and Lindt & Sprungli for its steady 5-7% top line growth, 20-50 bps of annual operating margin improvement, and its global brand reputation. On the positive side, our underweight to Healthcare and Utilities as well as our overweight in Information Technology were the largest sector contributors.

By country, Germany (-112 bps) and Japan (-111 bps) were the largest relative underperformers vs. the MSCI EAFE Index, while Canada and Belgium were the largest contributors at 22 bps and 12 bps respectively. **PUMA SE (PUM GR)** (-36 bps) and **adidas AG (ADS GR)** (-37 bps) were the worst performers in Germany and the entire portfolio. Adidas spent 2020 recovering from the COVID-induced downdraft and has since traded in a range, ending on a low note at the end of the quarter. The structural top line growth and margin improvement story as the mix shifts to Asia Pacific is very a positive dynamic. As well, we believe the divestiture of Reebok (finally) may add to further margin accretion. Adidas is a good example of a life after COVID stock with the resumption of team sports and sporting events. The same dynamic exists with PUMA, although this one is more of combination of fashion and active lifestyle.

In Japan, advisory firm **Nihon M&A Center Inc**. (-25 bps) and Consumer Staples company **Unicharm Corp** (-19 bps) were the largest detractors. Like most staples, Unicharm retreated as the market anticipated the end of COVID. As well, it was a COVID darling as consumers stockpiled hygiene consumables. Although we believe Unicharm will see normalization in growth and margins in 2021, longer term structural tailwinds persist: an aging population in Asia and the consequent growth in demand for hygiene consumables, a long runway of penetration for modern hygiene consumables in major EM Asian countries like India and Indonesia, and growth in demand for modern pet care products in China. Despite a strong quarter, investor enthusiasm waned for Nihon M&A Center due to COVID restrictions and consequent lengthening of deal times from consulting to closing. We continue to hold this name due to its number one position in their niche space, strong financials, the opportunity for growth based on the need for business succession given the aging population.

On the positive side, British **Softcat PLC (SCT LN)** (+25 bps) and Japanese **Kotobuki Spirits Ltd (2222 JP)** (+23 bps) were the top contributors to relative performance. Recent results for Softcat were very strong, exceeding expectations. As a leading domestic corporate and public IT infrastructure company, Softcat has many opportunities for growth in market share (currently 6%) both with new and existing customers. Kotobuki Spirits, which makes candy and other giftable items in a country that has a rich culture of gift-giving, has seen its fortunes rebound as the pandemic has waned in North Asia. The stock has done well as Japan and China have tilted toward reopening.

Parting Thoughts and Market Outlook

There is certainly no lack of commentary and memes about excessive risk-taking in the financial markets and inflation in asset prices. Yet markets continued to want to march forward after brushing off the prolonged exuberance from retail investors and leverage induced blow-ups in some hedge funds. In a vast liquidity environment and a post-COVID world, it seems like no countries other than the U.S and China are material enough to present meaningful systemic risks to slow down the momentum in some pockets of the financial market like what the GFC and previous emerging market debt crises presented. Concerns over the prospect of rising inflation and corporate taxes were short-lived. The ample liquidity is back to rotating between deep cyclical sectors to high-flying growth stocks, resulting in an environment where "steady-eddy" companies are somewhat ignored in emerging markets.

We believe that from a risk mitigation perspective, owning a diversified portfolio of reasonably priced stocks across the market capitalization makes sense at this juncture where risk factors are becoming more prominent around the globe. While we are constructive in the long-term structural opportunities in broader emerging markets, we are reluctant to chase expensive stocks that might be priced at the "best case scenario." Many are at unstainable valuation multiples which hinge on the assumption that long-term interest rates will stay ultra-low perpetually. We believe that the prudent course is to focus on companies with quality return metrics and strong moats that are equipped with durable balance sheets to withstand unexpected shocks.

The Rondure team remains wholly dedicated to identifying investment opportunities that fit our disciplined approach. It is the adherence to this discipline that centers us on what we believe to be the greatest upside opportunities with the least amount of risk for our clients. We continue to work diligently to provide our clients with our best efforts in stock picking, and we are grateful for your confidence in us as active managers.

