



Global Value Advisors is an investment boutique specializing in long-only international and global equities. GVA is a value investor and its research shows that companies that generate positive Free Cash Flow and return capital to shareholders outperform the market. GVA uses a disciplined methodology to isolate an advantaged subset of the universe and then applies fundamental research to identify companies with sustainable Free Cash Flows to maintain their assets, finance their growth and return capital to shareholders.

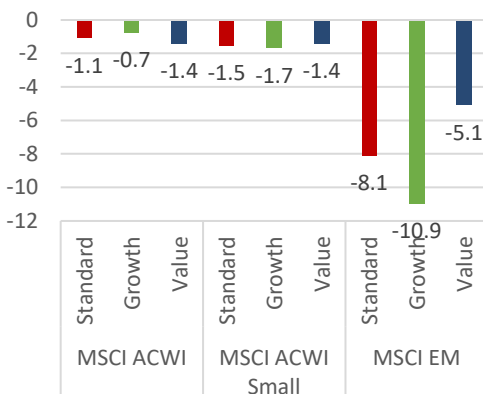
Total Returns (Net of Fees)	Q3
GVA International Small Cap	-4.7%
MSCI All Country World ex-USA Small Cap Index	0.0%
MSCI All Country World ex-USA Small Cap <u>Value</u> Index	-0.4%
MSCI All Country World ex-USA Small Cap <u>Growth</u> Index	0.4%

Regional Indices	Q3
MSCI Japan Small Cap	3.4%
MSCI United Kingdom Small Cap	0.3%
MSCI Emerging Markets Small Cap	-2.2%
MSCI Europe ex UK Small Cap	0.1%
MSCI Pacific ex Japan Small Cap	-2.0%

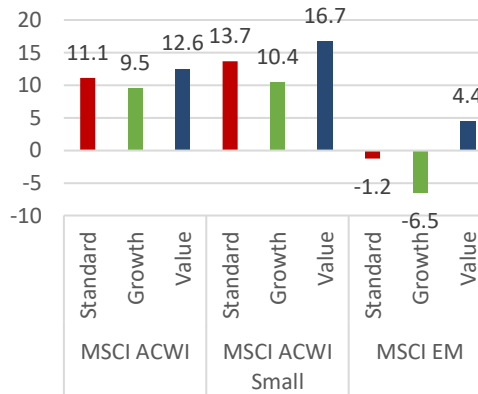
GVA's Small Cap International strategy underperformed in Q3 2021. The third quarter started with strong market performance in July and August, but this was offset by risk-off markets in September. The positive outlook for strong Global GDP growth was overshadowed late in the quarter by growing concerns with rising inflation, supply chain disruptions, sharply higher energy prices, a spike in Delta variant cases, and fears of contagion surrounding the near bankruptcy of the real estate developer Evergrande in China. The US 10 year Treasury yield followed a similar pattern, with declining yields seen in July and August, followed by a spike in yields in September. Overall, investors shifted towards a more defensive stance in the quarter and Value underperformed Growth.

Companies in GVA's Advantaged Subset (positive FCF + positive Shareholder Yield) outperformed the benchmark in the quarter and on a YTD basis. GVA's strategy focuses exclusively on higher quality companies with strong Free Cash Flow, high Shareholder Yields (dividends + buybacks + debt reductions), solid balance sheets, and that are significantly undervalued. The strength in the Advantaged Subset, however, was not enough to offset the headwinds from Growth stocks.

Q3 2021 Performance (%)



YTD 2021 Performance (%)

