

# Epoch Global Equity Shareholder Yield (Hedged)

JANUARY 2022

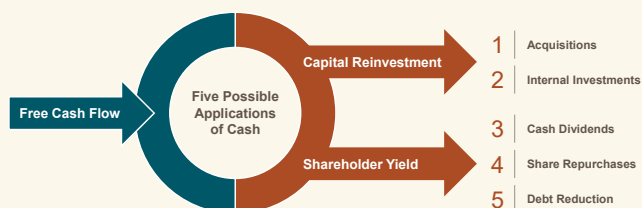
## Fund Overview

### 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.

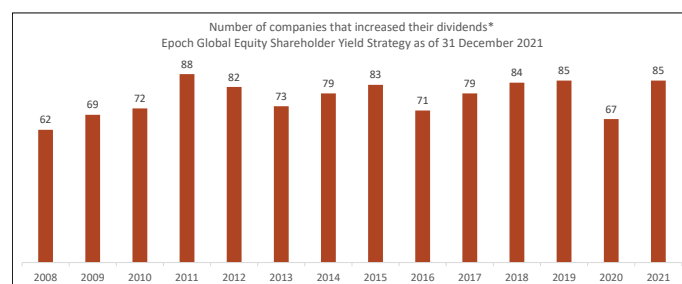
### INVESTMENT APPROACH

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

When Market Was Negative (39 out of 161 periods)	When Market Was Down >5% (21 out of 161 periods)	Upside Participation with Protection in Down Markets in 161 rolling three month periods since the portfolio's inception.
Portfolio outperformed <b>77%</b> of the time By an average of <b>4.42%</b>	Portfolio outperformed <b>86%</b> of the time By an average of <b>5.11%</b>	Return period from 31 May 2008 to 31 December 2021. Market represented by the MSCI World ex- Australia Index, net dividends reinvested, 100% hedged into \$A

Source: GSFM as of 31 December 2021

### PORTFOLIO CHARACTERISTICS

Characteristics	Portfolio	Index
Number of Equity Positions	106	1,480
Dividend Yield (%)	3.6	1.6
Return on Equity	19.0	18.6
Enterprise Value to EBITDA (x)	13.8	15.8
Predicted Beta	0.8	1.0
12-Month Turnover (%)	24.0	--
Active Share	79.6	--

## Performance as at 31 January 2022

	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	0.12	9.65	4.55	6.23	7.97	8.19	8.99
Growth	(0.33)	3.84	9.89	3.60	0.39	(2.07)	1.14	(1.39)
Total Return <sup>3</sup>	(0.33)	3.96	19.54	8.15	6.62	5.90	9.33	7.60
Benchmark <sup>4</sup>	(5.07)	(2.85)	18.58	15.47	12.52	11.23	13.48	8.97

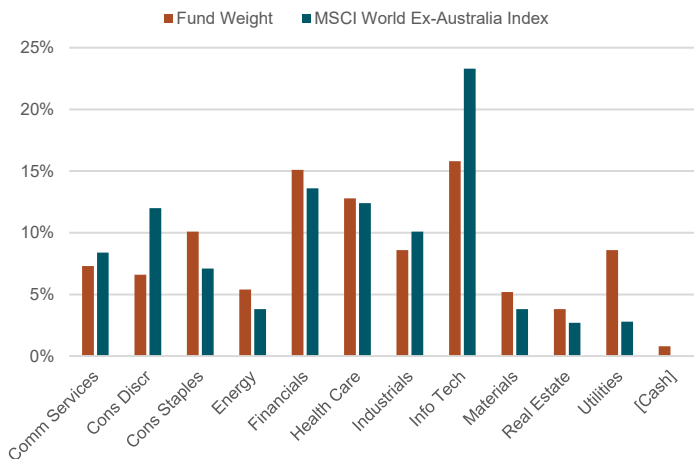
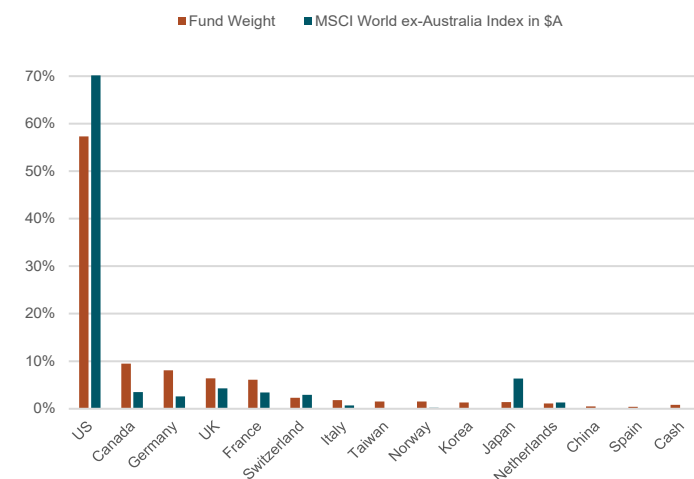
1. Inception date: 15 May 2008

