

Q3 2023 GBP

KBI Global Investors

KBIGI North America Equity Strategy (GBP)



Summary Details

Assets under Mgmt.	£25.8m
Inception Date	01 Nov 2013
Benchmark	MSCI North America Net Return Index
Number of Stocks	70

Risk Characteristics

Beta (5 Yrs)	0.94
Information Ratio (5 Yrs)	-0.54
Volatility	15.46

Portfolio Statistics	Strategy	Index
Dividend Yield	2.9%	1.5%
Dividend Payout	39.6%	28.6%
Dividend Growth	15.6%	7.7%
Total Payout Yield	4.5%	2.3%
Price to Earnings (forward)	12.0x	19.0x
Price to Book	2.6x	4.0x
Weighted Avg Mkt Cap.	\$150.7bn	\$542.3bn
ESG Score	7.7	6.6
Wtd Avg Carbon Intensity	70.0	117.9

Source: KBI Global Investors as of 30/09/23. 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 30/09/23. 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 North America 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.

Prior to 1/4/20 the North America AUM figure was inclusive of the North America equity component of a Global Equity Mandate.

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
Fund (Gross)	0.0	1.4	7.4	12.1	6.7
Benchmark	0.8	11.1	10.3	11.1	10.6

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

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 North American Equity composite is a well diversified all cap strategy that invests across all 24 industry sub classifications of the North American equity markets as defined within the MSCI North America benchmark. 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 North America 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
<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 North America Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI NAM Index	+/- %
<3 (small)	1.0	0.0	1.0
3-5 (mid-small)	0.4	0.1	0.3
5-10 (mid)	2.2	1.7	0.5
10-25 (mid-large)	34.9	10.4	24.5
>25 (large)	61.4	87.8	-26.4

Source: KBI Global Investors as of 30/09/23. 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

Contact Details

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Portfolio Positioning

Sector Breakdown

Sector	%	Sector	%
Information Technology	25.5	Energy	6.3
Financials	15.6	Consumer Staples	4.4
Health Care	13.5	Materials	2.3
Industrials	11.1	Real Estate	2.3
Consumer Discretionary	9.7	Utilities	1.6
Communication Services	7.7		

Geographical Breakdown

Region	%
USA	91.5
Canada	8.5

Top 10 Holdings

Stock	Country	%
Microsoft Corporation	US	3.5
Cigna Group	US	3.1
Marathon Petroleum Corp	US	3.0
Merck & Co Inc	US	2.9
Accenture Plc	US	2.9
Cisco Systems Inc	US	2.8
Texas Instruments Inc	US	2.8
Owens Corning	US	2.7
Lam Research Corporation	US	2.7
Gilead Sciences Inc	US	2.7

Source of all data: KBI Global Investors. Data as of 30/09/23

Overview

Yield trends matter – big tech stocks need declining yields to support their ultra-long duration earnings profile.

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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