

# Epoch Global Equity Shareholder Yield (Hedged)

JULY 2021

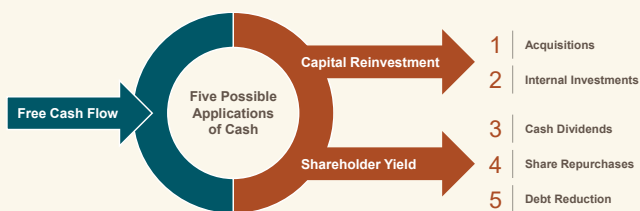
## Fund Overview

### INVESTMENT PHILOSOPHY

Epoch believes the key to understanding a company requires a focus on the cash generation drivers of the business and how management allocates that cash to benefit shareholders. Rather than traditional accounting-based metrics such as price-to-earnings or book value, a company's value is derived from its ability to generate free cash flow. Management's ability to allocate cash flow effectively determines whether the company's value rises or falls.

Companies in the portfolio possess management teams that focus on creating value for shareholders through consistent and rational capital allocation policies with an emphasis on cash dividends, share repurchases and debt reduction – the key components of shareholder yield.

#### Companies Maximize Returns Through Disciplined Capital Allocation



A company should reinvest capital if the expected return on invested capital is greater than the company's cost of capital. Remaining free cash flow should be returned to shareholders via shareholder yield.

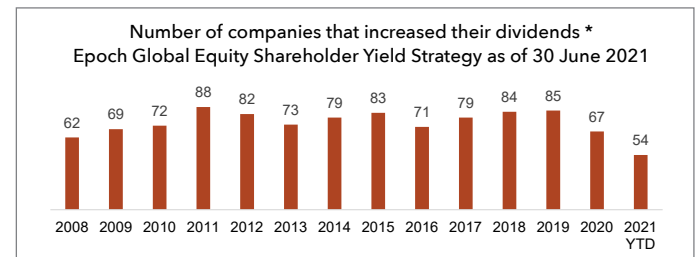
### INVESTMENT APPROACH

The Fund invests in companies that grow free cash flow and allocate it intelligently

- Income generation from global equities, paid quarterly
- Benchmark unaware, diversified portfolio of 90-120 global companies, including many household names
- Provides diversification of income sources and free cash flow growth
- Fund's holdings have history of increasing dividends
- Low turnover (av.20% p.a.)
- Has consistently delivered significant downside protection

## Fund Characteristics

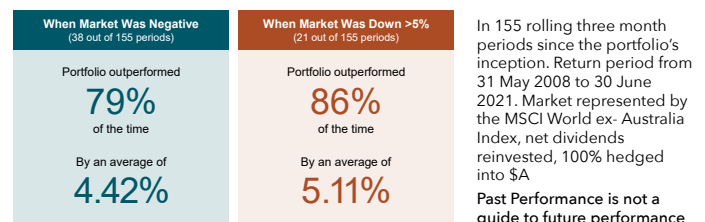
### HOLDINGS HAVE A HISTORY OF RAISING DIVIDENDS



\* Several companies increased their dividends more than once in each year

Source: Epoch Investment Partners, Inc. This data shown is for a representative account. Such data may vary for each fund in the strategy due to market conditions, investment guidelines and diversity of portfolio holdings. The data is unaudited and may change at any time.

### HISTORY OF PROTECTION IN DOWN MARKETS



In 155 rolling three month periods since the portfolio's inception. Return period from 31 May 2008 to 30 June 2021. Market represented by the MSCI World ex- Australia Index, net dividends reinvested, 100% hedged into \$A

Past Performance is not a guide to future performance

Source: GSFM as of 30 June 2021

### PORTFOLIO CHARACTERISTICS

Characteristics	Portfolio	Index
Number of Equity Positions	109	1,495
Dividend Yield (%)	3.6	1.6
Return on Equity	19.2	19.0
Enterprise Value to EBITDA (x)	13.5	35.6
Predicted Beta	0.8	1.0
12-Month Turnover (%)	29.0	--
Active Share	79.3	--

