

# Q1 2020 USD

KBI Global Investors

## KBIGI Integris Global Equity Strategy



### Summary Details

Assets under Mgmt.	\$45.6m
Inception Date	30 Jun 2004
Benchmark	MSCI World Net Return Index
Number of Stocks	166

### Risk Characteristics

Beta (10 Yrs)	1.08
Information Ratio (10 Yrs)	-0.41
Volatility	15.15

Portfolio Statistics	Strategy	Index
Dividend Yield	4.5%	2.9%
Dividend Payout	55.1%	48.7%
Dividend Growth	10.7%	8.0%
Total Payout Yield	6.2%	2.9%
Price to Earnings (trailing)	12.7x	15.7x
Price to Book	3.8x	4.4x
Weighted Avg Mkt Cap.	\$141.2bn	\$171.4bn
ESG Score	7.2	6.1

Source: KBI Global Investors as of 03/31/20. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the Index as at the 03/31/20. Portfolio Statistics are of a representative account and are calculated relative to the Index. The AUM listed above is Global ESG Strategy 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.

### Strategy Overview

<b>Objective</b>	Consistency. Downside protection. Lower risk. ESG
<b>Style</b>	Relative value. High quality. Multi cap. Diversified.
<b>Products Screening</b>	Global, Emerging Markets, Eurozone 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	10Yrs
Strategy (Gross)	-25.7	-25.7	-16.3	-2.0	1.5	5.3
Strategy (Net)	-25.8	-25.8	-16.9	-2.6	0.8	4.6
Benchmark	-21.0	-21.0	-10.4	1.9	3.2	6.6

Source: KBI Global Investors, Datastream, MSCI as of 03/31/20  
Returns are gross of fees in USD. 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 strategy 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. The investment process currently utilizes a security level ESG-rating provided by a third-party firm to assess whether a security will be traded within the strategy. 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. Prior to September 2014, the strategy was managed using a negative screening process broadly based on faith based values. Since then, we employ an enhanced set of negative screens using similar values and integrate ESG ratings into our investment process. See disclaimers for further information.

### Investment Process

We summarise our process into three steps

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

### Current Global ESG Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI World Index	+/- %
<3 (small)	5.3	1.7	3.6
3-5 (mid-small)	6.7	2.7	4.0
5-10 (mid)	13.1	8.6	4.5
10-25 (mid-large)	28.7	18.7	10.0
>25 (large)	46.2	68.3	-22.1

Source: KBI Global Investors as of 03/31/20. 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
<b>CIO</b>		
Noel O'Halloran	Chief Investment Officer	32yrs
<b>Portfolio Management Team</b>		
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
<b>Trading</b>		
Ultan O'Kane	Trader	14yrs

## Contact Details

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## Portfolio Positioning

### Sector Breakdown

Sector	%	Sector	%
Information Technology	23.6	Health Care	8.3
Financials	17.2	Real Estate	5.0
Industrials	11.0	Materials	3.5
Communications	10.6	Utilities	2.1
Consumer Staples	8.7	Energy	1.5
Consumer Discretionary	8.5		

### Geographical Breakdown

Region	%
North America	68.3
Europe	19.2
Japan	9.0
Pacific Basin ex Japan	3.5

### Top 10 Holdings

Stock	Country	%
Microsoft Corporation	US	5.8
Apple Inc	US	3.3
Verizon Communications Inc	US	2.6
Home Depot Inc	US	2.5
Kimberly-Clark Corporation	US	2.3
Cardinal Health Inc	US	2.2
Texas Instruments Inc	US	2.0
Canadian Imperial Bank of Commerce	Canada	1.9
Interpublic Group of Companies Inc	US	1.9
Cummins Inc	US	1.8

Source of all data: KBI Global Investors. The above information represents the top 10 largest positions in the strategy as of 03/31/20 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.

## 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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