



# The Vident International Equity Fund | VIDI

Fund Story | 7.31.2020

## 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

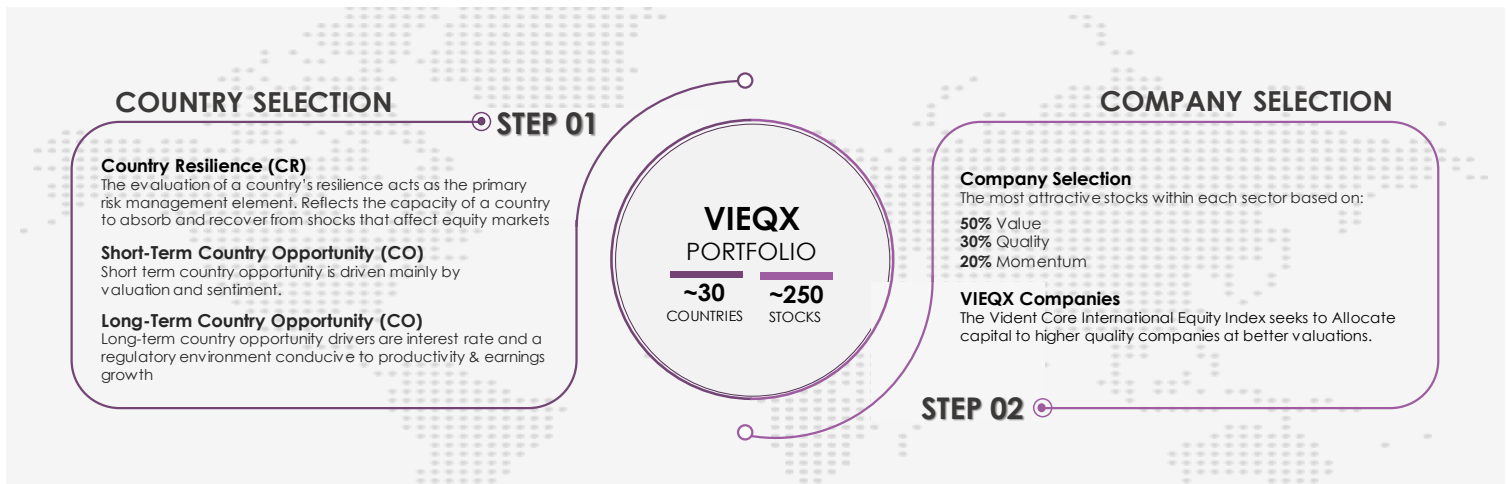
The index's sophisticated multi-factor country and stock selection process results in a portfolio with improved exposure to countries with faster economic growth potential, lower fundamental risk, and more favorable demographics relative to traditional cap-weighted international equity approaches.