Sincerely,

The Rondure Global Advisors Research Team

Total Returns as of March 31, 2021:

	3-month	1-Year	3-Year	Since Inception
Rondure New World Fund (RNWOX)	-0.60%	49.10%	5.18%	7.94%
Rondure New World Fund (RNWIX)	-0.52%	49.54%	5.45%	8.22%
MSCI Emerging Markets Index	2.34%	58.92%	6.87%	10.81%
Rondure Overseas Fund (ROSOX)	-0.88%	39.21%	6.40%	8.69%
Rondure Overseas Fund (ROSIX)	-0.81%	39.59%	6.67%	8.95%
MSCI EAFE Index	3.60%	45.15%	6.54%	8.07%

Data shows past performance, which is not indicative of future performance. Current performance may be lower or higher than the data quoted. To obtain the most recent performance data available, please visit www.rondureglobal.com. The Advisor may absorb certain Fund expenses, without which total return would have been lower. Investment returns and principal value will fluctuate and shares, when redeemed, may be worth more or less than their original cost. Rondure New World Fund (RNWOX/RNWIX) - Inception date of 05/01/201. Expense ratios as of prospectus dated 08/31/2020 are: RNWOX: 1.72% Gross / 1.35% Net, RNWIX: 1.43% Gross / 1.10% Net. Rondure Overseas Fund (ROSOX/ROSIX) - Inception date of 05/01/201. Expense ratios as of prospectus dated 08/31/2020 are: ROSOX: 2.06% Gross / 1.10% Net, ROSIX: 1.73% Gross / 0.85% Net

The Advisor has contractually agreed to waive and/or reimburse fees or expenses through at least August 31, 2021.

An investor should consider investment objectives, risks, charges and expenses carefully before investing. Visit www.rondureglobal.com to obtain a Rondure Funds Prospectus, which contain this and other information, or call 1.855.775.3337. Read the prospectus carefully before investing.
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The objective of all Rondure Funds is long-term growth of capital.
RISKS: Investing in foreign securities entails special risks, such as currency fluctuations and political uncertainties, which are described in more detail in the prospectus. Investments in emerging and frontier markets are subject to the same risks as other foreign securities and may be subject to greater risks than investments in foreign countries with more established economies and securities markets. Diversification does not eliminate the risk of experiencing investment loses.
The MSCI EAFE Index is designed to represent the performance of large and mid-cap securities across 21 developed markets, including countries in Europe, Australasia and the Far East, excluding the U.S. and Canada.

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The MSCI Emerging Markets Index is designed to represent the performance of large and mid-cap securities across 26 Emerging Markets (EM) countries. You cannot invest directly in these or any index.

Yield *is the percent return a company can give back to its shareholders for investing in the security.*
Moat or economic moat *is a term coined by Warren Buffett. It is used to describe the competitive advantage a company may have over another company in the same industry.*
Bps *is an abbreviation for basis points, which are a unit of measurement that equals one hundredth of one percent or 0.01%.*

Rondure New World Fund Top Ten Holdings
as of 2/28/21

	Company Name	**Weight (%)**
1	Taiwan Semiconductor Mfg. Co, Ltd	5.9%
2	Samsung Electronics Co., Ltd	3.7%
3	ANTA Sports Products, Ltd.	2.8%
4	Tata Consultancy Services. Ltd.	2.8%
5	Li Ning Co., Ltd.	2.6%
6	Yum China Holdings, Inc.	2.6%
7	Moscow Exchange MICEX-RTS PJSC	2.1%
8	Hong Kong Exchanges & Clearing, Ltd.	2.1%
9	Bumrungrad Hospital PCL	2.0%
10	Safaricom PLC	2.0%
	Total	28.6%

Rondure Overseas Fund Top Ten Holdings

as of 2/28/21

	Company Name	**Weight (%)**
1	Nestle SA	2.9%
2	Unilever NV	2.8%
3	Diageo PLC	2.2%
4	Mastercard Inc.	2.2%
5	Puma SE	2.1%
6	Adidas AG	2.0%
7	Oriental Land Co., Ltd.	2.0%
8	Ferrari NV	1.9%
9	Coca-Cola HBG AG	1.8%
10	Visa, Inc.	1.7%
	Total	21.6%

Holdings shown are as of 2/28/21 and are subject to change.

The CFA designation is owned by the CFA institute.

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