

KBIGI Integris Emerging Markets Equity Strategy

Summary Details

Assets under Mgmt.	€19.8m	
Inception Date	01 Jan 2015	
Benchmark	MSCI Emerging Markets Net Return Index	
Number of Stocks	91	
Risk Characteristics		
Beta (5 Yrs)	0.93	
Information Ratio (5 Yrs)	0.18	
Volatility	12.95	
Portfolio Statistics		
	Strategy	Index
Dividend Yield	3.6%	2.7%
Dividend Payout	46.8%	39.2%
Dividend Growth	15.9%	12.0%
Total Payout Yield	3.0%	2.1%
Price to Earnings (trailing)	11.6x	15.0x
Price to Book	3.0x	3.5x
Weighted Avg Mkt Cap.	\$41.8bn	\$67.9bn
ESG Score	5.6	4.6

Source: KBI Global Investors as of 31/12/19. The risk characteristics are calculated using monthly gross returns over a 5 year period relative to the Index as at the 31/12/19. Portfolio Statistics are of a representative account and are calculated relative to the Index. The AUM listed above is Emerging Markets ESG Strategy AUM. Weighted Avg. Mkt. Cap figures are in US Dollars.

Strategy Overview

Objective	Consistency. Downside protection. Lower risk. ESG
Style	Relative value. High quality. Multi cap. Diversified.
Products	Global, Emerging Markets, Eurozone
Screening	Fossil Fuel Reserves, CCC rated companies, Tobacco & others.

Investment Philosophy

We are "total return" investors.

Our conviction is that companies with the financial strength and discipline to maintain and grow their dividend commitments outperform.

Uniquely, we find such companies across all capitalisations, and in every sector and every region, even ones where dividends are low and not typically used as a method of analysis. By "looking where others don't look" we consistently find and exploit mispriced stocks.

The main reasons for outperformance are:

- Quality of information
- Better governance
- Plentiful positive earnings surprises
- Capital efficiency and financial discipline
- Lower volatility
- Better valuations

Annualised Performance (€)

	3Mths	YTD	1Yr	3Yrs	5Yrs
Fund (Gross)	8.4	22.3	22.3	9.6	7.9
Benchmark	8.6	20.6	20.6	9.3	7.2

Source: KBI Global Investors, Datastream, MSCI as of 31/12/19
Returns are gross of fees in Euro. Our firm claims GIPS compliance and is annually verified by an independent verification firm to be so. The verification report from our verifier and our GIPS composite presentation are available upon request. The performance record disclosed here is that of the firm's composite for this strategy. The Emerging Markets ESG Equity composite is a well diversified, all cap, strategy that invests across all 24 industry sub classifications of the global emerging markets as defined within the MSCI Emerging Markets benchmark. No active currency management is undertaken. The strategy invests purely in those companies that pay above average dividends relative to their industry peer group and is managed by a dedicated, specialist team of investment professionals in Dublin, Ireland. The strategy uses an ESG screen within its portfolio construction process. The benchmark is the MSCI Emerging Markets Index, inclusive of net income. The net index provides a better comparator for potential investors given the tax treatment on dividend income. The benchmark is designed to measure the equity market performance of emerging market countries. The benchmark is market-cap weighted. Sources of foreign exchange rates may differ between the composite and the benchmark, but not materially so. MSCI benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes. See disclaimer for further information

Investment Process

We summarise our process into three steps

Step 1

- Create regional industry group segments from MSCI Index.
- Eliminate stocks below segment average yield.
- Lower yield stocks, countries, industries will qualify.

Step 2

- Eliminate stocks and segments that fail sustainability, quality and growth criteria.
- Eliminate stocks with lowest ESG score.
- Rank remaining stocks.

Step 3

- Create portfolio targeting preferred financial criteria, ESG criteria and highest ranked stocks.

Current Emerging Markets ESG Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI EM Index	+/- %
<3 (small)	33.6	15.9	17.7
3-5 (mid-small)	14.6	11.6	3.0
5-10 (mid)	17.2	15.5	1.7
10-25 (mid-large)	13.3	20.5	-7.2
>25 (large)	21.3	36.6	-15.3

Source: KBI Global Investors as of 31/12/19. Market Cap figures are based on a representative account relative to the Index. Market Cap figures are in US Dollars.

Investment Team

Key People	Title	Investment Experience
CIO		
Noel O'Halloran	Chief Investment Officer	32yrs
Portfolio Management Team		
Gareth Maher	Head of Portfolio Management	32yrs
David Hogarty	Head of Strategy Development	28yrs
Ian Madden	Senior Portfolio Manager	19yrs
James Collery	Senior Portfolio Manager	19yrs
John Looby	Senior Portfolio Manager	29yrs
Massimiliano Tondi	Senior Portfolio Manager	16yrs
Jeanne Chow Collins	ESG & Engagement Analyst	19yrs
Trading		
Ultan O'Kane	Trader	14yrs

Contact Details

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Portfolio Positioning

Sector Breakdown

Sector	%	Sector	%
Financials	25.4	Consumer Staples	4.6
Information Technology	18.7	Energy	2.9
Consumer Discretionary	15.2	Utilities	2.8
Communications	10.3	Health Care	2.7
Industrials	9.5	Materials	1.8
Real Estate	6.1		

Geographical Breakdown

Region	%
Emerging Asia	73.3
Emerging EMEA	14.9
Emerging Latin America	11.8

Top 10 Holdings

Stock	Country	%
Taiwan Semiconductor Manufacturing	Taiwan	7.4
Samsung Electronics Company Limited	South Korea	4.9
China Merchants Bank Company Limited	China	3.0
China Construction Bank	China	2.9
Zhejiang Expressway Company	China	2.9
Hangzhou Robam Appliances Company	China	2.4
Zhongsheng Group Holdings Ltd	China	2.4
Advanced Info Service PCL	Thailand	2.3
NCSOFT Corporation	South Korea	2.3
China Vanke Company Limited	China	2.2

Source of all data: KBI Global Investors. Data as of 31/12/19

Overview

While the performance rotation from growth to value didn't materialise in 2019, arguably the earnings rotation did. Earnings growth in the portfolio is now ahead of the market despite its dividend and value orientation.

When profits are scarce investors pay a premium for growth stocks. This has been story of the last decade. Growth stocks are currently very expensive relative to their value counterparts. The Growth premium is now a striking 192% above its long-term average on a trailing price earnings basis. The MSCI EM Growth index is now +2.5 standard deviations above its long-term average forward price earnings ratio. But as earnings growth broadens out, and the source of earnings changes, as we are beginning to see, investors are likely to begin to seek out cheaper opportunities.

Relative performance of the strategy has been strong despite the aggressive style headwinds. This is down to strong stock selection, which has been heavily assisted by the ESG element of the process. Stocks with high ESG metrics were rewarded handsomely in our portfolio in 2019.

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