

Q1 2020 EUR

KBI Global Investors

KBIGI Developed Equity Strategy



Summary Details

Assets under Mgmt.	€4.9bn
Inception Date	01 Aug 2004
Benchmark	MSCI World Net Return Index
Number of Stocks	185

Risk Characteristics

Beta (10 Yrs)	1.00
Information Ratio (10 Yrs)	-0.19
Volatility	11.87

Portfolio Statistics	Strategy	Index
Dividend Yield	4.7%	2.9%
Dividend Payout	56.1%	48.7%
Dividend Growth	10.3%	8.0%
Total Payout Yield	6.5%	2.9%
Price to Earnings (trailing)	11.6x	15.7x
Price to Book	3.1x	4.4x
Weighted Avg Mkt Cap.	\$110.6bn	\$171.4bn
ESG Score	7.1	6.1

Source: KBI Global Investors as of 31/03/20. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the Index as at the 31/03/20. Portfolio Statistics are of a representative account and are calculated relative to the Index. The AUM listed above is Global Equity Global Developed AUM. Weighted Avg. Mkt. Cap figures are in US Dollars.

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
Fund (Gross)	-24.0	-24.0	-16.2	-3.5	0.6	8.2
MSCI World Net Return Index	-19.2	-19.2	-8.3	1.1	2.8	8.8
MSCI World Value Net Return Index	-25.3	-25.3	-17.4	-4.6	-0.6	6.3

Source: KBI Global Investors, Datastream, MSCI as of 31/03/20
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 Global Developed Equity composite (formerly known as the Global Developed Equity Dividend Plus composite) is a well diversified, all cap, strategy that invests across all 24 industry sub classifications and the four major geographic global regions (North America, Europe, Japan and Pacific Basin ex Japan) of the global developed equity market. This strategy is constructed on a segmented basis by industry and region (as defined by the MSCI World Index) and 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 benchmark is the MSCI World Index, inclusive of net income. The Net index provides a better comparator for potential investors and representation of the investment strategy of the composite. The benchmark is designed to measure the equity market performance of developed market countries. The benchmark is market-cap weighted. Sources of foreign exchange rates may be different 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 disclaimers for further information.

Investment Process

We summarise our process into three steps

Step 1
<ul style="list-style-type: none"> • Create regional group segments from MSCI Index. • Eliminate stocks below segment average yield. • Lower yield stocks, countries, industries will qualify.
Step 2
<ul style="list-style-type: none"> • Eliminate stocks and segments that fail sustainability, quality and growth criteria. • Rank remaining stocks.
Step 3
<ul style="list-style-type: none"> • Create portfolio preferred financial criteria and highest ranked stocks.

Current Developed Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI World Index	+/- %
<3 (small)	2.9	1.7	1.2
3-5 (mid-small)	5.4	2.7	2.7
5-10 (mid)	11.7	8.6	3.1
10-25 (mid-large)	34.0	18.7	15.3
>25 (large)	45.9	68.3	-22.4

Source: KBI Global Investors as of 31/03/20. 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	33yrs
David Hogarty	Head of Strategy Development	29yrs
Ian Madden	Senior Portfolio Manager	19yrs
James Collery	Senior Portfolio Manager	19yrs
John Looby	Senior Portfolio Manager	30yrs
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	%
Information Technology	20.0	Consumer Discretionary	7.2
Health Care	15.7	Energy	4.1
Financials	14.8	Utilities	3.8
Industrials	11.4	Materials	3.3
Communications	8.6	Real Estate	3.2
Consumer Staples	7.9		

Geographical Breakdown

Region	%
North America	67.2
Europe	20.2
Japan	9.0
Pacific Basin ex Japan	3.6

Top 10 Holdings

Stock	Country	%
Microsoft Corporation	US	5.1
Gilead Sciences Inc	US	2.6
AbbVie Inc	US	2.3
AmerisourceBergen Corporation	US	2.2
Cummins Inc	US	2.0
Omnicom Group Inc	US	1.9
Canadian Imperial Bank of Commerce	Canada	1.9
Best Buy Company Inc	US	1.7
Western Union Company	US	1.6
IBM	US	1.5

Source of all data: KBI Global Investors. Data as of 31/03/20

Overview

Risk assets plunged into bear market territory in Quarter 1 in anticipation of an acute recession, triggered by the dual onslaught of the COVID-19 pandemic and the oil price war. Widespread national lockdowns encompassing more than one third of humanity have been implemented as remedial measures to contain the spread of the Coronavirus. This has weighed heavily on economic activity, with the initial hit being taken by more economically sensitive industry groups.

The initial knee jerk reaction by markets was swift in the "obvious" industries but over the coming quarters investors will realise that all forecasts and expectations across all industry groups are likely to be damaged by the knock-on effects. While this is initially a health crisis, it will become an unemployment crisis, a demand side shock, a supply side shock, a wealth shock and possibly a debt shock. These elements have still not been factored into markets, with a significant amount of earnings data still unchanged. Crucially, while markets have significantly discounted the impact of the pandemic on cyclically exposed sectors, they have yet to factor in the likely impact on supposedly more insulated stocks.

Unprecedented policy response and stimulus packages including fiscal expansion to the tune of \$4-5tn have been announced so far across the world in addition to a flurry of rate cuts and unlimited monetary support. Again, while there has been broad market response to the monetary changes in favour of growth, much of the fiscal stimulus will be targeted at these cyclical (value) industries which ultimately will be positive for more value-oriented investors. This fiscal stimulus could be a catalyst for a major rotation within the market.

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