

KBIGI North America Equity Strategy (USD)

Summary Details

Assets under Mgmt.	\$1.5bn
Inception Date	31 May 2003
Benchmark	MSCI North America Net Return Index
Number of Stocks	73

Risk Characteristics

Beta (10 Yrs)	1.00
Information Ratio (10 Yrs)	-0.02
Volatility	13.10

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 12/31/19. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the Index as at the 12/31/19. Portfolio Statistics are of a representative account and are calculated relative to the Index. The AUM listed above is Global Equity North America AUM. This is the combined AUM of KBI Global Investors Ltd and KBI Global Investors (North America) Ltd. 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

Objective	Consistency. Downside protection. Lower risk.
Style	Relative value. High quality. Multi cap. Diversified.
Products	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
Strategy (Gross)	7.2	21.4	21.4	9.9	8.2	12.1
Strategy (Net)	7.1	20.8	20.8	9.2	7.6	11.5
Benchmark	8.8	30.7	30.7	14.2	10.5	12.2

Source: KBI Global Investors, Datastream, MSCI as of 12/31/19

Returns are in USD. Returns from 11/01/13 are actual returns from the KBIGI North America Strategy. Returns since inception to 10/31/13 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 Developed Equity Strategy Performance: Returns from 06/01/03 to 07/31/2004 are based on a Belgian Fund which followed the Developed Equity Strategy and was managed by KBIGI. Returns from 01/08/2004 are actual returns from the KBIGI Developed Equity Strategy. Gross results shown do not show the deduction of Adviser's fees. A client's actual return will be reduced by the advisory fees and any other expenses which may be incurred in the management of an investment advisory account. See Part 2 of Adviser's Form ADV for a complete description of the investment advisory fees customarily charged by Adviser. For example, a \$1,000,000 investment with an assumed annual return of 5% with an advisory fee of 0.85% would accumulate \$8,925 in fees during the first year, \$48,444 in fees over five years and \$107,690 in fees over ten years. The performance results are that of a representative strategy which has been managed on a discretionary basis since its inception. Performance returns for individual investors may differ due to the timing of investments, subsequent subscriptions/redemptions, share classes, fees and expenses. Performance for periods of more than 1 year is annualized. Information about indices is provided to allow for comparison of the performance of the Adviser to that of certain well-known and widely recognized indices. There is no representation that such index is an appropriate benchmark for such comparison. You cannot invest directly in an index, which also does not take into account trading commissions and costs. The volatility of the indices may be materially different from that of the strategy. In addition, the strategy's holdings may differ substantially from the securities that comprise the indices shown. Investments denominated in foreign currencies are subject to changes in exchange rates that may have an adverse effect on the value, price and income of the product. Income generated from an investment may fluctuate in accordance with market conditions and taxation arrangement. PAST PERFORMANCE IS NOT A RELIABLE GUIDE TO FUTURE PERFORMANCE AND THE VALUE OF INVESTMENTS MAY GO DOWN AS WELL AS UP. Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties. A composite presentation is available upon request. Net results shown are net of all fees and expenses and include the reinvestment of all dividends and capital gains. In order to present meaningful performance results, the performance results reflected above were calculated by adjusting the gross performance by the highest fee available at the time to U.S. clients. See disclaimers for description of Index 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 12/31/19. 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

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. The above information represents the top 10 largest positions in the strategy as of 12/31/19 based on the aggregate USD value. Each quarter KBI Global Investors uses this same objective, non-performance based criteria to select the ten largest holdings. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the strategy, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. All information is provided for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned.

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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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To create diversified exposure, the index provider includes three distinct infrastructure clusters: energy, transportation and utilities.