

KBIGI Eurozone Equity Strategy

Summary Details

Assets under Mgmt.	€45.2
Inception Date	30 Nov 2004
Benchmark	MSCI EMU (EUR) Net Return Index
Number of Stocks	53

Risk Characteristics

Beta (10 Yrs)	1.00
Information Ratio (10 Yrs)	0.46
Volatility	15.41

Portfolio Statistics	Strategy	Index
Dividend Yield	5.8%	4.0%
Dividend Payout	65.4%	57.5%
Dividend Growth	9.7%	7.0%
Total Payout Yield	8.1%	3.9%
Price to Earnings (trailing)	14.6x	12.6x
Price to Book	2.4x	2.8x
Weighted Avg Mkt Cap.	\$30.2bn	\$38.9bn
ESG Score	7.9	7.3

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 Eurozone 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	Since Incep
Fund (Gross)	-27.6	-27.6	-20.2	-6.3	-1.9	4.6
Benchmark	-25.1	-25.1	-16.0	-4.8	-2.3	3.5

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 EMU Equity composite (formerly known as the EMU Equity Dividend Plus composite) is a well diversified, all cap, strategy that invests across all 24 industry sub classifications of the EMU equity market. This strategy is constructed on a segmented basis by industry (as defined by the MSCI EMU 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 EMU 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

- 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 Eurozone Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI EMU Index	+/- %
<3 (small)	6.3	2.9	3.4
3-5 (mid-small)	9.6	4.5	5.1
5-10 (mid)	20.0	13.4	6.6
10-25 (mid-large)	18.2	25.5	-7.3
>25 (large)	45.9	53.8	-7.9

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	%
Industrials	16.2	Utilities	7.0
Financials	14.8	Information Technology	6.9
Consumer Discretionary	13.8	Energy	6.2
Consumer Staples	12.3	Communications	6.2
Materials	7.8	Real Estate	1.7
Health Care	7.1		

Geographical Breakdown

Region	%
Europe	100.0

Top 10 Holdings

Stock	Country	%
Unilever NV	Netherlands	5.0
Siemens AG	Germany	4.9
KERING	France	4.3
UPM-Kymmene Oyj	Finland	3.5
Recordati Industria Chimica e FarmacSpA	Italy	3.5
Industria de Diseno Textil SA	Spain	3.5
Axa SA	France	3.5
Red Electrica Corp SA	Spain	3.4
BNP Paribas SA	France	3.3
Deutsche Post AG	Germany	3.3

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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