

KBIGI Integris Emerging Markets Equity Strategy

Summary Details

Assets under Mgmt.	£15.7m
Inception Date	01 Jan 2015
Benchmark	MSCI Emerging Markets Net Return Index
Number of Stocks	98

Risk Characteristics

Beta (5 Yrs)	0.97
Information Ratio (5 Yrs)	0.08
Volatility	15.74

Portfolio Statistics	Strategy	Index
Dividend Yield	3.9%	2.6%
Dividend Payout	47.8%	37.1%
Dividend Growth	12.6%	9.4%
Total Payout Yield	3.7%	1.8%
Price to Earnings (trailing)	11.5x	16.0x
Price to Book	3.1x	4.0x
Weighted Avg Mkt Cap.	\$33.4bn	\$84.6bn
ESG Score	5.5	4.7

Source: KBI Global Investors as of 30/06/20. The risk characteristics are calculated using monthly gross returns over a 5 year period relative to the Index as at the 30/06/20. Portfolio Statistics are of a representative account and are calculated relative to the Index. The AUM listed above is Emerging Markets ESG Strategy AUM. Weighted Avg. Mkt. Cap figures are in US Dollars.

Strategy Overview

Objective	Consistency. Downside protection. Lower risk. ESG
Style	Relative value. High quality. Multi cap. Diversified.
Products Screening	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
Fund (Gross)	17.5	-5.7	-1.6	4.2	8.2
Benchmark	18.5	-3.3	-0.5	3.6	7.9

Source: KBI Global Investors, Datastream, MSCI as of 30/06/20
Returns are gross of fees in GBP. 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 Emerging Markets ESG Equity composite is a well diversified, all cap, strategy that invests across all 24 industry sub classifications of the global emerging markets as defined within the MSCI Emerging Markets benchmark. 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 strategy uses an ESG screen within its portfolio construction process. The benchmark is the MSCI Emerging Markets Index, inclusive of net income. The net index provides a better comparator for potential investors given the tax treatment on dividend income. The benchmark is designed to measure the equity market performance of emerging market countries. The benchmark is market-cap weighted. Sources of foreign exchange rates may differ 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 industry 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.
- Eliminate stocks with lowest ESG score.
- Rank remaining stocks.

Step 3

- Create portfolio targeting preferred financial criteria, ESG criteria and highest ranked stocks.

Current Emerging Markets ESG Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI EM Index	+/- %
<3 (small)	39.6	17.3	22.3
3-5 (mid-small)	17.6	10.4	7.2
5-10 (mid)	10.5	14.1	-3.6
10-25 (mid-large)	11.9	19.2	-7.3
>25 (large)	20.3	39.0	-18.7

Source: KBI Global Investors as of 30/06/20. 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	20yrs
James Collery	Senior Portfolio Manager	20yrs
John Looby	Senior Portfolio Manager	30yrs
Massimiliano Tondi	Senior Portfolio Manager	16yrs
Jeanne Chow Collins	ESG & Engagement Analyst	20yrs
Trading		
Ultan O'Kane	Trader	14yrs

Contact Details

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Portfolio Positioning

Sector Breakdown

Sector	%	Sector	%
Financials	22.5	Consumer Staples	4.0
Information Technology	19.1	Health Care	2.8
Consumer Discretionary	18.0	Materials	2.5
Communications	13.8	Energy	2.2
Industrials	7.9	Utilities	1.5
Real Estate	5.7		

Geographical Breakdown

Region	%
Emerging Asia	78.9
Emerging EMEA	12.7
Emerging Latin America	8.4

Top 10 Holdings

Stock	Country	%
Samsung Electronics Company Limited	South Korea	5.1
Taiwan Semiconductor Manufacturing	Taiwan	5.0
NCSOFT Corporation	South Korea	3.2
China Construction Bank	China	3.2
Zhongsheng Group Holdings Ltd	China	3.1
China Merchants Bank Company Limited	China	3.0
Logan Group Co Ltd	China	3.0
Home Product Center PCL	Thailand	2.6
Zhejiang Expressway Company	China	2.6
Wistron Corporation	Taiwan	2.4

Source of all data: KBI Global Investors. Data as of 30/06/20

Overview

We continued to ensure that the dividend flow on offer from the strategy was sustainable. There are many companies that are displaying very high dividend yields, but we would have concerns over the sustainability of such dividends given the uncertain economic outlook. In response, we lowered our dividend tilt slightly as we focused on safe and secure dividends. The dividend yield on the portfolio was 3.9% as at the end of the quarter which still represents a healthy premium over the index.

What is clear is that although there has been a significant reduction and, in some cases, elimination of dividend payments in companies across the globe, there are still a high number of stocks with strong dividend resilience. Interestingly most of the significant dividend cutting has occurred in developed markets. In recent times, we have often talked about how emerging market companies, especially those in Asia, have been better positioned to weather difficult times. Attributes such as lower debt levels, lower dividend payouts, better capital discipline, less reliance on buybacks to drive EPS, all combined to enable these companies to come through the crisis while companies in the developed world struggled. This was certainly reflected in the dividend behaviour across developed and emerging regions. There was not a huge wave of dividend cutting in emerging markets and in fact 25% of companies in MSCI EM have increased their dividend since the end of February this year. Our strategy was able to capture this behaviour with a strong focus on dividend growth and we further increased this bias over the quarter.

As stated during last quarter's comment, one of the areas we were focussing on was to analyse balance sheets in terms of having significant cash reserves and low debt obligations. This continued into Q2 as we maintained our emphasis on higher quality metrics across the portfolio, whilst also reducing our exposure to net debt to equity. What is important to note is that we were able to do this without sacrificing our belief in value investing where we were able to increase our value tilt marginally across most valuation metrics.

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