#### 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.



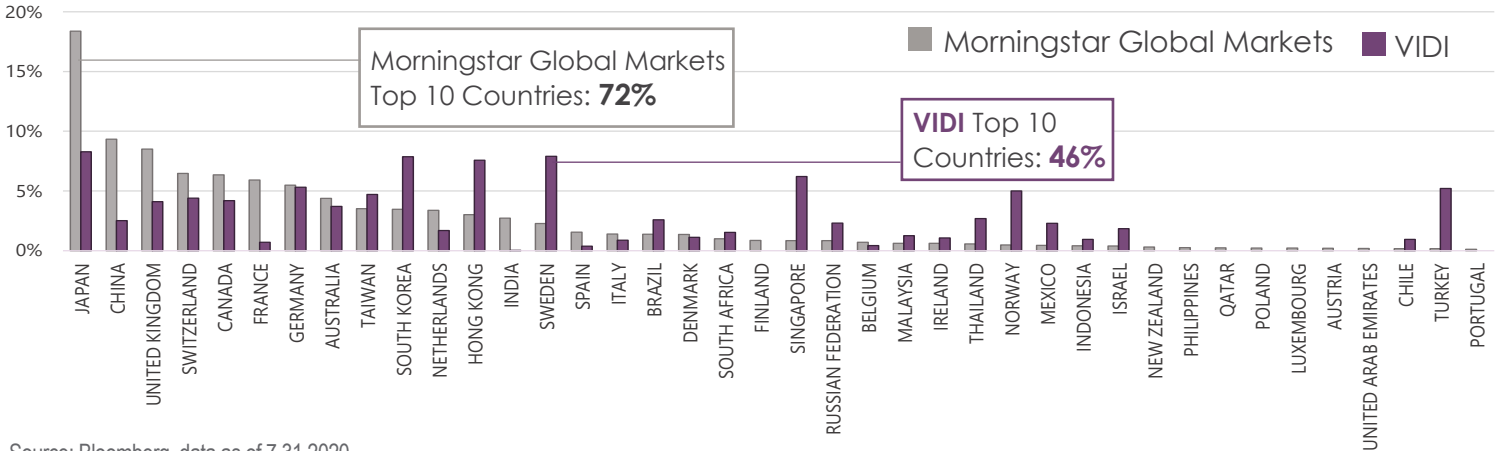
#### INVESTMENT PROCESS



## 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

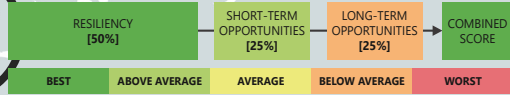


Source: Bloomberg, data as of 7.31.2020

## CASE STUDY: SOUTH KOREA & SWEDEN

### SWEDEN

CURRENT VIEQX WEIGHT: 6.74%  
CHANGE FROM PREVIOUS PERIOD: +3.81%



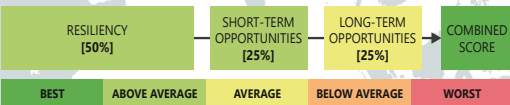
Sweden had a very high Country Opportunity Score, ranking 5th out of 39 countries. Sweden avoided a national economic shutdown, while their GDP has declined this year, they avoided the larger contractions that other European countries faced.

### STRONG PROPERTY RIGHTS

Sweden generally held a pro-growth policy environment, ranking 6th for both Property Rights and Freedom From Corruption. They also had a stable fiscal situation, with a low debt-to-GDP ratio and generally restrained government spending.

### SOUTH KOREA

CURRENT VIEQX WEIGHT: 7.50%  
CHANGE FROM PREVIOUS PERIOD: +0.37%



South Korea had a very high Country Opportunity Score, ranking 3rd out of 39 countries. South Korea's handling of the pandemic allowed them to avoid an economic shutdown, and their GDP contraction has so far been relatively mild.

### STRONG MONETARY & FISCAL POLICY

South Korea ranked 4th for overall Fiscal Fitness, with particularly high ranks in Savings as a Percentage of GDP and Total Investment as a Percentage of GDP. Their debt-to-GDP was above average. They were also very highly ranked in Hiring Regulations and Minimum Wage and Business Freedom.

Source: Bloomberg and Bowyer Research, data as of 1.31.2020



**Rafael Zayas, CFA**  
Senior Vice President, VIA

Over 15 years of trading and portfolio management experience in global equity products and ETFs. He is SVP, Head of Portfolio Management and Trading. PM of VIDI since September 2017.



**Austin Wen, CFA**  
Portfolio Manager, VIA

Mr. Wen has seven years of investment management experience, specializing in portfolio management and trading of equity portfolios and commodities based portfolios, as well as risk monitoring and investment analysis.

Carefully consider the Fund's investment objectives, risk factors, charges and expenses before investing. To obtain a prospectus download one here [www.videntfunds.com/funds/vidi](http://www.videntfunds.com/funds/vidi) 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. \* These scores are based on internal Advisor research/opinion

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 ETF is distributed by ALPS Distributors, Inc. ALPS is not affiliated with Vident Financial, Vident Advisory or VIA.