

# KBIGI North America Equity Strategy (EUR)

## Summary Details

Assets under Mgmt.	€986.2m
Inception Date	31 May 2003
Benchmark	MSCI North America Net Return Index
Number of Stocks	68

## Risk Characteristics

Beta (10 Yrs)	1.02
Information Ratio (10 Yrs)	-0.21
Volatility	13.10

Portfolio Statistics	Strategy	Index
Dividend Yield	4.5%	2.4%
Dividend Payout	55.5%	43.1%
Dividend Growth	10.7%	8.3%
Total Payout Yield	6.3%	2.1%
Price to Earnings (trailing)	11.4x	17.6x
Price to Book	3.4x	5.0x
Weighted Avg Mkt Cap.	\$147.8bn	\$230.7bn
ESG Score	7.0	5.8

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 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>	-24.8	-24.8	-17.2	-3.0	2.1	10.4
<b>Benchmark</b>	-18.3	-18.3	-6.2	3.1	5.0	11.4

Source: KBI Global Investors, Datastream, MSCI as of 31/03/20. Returns are gross, in EUR. 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 disclaimer for further information.

## Investment Process

We summarise our process into three steps

Step 1
<ul style="list-style-type: none"> <li>• Create regional 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>• Rank remaining stocks.</li> </ul>
Step 3
<ul style="list-style-type: none"> <li>• Create portfolio preferred financial criteria and highest ranked stocks.</li> </ul>

## Current North America Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI NAM Index	+/- %
<3 (small)	1.1	0.5	0.6
3-5 (mid-small)	3.6	1.2	2.4
5-10 (mid)	9.8	5.5	4.3
10-25 (mid-large)	36.6	15.9	20.7
>25 (large)	48.9	76.9	-28.0

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.

## Contact Details

Address: KBI Global Investors Ltd.  
3rd Floor, 2 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

Phone: +353 1 438 4400 Email: [info@kbigi.com](mailto:info@kbigi.com)

Web: [www.kbiglobalinvestors.com](http://www.kbiglobalinvestors.com)

## 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

## Portfolio Positioning

### Sector Breakdown

Sector	%	Sector	%
Information Technology	26.8	Consumer Discretionary	6.5
Health Care	16.7	Energy	3.6
Financials	12.8	Utilities	3.5
Industrials	9.9	Real Estate	2.5
Communications	9.1	Materials	1.9
Consumer Staples	6.7		

### Geographical Breakdown

Region	%
USA	91.5
Canada	8.5

### Top 10 Holdings

Stock	Country	%
Microsoft Corporation	US	7.5
Gilead Sciences Inc	US	3.8
AbbVie Inc	US	3.4
AmerisourceBergen Corporation	US	3.2
Cummins Inc	US	3.0
Omnicom Group Inc	US	2.8
Canadian Imperial Bank of Commerce	Canada	2.8
Best Buy Company Inc	US	2.6
Western Union Company	US	2.4
IBM	US	2.2

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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