MEET THE MANAGER
ALTRINSIC GLOBAL ADVISORS

We recently spoke to Altrinsic about selecting opportunities on a global scale for the Altrinsic Global Equities Trust (Trust).

Tell us a bit about Altrinsic Global Advisors, LLC?

We are a boutique global investment firm located in Greenwich, Connecticut in the US with offices in Toronto and Sydney. We specialise in cross-border company research and identifying investment opportunities among listed global equities. As owners of our business, our interests are strongly aligned with those of our clients. We currently have about A$9 billion[1] in assets under management.

At Altrinsic, what is your investment approach?

Altrinsic is a high conviction fundamental value oriented global share manager Altrinsic specialises in company research and identifies investment opportunities across the full market-cap spectrum in both developed and emerging markets. We take a bottom up, all market cap, address agnostic, fundamental value approach to building portfolios. We have one team, one process and one research output that feeds into all client portfolios.

We search the world looking to find a handful of high conviction ideas, and we view investments as if we were to buy them outright with our own capital. Our benchmark unaware approach is underpinned by having global industry sector analysts as this gives us a broad, unconstrained, cross-border perspective.

What do you look for when investing in companies?

We look for companies that we believe are trading at a discount to their intrinsic value that have strong company management, value minority shareholders, generate strong free cash flow and offer appealing asymmetric risk profiles.

A key differentiator to our competitors is that we do not compartmentalise value, but rather we employ flexibility by investing across the value spectrum. This means that we hold what we consider to be high quality companies with sustainable earnings characteristics as well as those where profitability is depressed and we see a pathway for earnings recovery. Of key importance to our approach is that discount to our assessment of intrinsic value, or margin of safety, provides adequate compensation for risk. This flexibility aids us in the navigation of various market environments.

Why consider the Trust as part of your diversified portfolio?

As owners of the business, we are a performance-driven organisation in which our interests are aligned with our clients. Our investment timeframe for holding a company is three to five years and historically we have demonstrated low turnover may lead to favourable tax outcomes for our portfolios.[2] Clients who are investing for the long-term, want exposure to global shares, and value our sensible approach to investing, can be a good match for Altrinsic. As with all investments, global equities can be volatile as they are subject to risks. As we invest in share markets, investors need to be able to tolerate market volatility.

Why should an investor consider investing in global equities as an asset class?

Retail and institutional investors alike can benefit from including global equities in their asset allocation. In Australia many portfolios can be overweight to domestic companies, due in part to incentives like franking credits. Investing in the Trust can give investors an opportunity to access global businesses and diversify investments across industries with much deeper representation while capitalising on the rigorous on-the-ground investment research and vetting that is conducted by our investment team.

Are there any opportunities you are particularly excited about?

From a broad markets' perspective the world appears to be undergoing a major shift and one that has not been experienced in about four decades. Anti-establishment trends are growing which opens new challenges in a world that has only recently gone through some unprecedented economic times. This environment is likely to create bouts of increased volatility and lower returns. Although our Trust cannot be completely immune from the volatility that might surface, we believe that it is increasingly important investors look to active managers like Altrinsic that have the competencies to navigate this changing world and capitalise on dislocations as they arise. We also believe stock selection will likely become an increasingly relevant component of total returns, especially in a market characterised by lower returns and greater volatility.

[1] As of 30 September 2018. [2] Past performance is not a guide to or otherwise indicative of future results. Any investment results and portfolio compositions are provided for illustrative purposes only and may not be indicative of the future investment results or portfolio composition of any account, investment or strategy managed by Altrinsic.

Increased volatility creates opportunity and our benchmark unaware, value focused approach, is well suited to the new norm.

Our Trust's positioning emphasises underlying value and is comprised of companies that we believe offer outsized return potential over the next 3-5 years. The portfolio is invested in what we consider to be 72 attractively valued companies. These companies broadly fall into three clusters: 1) leading global consumer and healthcare franchises domiciled in North America and Europe, 2) a range of Japanese companies predominantly in the financial sector, and most significantly 3) a collection of companies across industries that are characterised by distinctive idiosyncratic drivers of performance – it is in this last area where we are finding the most compelling investment ideas.

What are the risks of your strategy and how do you manage those?

Investing in listed global equities carries higher levels of risk simply through exposure to this asset class. Key to managing this risk is having adequate risk management techniques at the stock and portfolio levels. Discount to intrinsic value or margin of safety is a key component of our management of investment risk at the stock level. Equities are a discounting mechanism and discount to intrinsic value should adequately compensate for investment risk in any investment idea. For example, those ideas where upside potential may be greater but carry less visibility require much greater discounts to intrinsic value in order to compensate for potential variability in future cashflows - this is our key to managing risk at the individual stock level. At the portfolio level, sizing of positions based on discount to intrinsic value relative to risk and adequate diversification across sectors and regions are also important risk management activities.

In addition, our philosophy to managing our clients' money is focused on long term capital growth and therefore a sharp appreciation of downside risk is important when we consider investments for the portfolio.

View Altrinsic's top 10 holdings here.

For information with specific risks associated with the Trust, pltease refer to the PDS.

Contacts

Website
nabam.com.au/altrinsic

Investor services
1300 738 355

Email
info@nabam.com.au

Adviser services
Please contact your NAB Asset Management Investment Specialist