## Performance as at 31 July 2021

	1 month %	3 months %	1 year %	3 years % pa	5 years % pa	7 years % pa	10 years % pa	Since inception <sup>1</sup> % pa
Distribution <sup>2</sup>	0.00	7.97	10.09	4.44	6.66	8.20	8.31	9.29
Growth	0.67	(4.88)	14.53	1.00	(0.95)	(1.66)	1.04	(1.75)
Total Return <sup>3</sup>	0.67	3.09	24.62	5.44	5.71	6.54	9.35	7.54
Benchmark <sup>4</sup>	1.77	5.24	33.75	12.92	13.92	11.92	13.30	9.23

1. Inception date: 15 May 2008

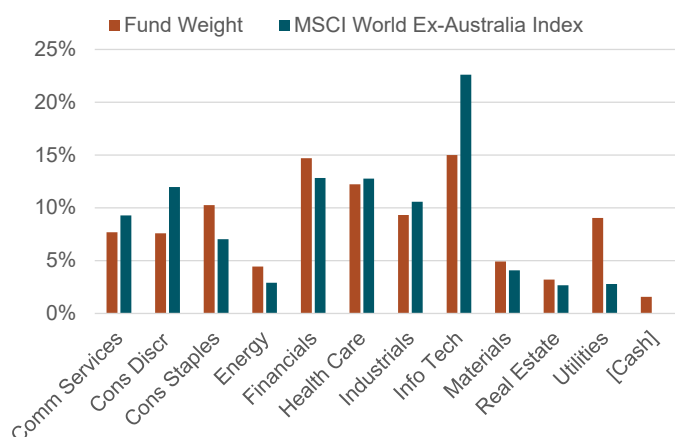
2. Distribution may include income, realised capital gains, and any return of capital

3. Fund returns are calculated net of management fees and assume distributions are reinvested

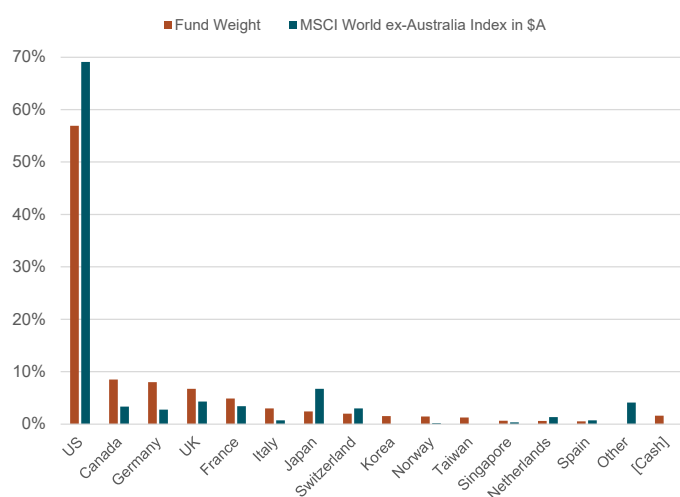
4. MSCI World ex- Australia Index, net dividends reinvested, 100% hedged into \$A\*

Past performance is not a guide to future performance

## SECTOR ALLOCATION



## REGIONAL ALLOCATION



## TOP 10 HOLDINGS

Company	Sector	Dividend Yield %
Microsoft Corporation	Information Technology	0.8
Nutrien Ltd.	Materials	3.1
AbbVie, Inc.	Health Care	4.4
Broadcom Inc.	Information Technology	2.9
Allianz SE	Financials	4.6
Philip Morris International	Consumer Staples	4.8
IBM	Information Technology	4.6
Analog Devices, Inc.	Information Technology	1.6
Samsung Electronics Co.	Information Technology	3.3
Iron Mountain, Inc.	Real Estate	5.7

The data presented in these tables and graphs is unaudited and may change at any time. The data is shown for informational purposes only and is not indicative of any future portfolio characteristics.

## Manager Commentary

The Fund posted a positive return of 0.7% for July. Equity markets continued to move higher in a volatile month with the reflation trade remaining under scrutiny and the spread of the Delta variant of Covid-19 affecting investor sentiment despite strong Q2 earnings reports for numerous companies. On an absolute basis, almost all sectors contributed with Utilities adding the most due to strong performance from select regulated utility holdings. The benchmark U.S. 10-yr Treasury yield fell in the month, as noted above, which provided a tailwind for the utilities, and our Italian utilities gained as their regulator proposed constructive regulatory parameters for the future. Health Care and Information Technology also helped drive performance, with Health Care mainly driven by outperformance from certain pharmaceutical and medical equipment holdings and Information Technology boosted by strong performance of a few semiconductor, software and hardware holdings. On the negative side, Energy detracted as benchmark oil prices fell in response to concerns about continued supply restraints from OPEC+ and worries that COVID flare-ups might hinder the demand recovery. By country, the U.S. contributed strongly followed by Canada and the U.K., and no countries notably detracted.

