

Q3 2023 USD

KBI Global Investors

KBIGI Global Small Cap Equity Strategy



Summary Details

| | |
|--------------------|---------------------------------------|
| Assets under Mgmt. | \$5.3m |
| Inception Date | 01 Jul 2015 |
| Benchmark | MSCI World Small Cap Net Return Index |
| Number of Stocks | 215 |

Risk Characteristics

| | |
|---------------------------|-------|
| Beta (5 Yrs) | 0.97 |
| Information Ratio (5 Yrs) | -0.32 |
| Volatility | 21.59 |

| Portfolio Statistics | Strategy | Index |
|-----------------------------|----------|---------|
| Dividend Yield | 3.3% | 2.1% |
| Dividend Payout | 38.2% | 24.4% |
| Dividend Growth | 13.7% | 6.4% |
| Total Payout Yield | 4.4% | 1.4% |
| Price to Earnings (forward) | 10.7x | 15.4x |
| Price to Book | 1.3x | 1.7x |
| Weighted Avg Mkt Cap. | \$3.1bn | \$3.8bn |
| ESG Score | 6.1 | 5.8 |
| Wtd Avg Carbon Intensity | 73.4 | 152.2 |

Source: KBI Global Investors as of 09/30/23. 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 09/30/23. 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) | -4.2 | 0.8 | 16.0 | 7.1 | 1.5 | 4.3 |
| Strategy (Net) | -4.4 | 0.3 | 15.2 | 6.3 | 0.8 | 3.5 |
| Benchmark | -4.4 | 2.9 | 14.0 | 6.2 | 3.1 | 5.7 |

Source: KBI Global Investors, Datastream, MSCI as of 09/30/23

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) | 53.3 | 46.2 | 7.1 |
| 3-5 (mid-small) | 31.2 | 26.6 | 4.6 |
| 5-10 (mid) | 15.5 | 25.2 | -9.7 |
| 10-25 (mid-large) | 0.0 | 1.9 | -1.9 |
| >25 (large) | 0.0 | 0.1 | -0.1 |

Source: KBI Global Investors as of 09/30/23. 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 | Industry Experience |
| CIO | | |
| Noel O'Halloran | Chief Investment Officer | 36yrs |
| Portfolio Management Team | | |
| Gareth Maher | Head of Portfolio Management GES Team | 36yrs |
| David Hogarty | Head of Strategy Development | 32yrs |
| Ian Madden | Senior Portfolio Manager | 23yrs |
| James Collery | Senior Portfolio Manager | 23yrs |
| John Looby | Senior Portfolio Manager | 33ys |
| Massimiliano Tondi | Senior Portfolio Manager | 20yrs |
| Jeanne Chow Collins | ESG & Engagement Analyst | 23yrs |
| Eoin Fahy | Head of Responsible Investing | 35yrs |

| Portfolio Positioning | | | |
|------------------------|------|------------------------|-----|
| Sector Breakdown | | | |
| Sector | % | Sector | % |
| Industrials | 19.2 | Materials | 6.5 |
| Financials | 15.1 | Energy | 5.3 |
| Consumer Discretionary | 14.4 | Communication Services | 3.7 |
| Information Technology | 13.0 | Consumer Staples | 2.9 |
| Health Care | 8.9 | Utilities | 2.2 |
| Real Estate | 8.8 | | |

| Geographical Breakdown | |
|------------------------|------|
| Region | % |
| North America | 63.5 |
| Europe | 19.3 |
| Japan | 12.1 |
| Pacific Basin ex Japan | 5.1 |

| Top 10 Holdings | | |
|---------------------------|---------|-----|
| Stock | Country | % |
| Janus Henderson Group Plc | US | 2.0 |
| Cohen & Steers Inc | US | 1.9 |
| Patterson-UTI Energy Inc | US | 1.9 |
| Assured Guaranty Ltd | US | 1.8 |
| STAG Industrial Inc | US | 1.8 |
| InterDigital Inc | US | 1.7 |
| Boise Cascade Co | US | 1.7 |
| Bruker Corporation | US | 1.7 |
| Premier Inc | US | 1.7 |
| Texas Roadhouse | US | 1.3 |

Source of all data: KBI Global Investors. The above information represents the top 10 largest positions in the strategy as of 09/30/23 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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|-----------------|---|
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| Overview |
|---|
| Yield trends matter – low quality stocks need declining yields to support their speculative nature. |
| Macro events kept the focus on higher yields and interest rates with a growing acceptance of a higher-than-expected plateau across all durations of the yield curve. This points to a growing acceptance of the regime change thesis. The monetary transformation that began at the end of 2021 continued to gain traction, particularly in bond markets, as the AI wildcard that prevailed in H1 faded somewhat into the background. |
| The rise in real yields is crucial as it reflects ongoing changes in beliefs about inflation and growth well into the future. Inflation expectations remain well anchored, while growth expectations have improved. The era of deflation and historically low yields that have supported growth stocks for so long is now over. That’s a strong signal for regime change and style rotation within equity markets. |
| Yields on long dated treasuries are on track for their biggest quarterly jump since 2009. In fact, the annual global real yields of the largest emerging markets (EM) and developed markets (DM) are the highest since 1969. This marks a move to the new normal for yields, or rather, a return to the old normal – the world that prevailed before the era of easy central bank money distorted markets with trillions of dollars of bond buying. |

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