

# Q2 2021 USD

KBI Global Investors

## KBIGI Integris Global Equity Strategy



### Summary Details

Assets under Mgmt.	\$131.4m
Inception Date	30 Jun 2004
Benchmark	MSCI World Net Return Index
Number of Stocks	174

### Risk Characteristics

Beta (10 Yrs)	1.06
Information Ratio (10 Yrs)	-0.42
Volatility	15.05

### Portfolio Statistics

	Strategy	Index
Dividend Yield	2.9%	1.6%
Dividend Payout	48.6%	35.2%
Dividend Growth	11.3%	6.5%
Total Payout Yield	3.8%	1.3%
Price to Earnings (trailing)	13.6x	19.9x
Price to Book	2.6x	3.3x
Weighted Avg Mkt Cap.	\$80.9bn	\$341.4bn
ESG Score	7.4	6.2
Wtd Avg Carbon Intensity	80.4	132.2

Source: KBI Global Investors as of 06/30/21. The risk characteristics are calculated independently by KBI Global Investors using monthly gross returns of the composite over a 10 year period relative to the Index as at the 06/30/21. 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 Global AUM. This is the combined AUM of KBI Global Investors Ltd and KBI Global Investors (North America) Ltd. 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	10Yrs
Strategy (Gross)	5.2	14.9	38.8	11.0	12.6	9.1
Strategy (Net)	5.1	14.5	38.1	10.4	11.9	8.4
Benchmark	7.7	13.0	39.0	15.0	14.8	10.7

Source: KBI Global Investors, Datastream, MSCI as of 06/30/21  
KBI calculate both composite returns and benchmark returns. Returns are gross of fees in USD. 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 Global strategy is a well-diversified, all cap, strategy that invests across all 24 industry sub classifications and the four major geographic global regions (North America, Europe, Japan and Pacific Basin ex Japan) of the global developed equity market. This strategy is constructed on a segmented basis by industry and region (as defined by the MSCI World Index) and no active currency management is undertaken. The strategy invests purely in those companies that pay above average dividends relative to their industry peer group. The investment process currently utilizes a security level ESG-rating provided by a third-party firm to assess whether a security will be traded within the strategy. 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 World Index, inclusive of net income. The Net index provides a better comparator for potential investors and representation of the investment strategy of the composite. The benchmark is designed to measure the equity market performance of developed market countries. The benchmark is market-cap weighted. Sources of foreign exchange rates may be different between the composite and the benchmark; but not materially so. 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 Global ESG Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI World Index	+/- %
<3 (small)	0.0	0.0	0.0
3-5 (mid-small)	1.1	0.3	0.8
5-10 (mid)	10.8	3.2	7.6
10-25 (mid-large)	27.8	13.9	13.9
>25 (large)	60.4	82.6	-22.2

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

## Strategy Overview

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

## Investment Team

Key People	Title	Investment Experience
<b>CIO</b>		
Noel O'Halloran	Chief Investment Officer	33yrs
<b>Portfolio Management Team</b>		
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
<b>Trading</b>		
Ultan O'Kane	Trader	15yrs

## Portfolio Positioning

### Sector Breakdown

Sector	%	Sector	%
Information Technology	22.5	Materials	6.0
Financials	20.9	Health Care	5.1
Industrials	13.4	Real Estate	4.2
Communications	10.7	Utilities	1.6
Consumer Discretionary	7.8	Energy	0.6
Consumer Staples	7.2		

### Geographical Breakdown

Region	%
North America	69.9
Europe	19.5
Japan	7.0
Pacific Basin ex Japan	3.6

### Top 10 Holdings

Stock	Country	%
Texas Instruments Inc	US	2.3
Cisco Systems Inc	US	2.3
Accenture PLC	US	2.2
Automatic Data Processing Inc	US	2.1
Best Buy Company Inc	US	2.1
Expeditors International of Washington	US	2.0
Intuit Inc	US	2.0
Canadian Imperial Bank of Commerce	Canada	2.0
Prudential Financial Inc	US	2.0
Omnicom Group Inc	US	1.9

Source of all data: KBI Global Investors. The above information represents the top 10 largest positions in the strategy as of 06/30/21 based on the aggregate USD value. Each quarter KBI Global Investors uses this same objective, non-performance based criteria to select the ten largest holdings. The specific securities identified and described do not represent all of the securities purchased, sold, or recommended for the strategy, and the reader should not assume that investments in the securities identified and discussed were or will be profitable. All information is provided for informational purposes only and should not be deemed as a recommendation to buy the securities mentioned.

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## Overview

US inflation surged to a 13-year high in May with consumer prices 5% higher than a year ago. In the Eurozone meanwhile, annual inflation rose to the ECB target of 2% for the first time since late 2018. For now, investor confidence that low inflation is securely anchored remains strong.

While this confidence may continue to prove well founded, its current strength suggests the risk of disappointment represents an increasingly asymmetric risk for investors. Although many stocks remain attractively priced relative to competing investment choices such as government bonds or bank deposits, any jolt to the consensus of securely anchored inflation would likely have a significant impact on style preferences within the stock market.

More particularly, the highly valued, growth-oriented names which have been increasing beneficiaries of low rates would likely suffer relative to their less expensive, largely out-of-favour counterparts.

While investing in a portfolio of sensibly diversified and conservatively valued companies continues to look attractive, it seems timely to note the possibility that the current consensus about the inflation outlook may prove complacent. For stock investors, the risk of a significant change in style preferences within the stock market is mispriced.

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