

Q4 2023 GBP

KBI Global Investors

KBIGI Emerging Markets Equity Strategy



Summary Details

Assets under Mgmt.	£419.3m
Inception Date	01 Aug 2010
Benchmark	MSCI Emerging Markets Net Return Index
Number of Stocks	102

Risk Characteristics

Beta (10 Yrs)	0.93
Information Ratio (10 Yrs)	-0.10
Volatility	13.96

Portfolio Statistics	Strategy	Index
Dividend Yield	4.3%	2.9%
Dividend Payout	44.3%	33.7%
Dividend Growth	17.0%	15.2%
Total Payout Yield	4.5%	2.7%
Price to Earnings (forward)	8.2x	11.9x
Price to Book	1.3x	1.8x
Weighted Avg Mkt Cap.	\$77.7bn	\$102.8bn
ESG Score	6.2	5.7
Wtd Avg Carbon Intensity	102.3	326.3

Source: KBI Global Investors as of 31/12/23. 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 31/12/23. 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)	3.7	4.1	4.1	-0.6	3.0	4.2
Benchmark	3.3	3.6	3.6	-2.8	3.7	4.3

Source: KBI Global Investors, Datastream, MSCI Emerging Markets Index as of 31/12/23

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">• 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 Emerging Markets Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI EM Index	+/- %
<3 (small)	4.2	2.4	1.8
3-5 (mid-small)	16.9	7.1	9.8
5-10 (mid)	17.4	15.4	2.0
10-25 (mid-large)	21.5	22.9	-1.4
>25 (large)	39.9	52.3	-12.4

Source: KBI Global Investors as of 31/12/23. 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	%
Financials	23.7	Energy	4.6
Information Technology	21.8	Consumer Staples	4.5
Consumer Discretionary	14.0	Health Care	4.2
Communication Services	8.0	Utilities	3.4
Materials	7.4	Real Estate	2.0
Industrials	6.4		

Geographical Breakdown

Region	%
Emerging Asia	77.8
Emerging EMEA	12.7
Emerging Latin America	9.5

Top 10 Holdings

Stock	Country	%
Taiwan Semiconductor Manufacturing	Taiwan	7.6
Samsung Electronics Company Limited	South Korea	2.9
Netease Inc	China	2.6
Hero Motocorp Limited	India	2.4
Banco Do Brasil SA	Brazil	2.1
Industrial & Commercial Bank Of China	China	2.1
JD Com Inc	China	2.0
China Construction Bank	China	1.9
LG Uplus Corporation	South Korea	1.8
Vale SA	Brazil	1.8

Source of all data: KBI Global Investors. Data as of 31/12/23

Overview

Asia was the worst performing region held back by China which was one of the few markets to finish in the red over the quarter. The macro news continued to disappoint in China while the response from the authorities has been underwhelming and is unlikely to inspire consumer or investor confidence.

On the total return front, we remain focussed on investing in companies that have demonstrated an ability to grow their dividend over time but also have the potential to grow that dividend into the future.

Our valuation discount, across most measures of value, continues to be our largest style exposure relative to the market. For example, metrics such as our forward price/earnings of 8.2 times and price to sales of 0.8 times look particularly attractive given the other fundamental characteristics we are achieving. The discount we hold relative to the market remains between 30-40% depending on which valuation measure is used.

Analysing quality within the strategy, profitability measures remain strong, and we continue to deliver higher profitability than the market. Balance sheet measures such as lower exposure to higher debt were managed carefully during the period, given the movement in global interest rates. We also maintained our relative exposure to high earnings quality and low accruals. Importantly, this higher quality bias doesn't impede our ability to achieve the other characteristics that are vital to our investment beliefs such as better total return and better valuation.

Disclaimer

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