

# Q1 2023 GBP

KBI Global Investors



## KBIGI Emerging Markets Equity Strategy

### Summary Details

|                    |  |
|--------------------|--|
| Assets under Mgmt. | £566.4m                                |
| Inception Date     | 01 Aug 2010                            |
| Benchmark          | MSCI Emerging Markets Net Return Index |
| Number of Stocks   | 101                                    |

### Risk Characteristics

|                            |       |
|----------------------------|-------|
| Beta (10 Yrs)              | 0.94  |
| Information Ratio (10 Yrs) | -0.11 |
| Volatility                 | 14.11 |

| Portfolio Statistics        | Strategy | Index     |
|-----------------------------|----------|-----------|
| Dividend Yield              | 4.6%     | 3.2%      |
| Dividend Payout             | 43.4%    | 32.5%     |
| Dividend Growth             | 22.7%    | 15.1%     |
| Total Payout Yield          | 4.7%     | 2.9%      |
| Price to Earnings (forward) | 8.1x     | 12.1x     |
| Price to Book               | 1.2x     | 1.7x      |
| Weighted Avg Mkt Cap.       | \$72.8bn | \$102.4bn |
| ESG Score                   | 6.1      | 5.5       |
| Wtd Avg Carbon Intensity    | 101.8    | 320.3     |

Source: KBI Global Investors as of 31/03/23. 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 31/03/23. 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 Emerging Markets AUM excluding Assets under Advisement from Q1 2022. 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 | Since Incep |
|--------------|-------|-----|------|------|------|-------------|
| Fund (Gross) | 2.8   | 2.8 | -4.3 | 8.6  | 1.7  | 4.4         |
| Benchmark    | 1.1   | 1.1 | -4.9 | 7.9  | 1.6  | 4.3         |

Source: KBI Global Investors, Datastream, MSCI Emerging Markets Index as of 31/03/23

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 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 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  |
|---|
| <ul style="list-style-type: none"><li>• Create regional group segments from MSCI Index.</li><li>• Eliminate stocks below segment average yield.</li><li>• Lower yield stocks, countries, industries will qualify.</li></ul> |
| Step 2  |
| <ul style="list-style-type: none"><li>• Eliminate stocks and segments that fail sustainability, quality and growth criteria.</li><li>• Rank remaining stocks.</li></ul>   |
| Step 3  |
| <ul style="list-style-type: none"><li>• Create portfolio preferred financial criteria and highest ranked stocks.</li></ul>  |

### Current Emerging Markets Portfolio Characteristics

| Mkt. Cap \$bn     | Strategy | MSCI EM Index | +/- % |
|-------------------|----------|---------------|-------|
| <3 (small)        | 7.0      | 3.3           | 3.7   |
| 3-5 (mid-small)   | 17.8     | 7.6           | 10.2  |
| 5-10 (mid)        | 18.4     | 16.2          | 2.2   |
| 10-25 (mid-large) | 25.5     | 22.4          | 3.1   |
| >25 (large)       | 31.2     | 50.5          | -19.3 |

Source: KBI Global Investors as of 31/03/23. 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.

Style

Relative value. High quality. Multi cap. Diversified.

Products

Global, EAFE, Emerging Markets, North America, ACWI, Eurozone.

Investment Team

| Key People                | Title                        | Investment Experience |
|---------------------------|------------------------------|-----------------------|
| CIO                       |                              |                       |
| Noel O'Halloran           | Chief Investment Officer     | 35yrs                 |
| Portfolio Management Team |                              |                       |
| Gareth Maher              | Head of Portfolio Management | 36yrs                 |
| David Hogarty             | Head of Strategy Development | 32yrs                 |
| Ian Madden                | Senior Portfolio Manager     | 22yrs                 |
| James Collery             | Senior Portfolio Manager     | 22yrs                 |
| John Looby                | Senior Portfolio Manager     | 33ys                  |
| Massimiliano Tondi        | Senior Portfolio Manager     | 19yrs                 |
| Jeanne Chow Collins       | ESG & Engagement Analyst     | 22yrs                 |
| Trading                   |                              |                       |
| Ultan O'Kane              | Trader                       | 17yrs                 |

Contact Details

Address:

KBI Global Investors Ltd.  
3rd Floor, 2 Harbourmaster Place  
IFSC  
Dublin 1  
Ireland

Phone:

+353 1 438 4400

Email:

info@kbigi.com

Web:

www.kbiglobalinvestors.com

| Portfolio Positioning  |      |             |     |
|------------------------|------|-------------|-----|
| Sector Breakdown       |      |             |     |
| Sector                 | %    | Sector      | %   |
| Financials             | 22.3 | Industrials | 5.4 |
| Information Technology | 21.2 | Energy      | 5.2 |
| Consumer Discretionary | 12.6 | Health Care | 3.2 |
| Communication Services | 10.8 | Utilities   | 3.1 |
| Materials              | 8.3  | Real Estate | 2.4 |
| Consumer Staples       | 5.5  |             |     |

| Geographical Breakdown |      |
|------------------------|------|
| Region                 | %    |
| Emerging Asia          | 79.0 |
| Emerging EMEA          | 12.8 |
| Emerging Latin America | 8.2  |

| Top 10 Holdings                       |             |     |
|---------------------------------------|-------------|-----|
| Stock                                 | Country     | %   |
| Taiwan Semiconductor Manufacturing    | Taiwan      | 6.9 |
| Samsung Electronics Company Limited   | South Korea | 4.8 |
| Netease Inc                           | China       | 3.4 |
| United Microelectronics Corporation   | Taiwan      | 2.3 |
| Oil & Natural Gas Corporation Limited | India       | 2.2 |
| Home Product Center Pcl               | Thailand    | 2.1 |
| China Construction Bank               | China       | 2.0 |
| LG Uplus Corporation                  | South Korea | 1.9 |
| China Resources Land Limited          | China       | 1.7 |
| Industrial & Commercial Bank Of China | China       | 1.7 |

Source of all data: KBI Global Investors. Data as of 31/03/23

Overview

We believe the global macro environment is entering an extended period of Regime Change. We expect a continuation of higher inflation and higher interest rates. Such environments almost always trigger a change of leadership and style rotation. Led by stronger fundamentals and much lower valuation risk, we believe Emerging Markets can benefit from this trend.

Emerging Markets have been much calmer than Developed markets throughout the banking turmoil. Generally, debt levels are much lower in EM corporates and risk is much better priced.

After a bout of inflation in 2019, Central Banks in EM started raising rates much earlier and are now in a position to use monetary policy in a supportive way.

Low-quality and high multiple stocks will face challenges in a slowing economy with the cost of debt rising. High margins of safety and companies that are highly cash generative should be preferred over companies with speculative future earnings or high leverage.

Historically, as market leadership changes, the focus shifts from multiple derating to earnings delivery. This time is no different.

Dividend Growth and Income are once again attractive as they have been during periods of market and economic weaknesses in the past. An allocation to quality dividend flows makes sense both strategically and tactically.

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