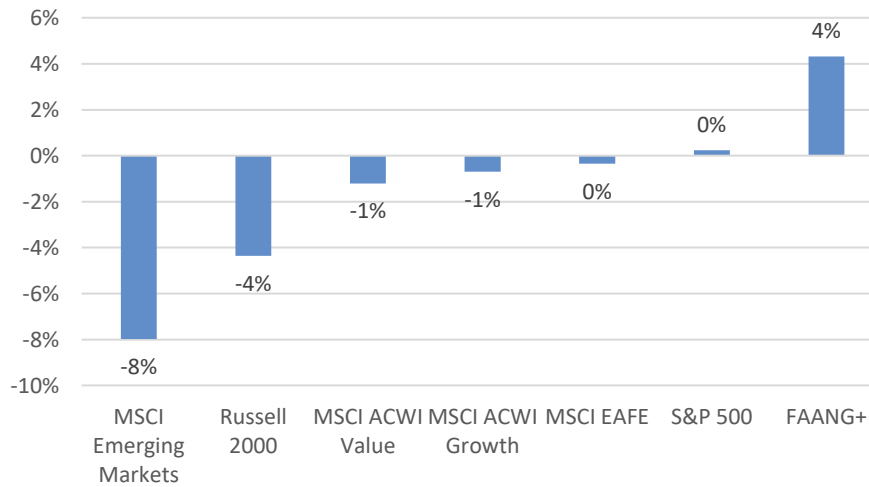


Source: Factset, total returns

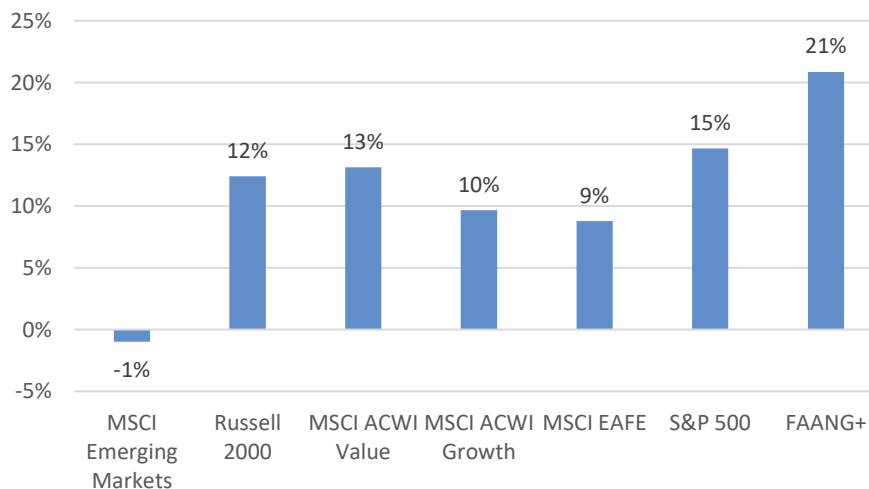


GVA's International Small Cap performance in the quarter was in-line with expectations, as the strategy typically outperforms during both Value and modest Growth outperformance markets. GVA expects to underperform during extreme Growth markets, as experienced in Q1-Q3 of 2020. GVA's globally unconstrained strategy also takes advantage of material valuation disparities, exemplified by the strategy's large overweight Emerging Markets (35% vs 24%) and large underweight Europe (12% vs 26%) vs. the MSCI All Country World ex US Small Cap Index. GVA was on the wrong side of both of these bets in the quarter, as investors rotated towards Growth stocks and away from cheap Emerging Markets. The relative PE ratio of Emerging Market stocks vs US stocks is now close to a 20 year low at 0.55x. Financials was the stand out sector detractor, where the strategy is overweight vs the Index (14% vs 10%) and its stock selections were out of favor.

Q3 2021 Performance



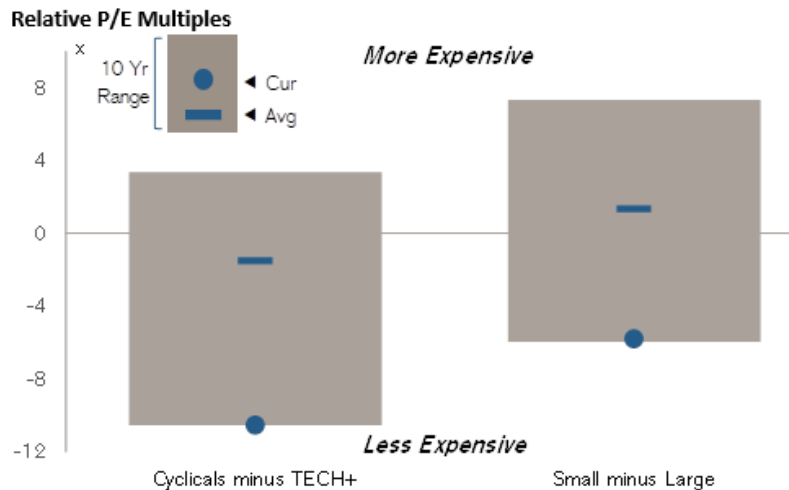
YTD 2021 Performance



Source: Factset, total returns



The outperformance of expensive Technology stocks has been a headwind to the strategies. Market valuation multiples are currently at all-time highs across multiple metrics (P/S ratio, CAPE ratio, and Market Cap/GDP ratio), but large divergences can be seen when looking across regions, styles, size, and sectors. The relative PE multiple of Cyclical stocks vs Technology stocks is currently at 10-year lows. The same stretched valuation gap can be seen when looking at relative PE multiples of Small Cap stocks vs Large Cap stocks over the last decade. GVA's strategies are well positioned to take advantage of this anomaly once the market normalizes. GVA's Global Equity strategy is overweight Cyclical stocks and underweight Technology vs the Index. The strategy is also finding much better value in smaller cap stocks, with an average market cap of \$1.6bn vs the Index at \$2.5bn.

