

KBIGI North America Equity Strategy (EUR)

Summary Details

Assets under Mgmt.	€65.1m
Inception Date	31 May 2003
Benchmark	MSCI North America Net Return Index
Number of Stocks	67

Risk Characteristics

Beta (10 Yrs)	1.01
Information Ratio (10 Yrs)	-0.29
Volatility	13.44

Portfolio Statistics	Strategy	Index
Dividend Yield	3.3%	1.9%
Dividend Payout	58.0%	43.3%
Dividend Growth	10.5%	7.3%
Total Payout Yield	3.3%	0.8%
Price to Earnings (trailing)	15.2x	23.9x
Price to Book	3.8x	6.4x
Weighted Avg Mkt Cap.	\$200.4bn	\$317.0bn
ESG Score	7.1	5.9

Source: KBI Global Investors as of 30/06/20. The risk characteristics are calculated using monthly gross returns over a 10 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 Global Equity North America AUM. Weighted Avg. Mkt. Cap figures are in US Dollars.

Prior to 1/4/20 the North America AUM figure was inclusive of the North America equity component of a Global Equity Mandate.

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)	17.3	-11.8	-3.2	4.2	5.8	12.2
Benchmark	18.7	-3.0	8.4	10.5	9.5	13.6

Source: KBI Global Investors, Datastream, MSCI as of 30/06/20. 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"> • 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 North America Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI NAM Index	+/- %
<3 (small)	0.4	0.1	0.3
3-5 (mid-small)	0.5	0.6	-0.1
5-10 (mid)	7.9	4.3	3.6
10-25 (mid-large)	33.8	14.1	19.7
>25 (large)	57.4	80.9	-23.5

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.

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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

Portfolio Positioning

Sector Breakdown

Sector	%	Sector	%
Information Technology	27.9	Consumer Staples	6.7
Health Care	16.5	Materials	3.1
Financials	11.3	Energy	2.3
Communications	11.0	Utilities	2.2
Consumer Discretionary	9.0	Real Estate	1.7
Industrials	8.3		

Geographical Breakdown

Region	%
USA	93.2
Canada	6.8

Top 10 Holdings

Stock	Country	%
Microsoft Corporation	US	8.0
AbbVie Inc	US	3.4
Best Buy Company Inc	US	3.1
Cummins Inc	US	3.0
Home Depot Inc	US	2.9
Gilead Sciences Inc	US	2.9
AmerisourceBergen Corporation	US	2.9
Canadian Imperial Bank of Commerce	Canada	2.5
Omnicom Group Inc	US	2.3
Western Union Company	US	2.2

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 3.3% as at the end of the quarter which is still 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 the European region. In North America, dividend growth over 1-year is still positive but is in low single digits. Our tilt towards dividend growth increased over the quarter as we continued our search for companies that have secure and growing dividends. If you want more information on this state of dividend payments on a global basis, please consult our paper on this topic which was circulated to clients prior to the quarter end.

As stated previously, our primary focus in response to the pandemic 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, while also reducing our exposure to net debt to equity. Importantly, we were able to do this without sacrificing our commitment to value. Indeed, we managed to increase our value tilt marginally across most metrics.

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