

# KBIGI North America Equity Strategy (GBP)

### Summary Details

Assets under Mgmt.	£1.1bn
Inception Date	31 May 2003
Benchmark	MSCI North America Net Return Index
Number of Stocks	73

### Risk Characteristics

Beta (10 Yrs)	0.96
Information Ratio (10 Yrs)	-0.02
Volatility	11.59

### Portfolio Statistics

	Strategy	Index
Dividend Yield	3.2%	1.9%
Dividend Payout	60.8%	44.2%
Dividend Growth	13.1%	8.5%
Total Payout Yield	5.9%	1.8%
Price to Earnings (trailing)	16.3x	22.6x
Price to Book	4.0x	5.6x
Weighted Avg Mkt Cap.	\$117.7bn	\$237.8bn
ESG Score	6.7	5.7

Source: KBI Global Investors as of 31/12/19. The risk characteristics are calculated using monthly gross returns over a 10 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 Global Equity North America AUM. Weighted Avg. Mkt. Cap figures are in US Dollars.

The North America AUM figure is inclusive of the North America equity component of a Global Equity Mandate which up to 30/09/15 was managed as an EAFE only mandate. The change in this EAFE mandate to a Global mandate represented the addition of North American assets only to the original EAFE mandate. These North American assets are now included in the North America AUM. Similarly the EAFE component of the Global equity mandate is included within the EAFE AUM. Neither the EAFE nor North America assets are included in the Global AUM.

### Strategy Overview

<b>Objective</b>	Consistency. Downside protection. Lower risk.
<b>Style</b>	Relative value. High quality. Multi cap. Diversified.
<b>Products</b>	Global, EAFE, Emerging Markets, North America, ACWI, Eurozone.

### 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	10Yrs
<b>Fund (Gross)</b>	-0.2	16.8	16.8	7.3	11.8	14.4
<b>Benchmark</b>	1.2	25.7	25.7	11.6	14.2	14.4

Source: KBI Global Investors, Datastream, MSCI as of 31/12/19  
Returns are gross, in GBP. Returns from 01/11/13 are actual returns from the KBIGI North America Strategy. Returns since inception to 31/10/13 are based on the KBIGI, North America Developed Equity component of a segregated account (KBIGI Developed Equity Strategy) managed by KBIGI to an identical process applied to all KBIGI, Global Equity Strategies. KBIGI Global Developed Equity Strategy Performance: Returns from 01/06/03 to 31/07/2004 are based on a Belgian Fund which followed the Developed Equity Strategy and was managed by KBIGI. Returns from 08/01/2004 are actual returns from the KBIGI Developed Equity Strategy. MSCI benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes. See the disclaimers for further information.

### Investment Process

We summarise our process into three steps

#### Step 1

- Create regional 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.
- Rank remaining stocks.

#### Step 3

- Create portfolio preferred financial criteria and highest ranked stocks.

### Current North America Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI NAM Index	+/- %
<3 (small)	0.0	0.1	-0.1
3-5 (mid-small)	0.3	0.5	-0.2
5-10 (mid)	12.8	4.0	8.8
10-25 (mid-large)	27.5	14.7	12.8
>25 (large)	59.4	80.8	-21.4

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.

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## Investment Team

Key People	Title	Investment Experience
<b>CIO</b>		
Noel O'Halloran	Chief Investment Officer	32yrs
<b>Portfolio Management Team</b>		
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
<b>Trading</b>		
Ultan O'Kane	Trader	14yrs

## Portfolio Positioning

### Sector Breakdown

Sector	%	Sector	%
Information Technology	24.9	Consumer Staples	5.3
Health Care	15.2	Energy	4.1
Financials	14.0	Materials	3.6
Industrials	9.9	Real Estate	3.2
Communications	8.9	Utilities	2.3
Consumer Discretionary	8.6		

### Geographical Breakdown

Region	%
USA	90.0
Canada	10.0

### Top 10 Holdings

Stock	Country	%
Microsoft Corporation	US	4.2
Best Buy Company Inc	US	3.4
AbbVie Inc	US	3.2
Valero Energy Corporation	US	3.2
Canadian Imperial Bank of Commerce	Canada	3.1
Broadcom Inc	US	3.1
IBM	US	3.1
Hewlett-Packard Enterprise Co	US	2.9
Cummins Inc	US	2.9
Omnicom Group Inc	US	2.9

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

## Overview

Following muted returns in the third quarter, global markets once again rose sharply in Quarter 4. The main catalyst driving market sentiment in Q4 was the massive re-expansion of liquidity in the monetary system, most notably in the US.

2019 proved to be a record-breaking year for global stock markets, as they posted their best year for returns since the aftermath of the GFC. While of course welcoming such large returns its only prudent to recognise that this performance went hand in hand with declining profits and deteriorating economic sentiment (falling PMI's and economic growth downgrades).

All the return came from multiple expansion and the decade ended with the MSCI World Index trading at 17x forward EPS, close to its highest forward valuation outside of the tech bubble.

In light of such aggressive absolute returns it is not a surprise to us that our relative performance was a challenge given the conservative and defensive nature of our dividend orientation. The magnitude of the variance in style over the year was the dominant contributor to our relative under performance over the twelve months to end December 2019.

From an investment style perspective Growth again outperformed Value by more than 10%. Growth is now 2.3 standard deviations above its long-term average at 23.1 times forward earnings. Within Growth, Technology led the charge, with FAANGS producing almost double the return of their respective indices.

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