Performance relative to the broad MSCI World index was hurt by stock selection in Information Technology as a selection of semiconductor-related holdings underperformed. An underweight to a couple of software and hardware companies also detracted for the period. Stock selection within the Health Care sector also weighed on relative returns. On the positive side, stock selection in Utilities contributed as some of our European regulated utilities holdings outperformed. An overweight to the sector also added to relative returns. By country, stock selection in the U.S. detracted whereas an underweight to Japan contributed.

Among the largest individual positive contributors to absolute performance were BAE Systems and Pfizer. BAE Systems is a leading British aerospace and defense contractor. Shares moved higher on a cumulation of several smaller contract wins and well-received first half results. The company is executing well on its current contracts. Positive near-term commentary on land vehicles and the potential to add to its Eurofighter Typhoon backlog added to enhanced confidence. BAE pays a well-covered dividend and recently announced a new share repurchase program. Pfizer is a global pharmaceutical company that develops and markets drugs and vaccines in several therapeutic areas. Shares outperformed on strong second quarter results that were powered by its COVID-19 vaccine and broad-based strength across its core biopharmaceuticals business. The company also raised 2021 guidance for the second consecutive quarter, primarily reflecting expectations for higher COVID-19 vaccine sales but also stronger performance in its base business. Pfizer returns cash to shareholders through an attractive, growing, and well-covered dividend.

Among the largest individual detractors were Phillips 66 and Orkla. Phillips 66 is an integrated midstream and downstream energy company that transports, refines, and markets crude oil and related products. Shares underperformed as rising crude oil costs and higher renewable fuel credits lowered expectations for Q2 refining margins. Management remains focused on generating cash flows from the market-leading refining, chemicals, and marketing businesses, as well as the mostly fee-based midstream operations. Cash flow growth is driven by greenfield and brownfield projects that increase production volumes and by cost controls that improve margins. Phillips 66 returns cash to shareholders via an attractive dividend. Orkla is a branded consumer goods company in the Nordic region. Despite strong organic sales growth, income declined overall and shares underperformed on weaker-than-expected margins. Increases in raw material costs, poor India sales, and heightened technology spend in Sweden all played a role. Management continues to display confidence in their long-term ability to cut costs, adapt to input cost changes through price adjustments, and drive growth through innovation, market share gains, and supply chain efficiencies. Cash is consistently returned to shareholders through an attractive dividend.

A position in Cummins was initiated during the period. Cummins is a leading global power solutions company that manufactures and sells diesel, natural gas, electric and hybrid powertrains, and related components to commercial customers. Cash flows are sustained by business model diversification, expense reduction, and working capital management. Cash flow growth drivers include increased diesel engine sales and related aftermarket sales as freight volumes, truck utilization, and trucker profitability improve, market share gains as vertically integrated commercial vehicle manufacturers increasingly outsource diesel engine manufacturing to Cummins, and operating leverage on fixed costs as unit sales expand. Cummins is committed to returning greater than 50% of operating cash flow to shareholders through its growing and well-covered dividend and regular share repurchases. No positions were closed during the period.

See [gsfm.com.au](http://gsfm.com.au) for more information about the Epoch Global Equity Shareholder Yield (Hedged) Fund.

**FUND FACTS**

<b>APIR CODE</b> GFS0001AU	<b>INVESTMENT MANAGER</b> Epoch Investment Partners Inc.
<b>MFUND CODE</b> GSF01	<b>RESPONSIBLE ENTITY</b> GSFM Responsible Entity Services Limited
<b>INCEPTION DATE</b> 15 May 2008	<b>MANAGEMENT FEE</b> 1.30% P.A.
<b>DISTRIBUTIONS</b> Quarterly	<b>BUY/SELL SPREAD</b> Buy +0.20% / Sell -0.20%

**Important Information**

\*All data is the property of MSCI. No use or distribution without written consent. Data provided "as is" without any warranties. MSCI assumes no liability for or in connection with the data.

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