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**

	Sector	Dividend Yield %
AbbVie, Inc.	Health Care	3.9
TotalEnergies SE	Energy	5.3
Broadcom Inc.	Information Technology	2.5
IBM	Information Technology	4.9
Microsoft Corporation	Information Technology	0.7
Cisco Systems, Inc.	Information Technology	2.7
Nutrien Ltd	Materials	2.7
Astrazeneca	Health Care	2.4
Allianz SE	Financials	4.2
Royal Bank of Canada	Financials	3.1

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 return of -0.3% for January. Absolute returns were positive for most sectors, with Energy and Financials providing the largest contributions. Within Energy, the portfolio's oil, gas, and consumable fuel stocks accounted for the positive returns on the back of a continued rise in crude oil prices. Solid returns from insurance companies drove performance in Financials. The largest detractor was Information Technology, driven primarily by weakness in semiconductor stocks.

The Fund was ahead of the broad-market MSCI World benchmark by a wide margin for the month and finished slightly ahead of the MSCI World High Dividend Index. All sectors except Real Estate added to relative performance. Health Care was the largest contributor, as stock selection in select pharmaceutical and biotechnology holdings drove performance. Stock selection in Communication Services and Information Technology gave the next largest boosts to return. Communication Services contribution was due to exposure to diversified telecommunication stocks, while performance in Information Technology was driven by stock selection in semiconductors and being underweight software stocks.

Among the largest individual positive contributors to absolute performance were TotalEnergies and British American Tobacco. TotalEnergies is a global energy company that explores and produces oil and gas, refines petroleum products, manufactures petrochemicals, and operates gas stations. It is also growing its presence in generating electricity from renewable sources. Shares outperformed as oil and gas prices moved higher due to supply constraints and sustained global demand despite the surge in Omicron cases. Management is focused on driving cash flow growth from liquefied natural gas (LNG) and renewables. TotalEnergies' global scale, strong balance sheet, integrated business model, capital flexibility, and cost discipline allow the company to pay a sustainable dividend through commodity price cycles.

Among the largest individual detractors were Broadcom and Cisco Systems. Broadcom is a designer and manufacturer of digital and analog semiconductors focused on connectivity. It also develops and maintains software for mainframe applications. Shares underperformed as tech shares were pressured during the month as investors shifted towards more defensive sectors when the Fed signaled more and faster interest rate increases. Broadcom still looks well-positioned to benefit from the return of enterprise spending driving its semiconductor portfolio and increasing sales with a maturing salesforce in its software portfolio. Broadcom returns cash to shareholders via an attractive dividend with a target of paying out 50% of free cash flow. The balance of cash generation is used to fund debt reduction, share repurchases, and/or accretive M&A. Cisco is the world's largest supplier of routers and switches. Shares underperformed as tech shares were pressured during the month as investors shifted towards more defensive sectors when the Fed signaled more and faster interest rate increases. Cisco remains well-positioned to benefit from investment in network capabilities from enterprise as employees return to the office and service providers invest in their 5G networks. The company has a policy of returning in excess of 50% of cash generation through a progressive dividend and share repurchases.

There were no new initiations or closed names in the Fund for the month.

**Fund Disclosure**

The Fund has certain regular reporting and continuous disclosure obligations pursuant to the Corporations Act. All continuous disclosure notices are available at [gsfm.com.au](http://gsfm.com.au).

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.

GSFM Responsible Entity Services Limited 48 129 256 104 AFSL 321517 (GRES) is the responsible entity of the Epoch Global Equity Shareholder Yield (Hedged) Fund ARSN 130 358 440 and Epoch Global Equity Shareholder Yield (Unhedged) Fund ARSN 130 358 691 (collectively, the Funds). The Funds are registered as managed investment schemes under the Corporations Act 2001 (Cth). GRES has appointed Epoch as the investment manager of each Fund. Class A Units in each Fund are available for issue by GRES, as responsible entity of the Funds. The information included in this update is provided for informational purposes only. The information contained in this update reflects, as of the date of publication, the current opinion of Epoch Investment Partners, Inc (Epoch) and is subject to change without notice. Before making an investment decision in relation to a Fund, investors should consider the appropriateness of this information, having regard to their own objectives, financial situation and needs. Prospective investors should read and consider the product disclosure statements for the Funds dated 26 March 2019 and the Additional Information to the Product Disclosure Statement which can be obtained from [www.gsfm.com.au](http://www.gsfm.com.au) or by calling 1300 133 451.

GSFM Responsible Entity Services has produced a Target Market Determination (TMD) in relation to the Epoch Global Equity Shareholder Yield Funds. The TMD sets out the class of persons who comprise the target market for the Epoch Global Equity Shareholder Yield Funds and is available at [www.gsfm.com.au](http://www.gsfm.com.au)

Past performance information given in this document is given for illustrative purposes only and should not be relied upon as (and is not) an indication of future performance. None of GRES, its related bodies or associates nor any other person guarantees the repayment of capital or the performance of the Funds or any particular returns from the Funds. No representation or warranty is made concerning the accuracy of any data contained in this document. This document is issued on 15 February 2022.