

Q1 2023 USD

KBI Global Investors

KBIGI Global Small Cap Equity Strategy



Summary Details

Assets under Mgmt.	\$5.4m
Inception Date	01 Jul 2015
Benchmark	MSCI World Small Cap Net Return Index
Number of Stocks	222

Risk Characteristics

Beta (5 Yrs)	0.96
Information Ratio (5 Yrs)	-0.30
Volatility	20.99

Portfolio Statistics	Strategy	Index
Dividend Yield	3.6%	2.1%
Dividend Payout	40.5%	24.4%
Dividend Growth	14.5%	5.9%
Total Payout Yield	5.1%	1.8%
Price to Earnings (forward)	11.0x	15.1x
Price to Book	1.4x	1.7x
Weighted Avg Mkt Cap.	\$3.2bn	\$3.7bn
ESG Score	6.2	5.8
Wtd Avg Carbon Intensity	67.4	164.5

Source: KBI Global Investors as of 03/31/23. 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 03/31/23. 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 Global Small Cap AUM. This is the combined AUM of KBI Global Investors Ltd and KBI Global Investors (North America) Ltd 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
Strategy (Gross)	3.5	3.5	-7.6	16.0	3.0	4.9
Strategy (Net)	3.4	3.4	-8.2	15.2	2.2	4.2
Benchmark	4.3	4.3	-9.4	17.6	4.5	6.3

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

KBI calculate both composite returns and benchmark returns. Returns are gross of fees in USD and we use a model fee, 0.75% pa to calculate the net return. We divide the gross return by the period fee rate in decimal form to calculate the period net return. 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 Global Small Cap Equity composite is a well-diversified 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 small cap equity market. This strategy is constructed on a segmented basis by industry and region (as defined by the MSCI World Small Cap 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 World Small Cap index, inclusive of net income. The benchmark is designed to measure the small cap 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
<ul style="list-style-type: none">• Create regional group segments from MSCI Index.• Eliminate stocks below segment average yield.• Lower yield stocks, countries, industries will qualify.
Step 2
<ul style="list-style-type: none">• Eliminate stocks and segments that fail sustainability, quality and growth criteria.• Rank remaining stocks.
Step 3
<ul style="list-style-type: none">• Create portfolio preferred financial criteria and highest ranked stocks.

Current Global Small Cap Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI World Small Cap Index	+/- %
<3 (small)	56.7	47.6	9.1
3-5 (mid-small)	26.3	24.8	1.5
5-10 (mid)	14.1	24.6	-10.5
10-25 (mid-large)	2.8	3.0	-0.2
>25 (large)	0.0	0.0	0.0

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

Portfolio Positioning			
Sector Breakdown			
Sector	%	Sector	%
Industrials	19.8	Materials	7.0
Consumer Discretionary	15.0	Energy	4.5
Financials	14.2	Communication Services	3.2
Information Technology	12.6	Consumer Staples	2.8
Health Care	9.8	Utilities	2.5
Real Estate	8.6		

Geographical Breakdown	
Region	%
North America	63.5
Europe	19.9
Japan	11.4
Pacific Basin ex Japan	5.2

Top 10 Holdings		
Stock	Country	%
Bruker Corporation	US	2.0
Janus Henderson Group Plc	US	2.0
Freehold Royalties Ltd	Canada	1.6
Avnet Inc	US	1.6
Assured Guaranty Ltd	US	1.5
Texas Roadhouse	US	1.4
Interdigital Inc/Pa	US	1.4
Comerica Inc	US	1.4
Progress Software Corp	US	1.3
New Jersey Resources Corporation	US	1.2

Source of all data: KBI Global Investors. The above information represents the top 10 largest positions in the strategy as of 03/31/23 based on the aggregate US\$ 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
<p>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.</p> <p>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.</p> <p>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.</p>

Disclaimer

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The firm definition has been re-defined on two occasions over recent years; on 30 September 2010 to reflect the firm's sale to RHJ by our previous parent firm KBC Asset Management NV, and on 1 October 2016 to reflect the firm's sale to Amundi Asset Management. No change in investment process arose as a result of these sales. To receive a copy of the compliant presentation and/or a list of composite descriptions, please contact sales@kbigi.com. Gross results shown do not show the deduction of Adviser's fees. A client's actual return will be reduced by the advisory fees and any other expenses which may be incurred in the management of an investment advisory account. See Part 2 of Adviser's Form ADV for a complete description of the investment advisory fees customarily charged by Adviser. 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