

KBIGI Integris Emerging Markets Equity Strategy

Summary Details

Assets under Mgmt.	£15.0m
Inception Date	01 Jan 2015
Benchmark	MSCI Emerging Markets Net Return Index
Number of Stocks	99

Risk Characteristics

Beta (5 Yrs)	0.98
Information Ratio (5 Yrs)	-0.21
Volatility	15.02

Portfolio Statistics	Strategy	Index
Dividend Yield	3.5%	2.4%
Dividend Payout	47.6%	36.2%
Dividend Growth	12.0%	9.0%
Total Payout Yield	3.2%	0.4%
Price to Earnings (trailing)	12.9x	18.6x
Price to Book	3.5x	4.4x
Weighted Avg Mkt Cap.	\$50.7bn	\$115.4bn
ESG Score	5.9	4.9

Source: KBI Global Investors as of 30/09/20. The risk characteristics are calculated using monthly gross returns over a 5 year period relative to the Index as at the 30/09/20. 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)	0.5	-5.3	-1.6	3.9	11.6
Benchmark	4.7	1.3	5.4	3.7	12.5

Source: KBI Global Investors, Datastream, MSCI as of 30/09/20
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)	41.1	15.3	25.8
3-5 (mid-small)	14.4	10.3	4.1
5-10 (mid)	10.6	14.2	-3.6
10-25 (mid-large)	11.4	18.6	-7.2
>25 (large)	22.5	41.6	-19.1

Source: KBI Global Investors as of 30/09/20. 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	33yrs
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	17yrs
Jeanne Chow Collins	ESG & Engagement Analyst	20yrs
Trading		
Ultan O'Kane	Trader	15yrs

Contact Details

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Portfolio Positioning

Sector Breakdown

Sector	%	Sector	%
Information Technology	21.4	Real Estate	3.7
Financials	21.1	Materials	3.5
Consumer Discretionary	19.9	Health Care	3.0
Communications	13.5	Utilities	1.3
Industrials	7.4	Energy	1.0
Consumer Staples	4.2		

Geographical Breakdown

Region	%
Emerging Asia	81.0
Emerging EMEA	12.0
Emerging Latin America	7.0

Top 10 Holdings

Stock	Country	%
Taiwan Semiconductor Manufacturing	Taiwan	7.8
Samsung Electronics Company Limited	South Korea	5.8
NCSOFT Corporation	South Korea	3.1
Home Product Center PCL	Thailand	3.0
Wuhu Sanqi Interactive Entertainment	China	2.9
Zhongsheng Group Holdings Ltd	China	2.9
China Merchants Bank Company Limited	China	2.8
Logan Group Co Ltd	China	2.6
Zhejiang Expressway Company	China	2.6
BAIC Motor Corp Ltd	China	2.4

Source of all data: KBI Global Investors. Data as of 30/09/20

Overview

The dramatic story of market recovery since the lows of March masks the more significant story of the dominant driver - the extraordinary rally of a handful of technology stocks.

Crucially, the widely assumed wave of dividend cuts did not occur. Since the end of February, 73% of companies in the MSCI EM index have either maintained or grown their dividend payment to shareholders. 478 companies, equating to 34% of names in the index, have grown their dividend, signalling that there is a solid belief in a sustained recovery. We also know that, of those stocks that cut their dividend, many were forced to by regulators, despite being in strong capital positions e.g. Eastern European and South African banks.

We have outlined in other communications, the disconnect between price appreciation and fundamentals – which has become more obvious as the year progresses. As prices continue to rebound and EPS and the EPS outlook continues to deteriorate, traditional valuation metrics are stretching higher. We maintained our exposure to value but did so without having to sacrifice owning high quality companies. 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 Q3 as we maintained our emphasis on higher quality metrics across the portfolio. We continue to have a strong tilt towards, higher ROE, higher ROIC, high free-cashflow generation, high ESG and lower net debt to equity.

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