



Vident International Equity Fund | VIDF

Fund Story | 1.31.2020

International Investing: What Matters? Country Selection, Sector Selection or Company Selection

Research shows the majority of excess returns can be explained by a fund's country allocation*

BUILDING A PORTFOLIO FOCUSED ON COUNTRY SELECTION

The Vident Core International Equity Index (VIEQX) seeks to improve risk adjusted returns by addressing the inherent weakness in a market cap weighting international strategy: Overexposure to risk concentrations and overvalued securities.



Korean Peninsula at Night

Index Construction

The index's sophisticated multi-factor country and stock selection process results in a portfolio with improved exposure to countries with faster economic growth potential, lower fundamental risk, and more favorable demographics relative to traditional cap-weighted international equity approaches.

Security Selection

Once countries are selected, VIEQX seeks to tilt capital to higher quality companies at better valuations, diversifying risks across countries, regions, sectors, and stocks.



INVESTMENT PROCESS

COUNTRY SELECTION

STEP 01

Country Resilience (CR)

The evaluation of a country's resilience acts as the primary risk management element. Reflects the capacity of a country to absorb and recover from shocks that affect equity markets

Short-Term Country Opportunity (CO)

Short term country opportunity is driven mainly by valuation and sentiment.

Long-Term Country Opportunity (CO)

Long-term country opportunity drivers are interest rate and a regulatory environment conducive to productivity & earnings growth

VIEQX PORTFOLIO

~30 COUNTRIES ~250 STOCKS

COMPANY SELECTION

Company Selection

The most attractive stocks within each sector based on:

- 50% Value
- 30% Quality
- 20% Momentum

VIEQX Companies

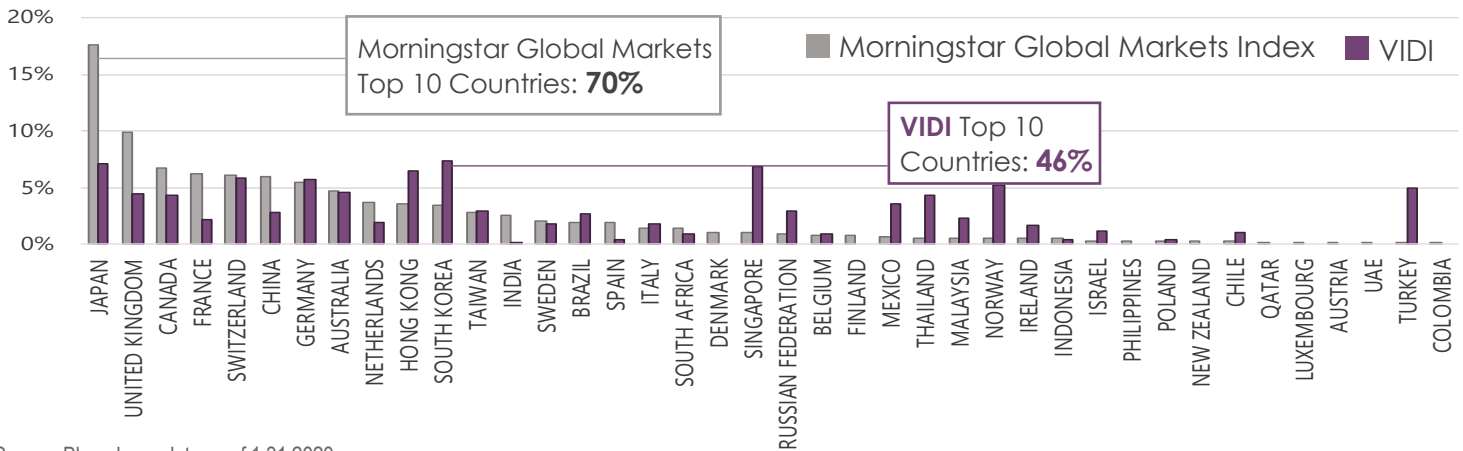
The Vident Core International Equity Index seeks to Allocate capital to higher quality companies at better valuations.

STEP 02

DIVERSIFYING RISK FOR THE LONG RUN

VIEQX's rules-based index strategy seeks to balance risk across 39 developed and emerging markets countries. The index seeks to further reduce country, currency, and company concentration risks that can sometimes be typical amongst traditional capitalization-weighted approaches.

VIDI DIVERSIFICATION: COUNTRY CONCENTRATION



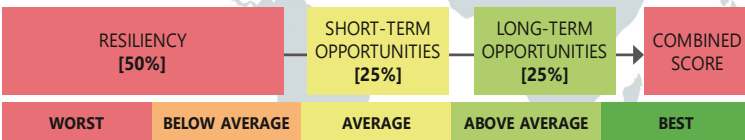
Source: Bloomberg, data as of 1.31.2020

CASE STUDY: MEXICO

MEXICO

CURRENT VIEQX WEIGHT: 2.75%

CHANGE FROM PREVIOUS PERIOD: -0.22%



Source: Bloomberg and Bowyer Research, data as of last rebalance 1.31.2020

OVERALL

Mexico's overall country opportunity score is better than average, at rank 17 out of 39.

IMPROVING POLICY TRENDS

Mexico's policy trends score is very high, and they're trending in the right direction for both Labor Market Flexibility and Trade Tariffs.

ATTRACTIVE VALUATION

Mexico ranks better than the average for valuation, with a particularly high Change in Forward Yield score.

STRONG DEMOGRAPHICS

While Mexico's Resiliency score is low, their demographic score is well above average. Population growth is fairly high and old-age dependency is very low.

Mohammad Baki



Vident Index Policy Committee Member

Over 20 years of experience in managing financial services organizations and advising clients on financial and investment strategies.

Denise M. Krisko, CFA



President of VIA

Over 20 years of trading and portfolio management experience

Portfolio manager of VIDI since April 2015

Rafael Zayas, CFA



Senior Portfolio Manager - International Equity of VIA

Over 15 years of trading and portfolio management experience

Portfolio manager of VIDI since September 2017

Carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. To obtain a prospectus download one here www.videntfunds.com/literature or call 800-617-0004. Please read it carefully before investing.

Investing involves risk, including the risk of loss of principal. VIDI has the same risks as the underlying securities traded on the exchange throughout the day at market price. Redemptions are limited and often commissions are charged on each trade. Investments in non-U.S. securities involve certain risks that may not be present with investments in U.S. securities. These factors and others can make investments in the fund more volatile and potentially less liquid than other types of investments. The Fund may invest in companies organized in emerging market nations which can involve additional risks relating to political, economic or regulatory conditions. The Fund's performance may be adversely affected by a general decline in the market segments relating to its Index. Small and medium capitalization companies tend to have more limited liquidity and greater price volatility than large-capitalization companies.

Investor shares are bought and sold at market price (not NAV), may trade at a discount or premium to NAV and are not individually redeemed from the Fund. Ordinary brokerage commissions may apply

Diversification does not ensure a profit or protect against a loss. Holdings and allocations are subject to change and are not recommendations to buy or sell any security.

The Fund's investment advisor is Vident Advisory, Inc. VIDI's sub-advisor is Vident Investment Advisory (VIA). Vident Financial owns the index that underlies the Fund. The Vident International Equity Fund is distributed by ALPS Distributors, Inc. ALPS is not affiliated with Vident Financial, Vident Advisory or VIA.