

KBIGI Integris Emerging Markets Equity Strategy

Summary Details

Assets under Mgmt.	£16.3m
Inception Date	01 Jan 2015
Benchmark	MSCI Emerging Markets Net Return Index
Number of Stocks	96

Risk Characteristics

Beta (5 Yrs)	0.97
Information Ratio (5 Yrs)	-0.19
Volatility	13.59

Portfolio Statistics	Strategy	Index
Dividend Yield	3.5%	1.9%
Dividend Payout	46.9%	33.8%
Dividend Growth	16.5%	14.3%
Total Payout Yield	2.7%	0.7%
Price to Earnings (trailing)	10.7x	16.2x
Price to Book	1.6x	2.2x
Weighted Avg Mkt Cap.	\$91.3bn	\$157.1bn
ESG Score	6.1	4.9
Wtd Avg Carbon Intensity	119.4	282.8

Source: KBI Global Investors as of 30/06/21. The risk characteristics are calculated independently by KBI Global Investors using monthly gross returns of the composite over a 5 year period relative to the Index as at the 30/06/21. Portfolio and Benchmark Statistics are from a representative account managed to the same strategy and the benchmark respectively. KBI Global Investors independently estimate these statistics for both the portfolio and the benchmark. The AUM listed above is Global Equity Integris Emerging Markets AUM. Weighted Avg. Mkt. Cap figures are in US Dollars. KBI calculate the Weighted Average Carbon Intensity figure for the portfolio (representative account managed to the same strategy) quarterly. Index carbon intensity data is sourced from MSCI ESG Research. KBI calculate the ESG scores for the portfolio (representative account managed to the same strategy) quarterly. Index ESG ratings are sourced from MSCI ESG Research.

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)	4.3	7.9	22.2	10.2	11.3
Benchmark	4.9	6.3	26.0	9.6	12.3

Source: KBI Global Investors, Datastream, MSCI as of 30/06/21
KBI calculate both composite returns and benchmark returns. 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 Integris Emerging Markets 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. We established Integris as our corporate brand for our screened offerings in 2019. The material risks associated with the composite include market risk and stock-specific event risk. Share prices can decline and there is a risk that the composite may under-perform its benchmark. 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)	6.3	2.1	4.2
3-5 (mid-small)	13.4	5.6	7.8
5-10 (mid)	23.7	12.9	10.8
10-25 (mid-large)	20.0	21.3	-1.3
>25 (large)	36.5	58.1	-21.6

Source: KBI Global Investors as of 30/06/21. Market Cap figures are based on a representative account relative to the Index. Market Cap figures are in US Dollars.

Strategy Overview

Objective	Consistency. Downside protection. Lower risk. ESG
Style	Relative value. High quality. Multi cap. Diversified.
Products	Global, Emerging Markets, Eurozone
Screening	Fossil Fuel Reserves, CCC rated companies, Tobacco & others.

Investment Team

Key People	Title	Investment Experience
CIO		
Noel O'Halloran	Chief Investment Officer	33yrs
Portfolio Management Team		
Gareth Maher	Head of Portfolio Management	34yrs
David Hogarty	Head of Strategy Development	30yrs
Ian Madden	Senior Portfolio Manager	21yrs
James Collery	Senior Portfolio Manager	21yrs
John Looby	Senior Portfolio Manager	31yrs
Massimiliano Tondi	Senior Portfolio Manager	17yrs
Jeanne Chow Collins	ESG & Engagement Analyst	21yrs
Trading		
Ultan O'Kane	Trader	15yrs

Contact Details

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Portfolio Positioning

Sector Breakdown

Sector	%	Sector	%
Information Technology	27.6	Real Estate	4.5
Financials	27.0	Health Care	2.8
Communications	10.9	Energy	2.2
Consumer Discretionary	10.6	Consumer Staples	1.6
Materials	6.2	Utilities	0.7
Industrials	5.9		

Geographical Breakdown

Region	%
Emerging Asia	79.6
Emerging EMEA	12.8
Emerging Latin America	7.6

Top 10 Holdings

Stock	Country	%
Taiwan Semiconductor Manufacturing	Taiwan	7.6
Samsung Electronics Company Limited	South Korea	6.2
NetEase Inc ADR	China	2.9
Fubon Financial Holding Company Limited	Taiwan	2.9
China Merchants Bank Company Limited	China	2.7
Home Product Center PCL	Thailand	2.5
CJ ENM Company Limited	South Korea	2.2
China Construction Bank	China	1.9
KWG Group Holdings Limited	China	1.9
Zhongsheng Group Holdings Ltd	China	1.8

Source of all data: KBI Global Investors. Data as of 30/06/21

Overview

At the end of Q2 2021, the DY on the MSCI Emerging Markets Index was 1.9%. This is the lowest level of dividend yield for well over a decade. We made a conscious effort to maintain a high exposure to dividend yield. At the end of the quarter, the dividend yield on the strategy was 3.4% bringing the excess yield well above the recent average.

We also increased our total payout yield which adds buybacks or subtracts share issuance to/from the dividend yield. While buyback activity is much more pronounced in the developed world, emerging markets have witnessed a significant increase in share issuance. We prefer to avoid companies issuing new shares and by doing so, increased our total payout yield.

Maintaining our value bias was a key focus over the quarter. The strategy continues to trade at a significant discount to the market. This did have a slight impact on our quality bias. Exposure to metrics such as return on equity and return on invested capital declined marginally over the quarter although we maintained a high-quality bias overall. We continue to believe having a high-quality bias is prudent in the face of the fragile present and uncertain future.

One of the most noticeable trends among the metrics that we monitor was the change in trailing 12-month dividend growth. With the sharp uptick in earnings, we have seen a corresponding upward move in dividends across the market. Obviously, this is in part due to the low base following the Covid-19 period, where we saw a noticeable reduction/suspension in dividend payments. However, this is still a strong signal of corporate confidence in the ability to generate sufficient earnings to pay higher dividends into the future. Having strong dividend growth is important as an inflation hedge. As the inflation debate continues, a strong exposure to growing nominal income flows continues to be a strong preference of the strategy.

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