



Global Value Advisors is an investment boutique specializing in long-only international and global equities. We are value investors, who buy businesses that are undervalued due to temporary, non-structural reasons. We believe in combining the discipline of quantitative investing with qualitative judgement informed by fundamental research. Our research shows that companies that generate positive free cash flows and return capital to shareholders outperform the market.

Q2 2019 Total Returns (Net of Fees)	
GVA International Small Cap	3.22%
MSCI All Country World ex-US Small Cap	1.21%
Value Added	2.01%
MSCI All Country World ex-US Small Cap Value	0.84%
MSCI All Country World ex-US Small Cap Growth	1.95%

Regional Indices	
MSCI Japan Small Cap	-0.83%
MSCI United Kingdom Small Cap	-0.25%
MSCI EM (Emerging Markets) Small Cap	-0.89%
MSCI Europe ex UK Small Cap	4.82%
MSCI Pacific ex JP Small Cap	2.09%

The GVA International Small Cap Equity strategy returned +3.22% (net) in the second quarter of 2019 versus +1.21% for its benchmark, the MSCI All Country World ex-US Small Cap Index. Since the beginning of the year, the fund is up +12.0% (net) versus +11.6% for its benchmark.

The +2.01% relative performance of the fund during the quarter was driven by strong stock selection that more than offset negative allocation effects. Stock picking in emerging markets, Europe and Japan contributed positively to performance. Selections in healthcare and industrials were particularly strong. Year-to-date performance attribution reflects similar dynamics with stock selection as the primary driver of the outperformance.

This performance is encouraging given the continued strong outperformance of growth versus value during the first half of the year. Thus far in 2019, the MSCI All Country World ex-USA Small Cap Value Index returned +9.6% when the MSCI All Country World ex-USA Small Cap Growth Index returned +13.6%. Over the last 20 years, our models have typically slightly outperformed during growth led markets (except when the growth/value spread is egregious) and significantly outperformed when value dominates. This year's performance is in line with what we would expect from GVA's approach and demonstrates the resilience of our value strategy.

The portfolio positioning has not changed substantially over the past few months apart from a reallocation from Japan into Europe where we remain significantly underweight. Our most notable regional bets include a 10% overweight to Emerging Markets (31% vs. 21%), a 15% underweight to Europe (12% vs. 27%) and a 5% overweight to the UK (19% vs. 14%). We remain overweight in Consumer Discretionary, Financials, and Materials and are underweight Healthcare, Technology and Real Estate.

The following table provides a selection of metrics that summarize the identity of our portfolio especially when compared to its benchmark:



	GVA International Small Cap	MSCI ACWI Ex-US Small Cap Index
Wtd. Average Market Cap	\$1,194M	\$1,657M
Dividend Yield (LTM)	5.0%	2.7%
Price/Earnings (FY1)	9.4x	14.3x
Price/Book	1.1x	1.4x
Free Cash Flow Yield	9.3%	3.8%
Shareholder Yield**	8.8%	2.0%
Net Debt to Equity (ex-financials)	2%	64%
Return on Equity	15.1%	11.8%

** Shareholder Yield = dividends + Net Buybacks + Change in Debt. Shareholder Yield and FCF Yield are weighted averages. Source: FactSet as of June 30, 2019

As you can see, our portfolio reflects deep value metrics without sacrificing profitability and balance sheet strength. Our approach leads us to companies with strong and sustainable cash flow generation, a proven record of returning cash to shareholders while generating above average Returns on Equity and carrying almost no debt. These companies tend to do well in a variety of market environments and their extremely cheap valuations should lead to strong outperformance when value stocks are in favor.

Top 3 Performers Q2 2019

Qualicorp Consultoria e Corretora de Seguros (QUAL3-BR)

Qualicorp is a leading provider of health insurance and healthcare services in Brazil. Q1 results reported in May were in-line with expectations. A major broker also initiated coverage on the name in June with a Buy rating. FCF Yield is 9%, shareholder yield is 4% with a PE of 13x.