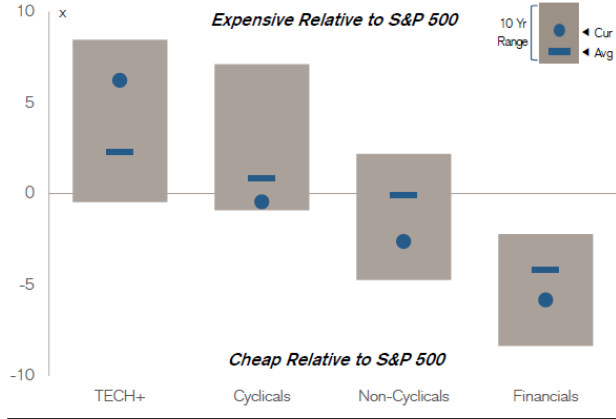


Source: Credit Suisse. S&P 500

The charts below show the same 10-year relative PE ratios, expanded across sectors as well as investment styles for the S&P 500. Similar results can be seen on a global basis. TECH+ typically trades at a 2.3x multiple point premium to the market, but it is currently trading at a 6.2x premium. Note that all other sectors are actually trading at a *discount* to their 10-year PE average. Similarly, Growth has traded at an average 2.6x multiple point premium to the market, but today it trades at a 6.4x premium. This dynamic is the opposite for Value, which is trading well below its 10-year average PE ratio. GVA focuses exclusively on the cheapest 20% of stocks in the world. The PE ratio of GVA's Small Cap International strategy is 9x vs the Index at 19x. Note that Financials are also trading at a large discount to their history, where GVA's strategy is holding an overweight position.

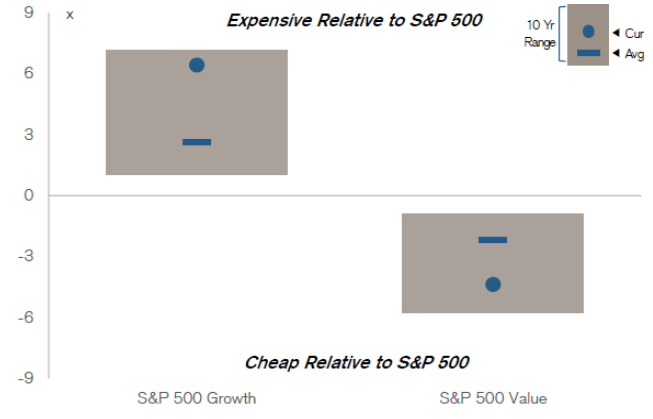


Relative P/E by Sector



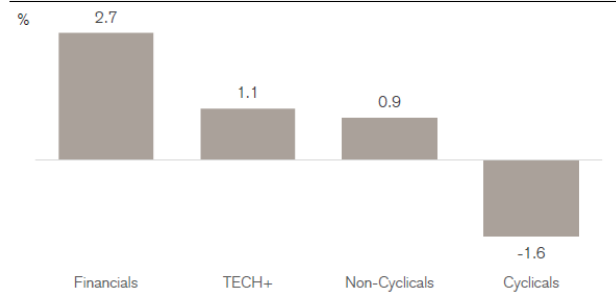
Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

Relative P/E by Style



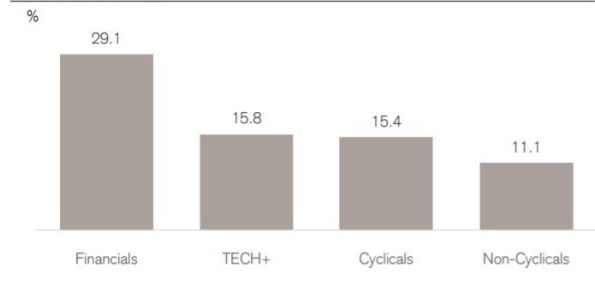
Source: Standard & Poor's, FactSet, Refinitiv, Credit Suisse

Total Return - 3Q21



Source: Standard and Poor's, FactSet, Credit Suisse

Total Return - YTD



Source: Standard and Poor's, FactSet, Credit Suisse

GVA takes a long-term approach to investing and believes it is well positioned to outperform the Index. GVA's research shows that companies in the Advantaged Subset outperform over time. GVA's exclusive focus on value stocks within the Advantaged Subset, should position the strategy well for the coming years. On top of this, GVA believes that markets are at an attractive point in the cycle and are likely to be favorable to its strategies going forward. Several of the headwinds over the last decade look extremely stretched vs history and have recently shown signs of reversing. GVA's Small Cap International strategy is finding better value in smaller cap stocks vs the Index and is overweight Cyclical, Financials, and Emerging Markets. GVA believes that many or possibly all these factors will turn in its favor over the mid-term and its best years for performance lie ahead.

Q3 2021 Top 5 Contributors†

Security	Avg. Weight (%)	Contribution (%)
LOTTE Fine Chemical Co., Ltd.	1.6	0.4
PT Indo Tambangraya Megah Tbk	0.9	0.3
Kolon Industries, Inc.	1.7	0.3
PT Bukit Asam Tbk	0.8	0.3
Hitachi Zosen Corporation	1.2	0.2

Q3 2021 Top 5 Detractors†

Security	Avg. Weight (%)	Contribution (%)
Qudian Inc. Sponsored ADR Class A	1.7	-0.9
Enauta Participacoes S.A.	1.5	-0.6
bpost SA	1.2	-0.4
Ferrexpo plc	1.6	-0.3
LX HAUSYS, LTD.	1.0	-0.3

†The information provided in this report should not be considered a recommendation to purchase or sell any particular security. Please see additional disclosures at the end of this letter.



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,



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

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