

Q1 2023 EUR

KBI Global Investors

KBIGI Eurozone Equity Strategy



Summary Details

Assets under Mgmt.	€43.3m
Inception Date	01 Dec 2004
Benchmark	MSCI EMU (EUR) Net Return Index
Number of Stocks	57

Risk Characteristics

Beta (10 Yrs)	1.01
Information Ratio (10 Yrs)	0.35
Volatility	16.47

Portfolio Statistics	Strategy	Index
Dividend Yield	4.6%	3.1%
Dividend Payout	50.8%	44.9%
Dividend Growth	13.2%	10.2%
Total Payout Yield	6.0%	4.0%
Price to Earnings (forward)	10.4x	12.7x
Price to Book	1.6x	1.7x
Weighted Avg Mkt Cap.	\$64.8bn	\$94.8bn
ESG Score	8.0	7.9
Wtd Avg Carbon Intensity	76.0	129.1

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 Eurozone 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)	12.5	12.5	7.3	18.3	5.8	6.7
Benchmark	12.2	12.2	8.1	16.6	6.0	5.4

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

KBI calculate both composite returns and benchmark returns. Returns are gross of fees in Euro. 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 Eurozone Equity composite is a well diversified, all cap, strategy that invests across all 24 industry sub classifications of the EMU equity market. This strategy is constructed on a segmented basis by industry (as defined by the MSCI EMU 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 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 EMU 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. 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 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.
- Rank remaining stocks.

Step 3

- Create portfolio preferred financial criteria and highest ranked stocks.

Current Eurozone Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI EMU Index	+/- %
<3 (small)	0.0	0.0	0.0
3-5 (mid-small)	2.0	0.6	1.4
5-10 (mid)	14.8	5.2	9.6
10-25 (mid-large)	10.6	19.6	-9.0
>25 (large)	72.5	74.6	-2.1

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

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Portfolio Positioning			
Sector Breakdown			
Sector	%	Sector	%
Financials	18.6	Health Care	6.2
Consumer Discretionary	17.4	Energy	5.7
Industrials	16.7	Materials	5.2
Information Technology	10.8	Communication Services	4.3
Utilities	7.2	Real Estate	0.8
Consumer Staples	7.1		

Geographical Breakdown			
Region	%	Region	%
France	38.2	Spain	8.0
Germany	27.0	Finland	4.2
Italy	10.2	Austria	2.1
Netherlands	8.2	Belgium	2.1

Top 10 Holdings		
Stock	Country	%
ASML Holding NV	Netherlands	4.5
Sanofi-Aventis	France	4.2
Kering	France	3.9
SAP SE	Germany	3.9
Axa SA	France	3.8
E.ON SE	Germany	3.8
Basf SE	Germany	3.6
Industria De Diseno Textil SA	Spain	3.1
BBV Argentaria SA	Spain	3.1
Stellantis NV	Italy	3.0

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

Overview

Perhaps surprisingly, given turmoil in the banking sector and a hardening of recession expectations, equity markets returns were strongly positive for the quarter. While institutional investors remained on the side lines, those investors that did participate in markets demonstrated very high levels of speculation.

Initially on hard recession fears, and then in response to the banking crisis, the mentality of the “everything rally” returned on the assumption that the Covid playbook would be repeated. That is - in response to a shock in the real economy, and the politically unpalatable bursting of financial bubbles, interest rates will be cut and QE will return. The market reacted to bad news as if it is good news in the belief that it will force a monetary policy pivot from contraction to loosening.

As a result of this dominant narrative, Growth outperformed Value for the quarter. This we believe will prove to be temporary. We expect markets will rotate again as economic fundamentals once again reassert themselves over coming quarters.

Disclaimer

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