Centamin (CEY-GB)

Centamin is a UK gold miner. Its flagship Sukari mine is located in Egypt and is well positioned in the peer group (long mine life, low costs, and high production). Q1 results were reported in April and were ahead of expectations. Gold prices also rallied 8% in the Q to \$1,400 on the back of lower rate expectations. FCF Yield is 8%, shareholder yield is 9% with a PE of 21x.

Arcadis (ARCAD-NL)

Arcadis is a design and consultancy firm in the Netherlands focusing on buildings, environment, infrastructure, and water businesses. The company reported solid Q1 results in April, with better than expected margin improvement and high cash generation. FCF Yield is 12%, shareholder yield is 10% with a PE of 13x.

Bottom 3 Performers Q2 2019

Saga plc (SAGA-GB)

Saga is based in the UK and provides travel, financial, healthcare and media products and services. The company



reported disappointing FY19 results in April that were below expectations. Guidance was also lowered on the back of pricing pressure and a change of business strategy. We have since exited the position as FCF turned negative.

PT Indo Tambangraya Megah (ITMG-ID)

ITMG is a coal mining company based in Indonesia. Q1 results reported in May saw profits decline on the back of lower coal prices (-15% YoY) and higher production costs. This more than offset strong production growth (+40% YoY).

Hung Sheng Construction (2534-TW)

Hung Sheng Construction focuses on apartments and residential buildings in Taiwan. The company reported disappointing Q1 results in April.

Please feel free to contact us with any questions or comments. Thank you for your interest in Global Value Advisors. We look forward to updating you again next quarter.

Sincerely,



Phillippe Rolland
CIO, Portfolio Manager



Todd Bassion, CFA
Portfolio Manager



Matthew Marotta
Investment Research
Portfolio
Implementation

OFFICE CONTACT



18 Sewall Street
Marblehead, MA 01945



Phone
(781) 639-2750



Fax
(781) 639-2751



GLOBAL VALUE ADVISORS
A Division of Moody Aldrich Partners

International Small Cap

Second Quarter 2019

COMMENTARY

Disclosures

The information provided in this report should not be considered a recommendation to purchase or sell any particular security. There is no assurance that any securities discussed herein will remain in an account's portfolio at the time you receive this report or that securities sold have not been repurchased. The securities discussed do not represent an account's entire portfolio and in the aggregate may represent only a small percentage of an account's portfolio holdings. It should not be assumed that any of the securities transactions or holdings discussed were or will prove to be profitable, or that the investment recommendations or decisions we make in the future will be profitable or will equal the investment performance of the securities discussed herein. A complete list of all securities recommended during the preceding year is available upon request. Past performance is not indicative of future results. The calculation methodology for the contributions to performance and a list showing all holdings' contribution to the overall strategy's performance during the measurement period is available upon request at information@globalvalueadv.com or by calling (781)-639-2750.

For comparison purposes, the GVA International Small Cap Equity strategy performance is measured against the MSCI All Country World ex-US Small Cap.

Past performance is no guarantee of future results. Returns are presented gross and net of management fees and include the reinvestment of all income. More information about such fees and expenses applicable to a client's investment are generally available in the Form ADV Part 2A of Moody Aldrich Partners, LLC, which is publicly available and upon request and provided to every client (along with Form ADV Part 2B) prior to investment. Actual returns may vary from the performance information presented. All performance numbers are expressed in US Dollars. This product does not use leverage, derivatives or short positions in its portfolio.

The information contained in this document is subject to updating and verification and may be subject to amendment. No representation or warranty is expressed as to the accuracy of the information contained and no liability is given by Global Value Advisors as to the accuracy of the information contained in this document and no liability is accepted for any such information. This document and the information contained within it are confidential and intended solely for the use of the individual or entity to whom they are addressed. If you are not named addressee you should not disseminate, distribute or copy this document or any of the information contained within it.

If you are not the intended recipient you are notified that disclosing, copying, distribution or taking any action in reliance on the contents of this information is strictly prohibited.