

# Epoch Global Equity Shareholder Yield (Hedged)

FEBRUARY 2022

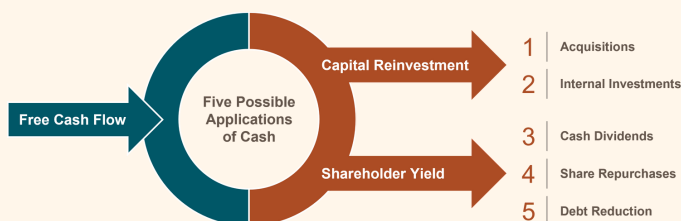
## Fund Overview

### 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.

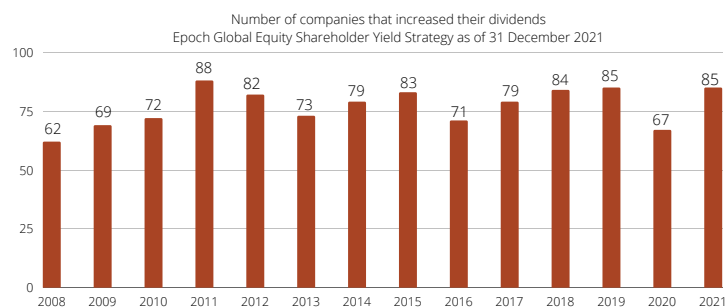
### INVESTMENT APPROACH

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	Portfolio outperformed	Return period from 31 May 2008 to 31 December 2021.
<b>77%</b> of the time	<b>86%</b> of the time	Market represented by the MSCI World ex- Australia Index, net dividends reinvested, 100% hedged into \$A.
By an average of <b>4.42%</b>	By an average of <b>5.11%</b>	

Source: GSFM as of 31 December 2021

### PORTFOLIO CHARACTERISTICS

Characteristics	Portfolio	Index
Number of Equity Positions	107	1479
Dividend Yield (%)	3.7	1.7
Return on Equity	23.4	22.5
Enterprise Value to EBITDA (x)	11.3	14.8
Predicted Beta	0.8	1.0
12-Month Turnover (%)	26.0	--
Active Share	79.8	--

## Performance as at 28 February 2022

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years %pa	Since Inception <sup>^</sup> % pa
<b>Distribution*</b>	0.00	0.12	9.22	4.47	6.17	7.91	8.14	8.93
<b>Growth</b>	(2.01)	4.43	5.00	1.74	(0.65)	(2.76)	0.58	(1.53)
<b>Total Return<sup>^^</sup></b>	(2.01)	4.55	14.22	6.21	5.52	5.15	8.72	7.40
<b>Benchmark<sup>**</sup></b>	(2.75)	(4.01)	12.34	13.13	11.20	9.87	12.61	8.70

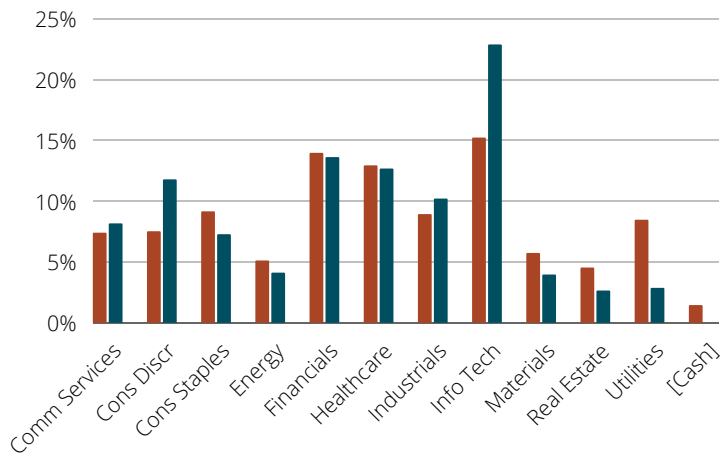
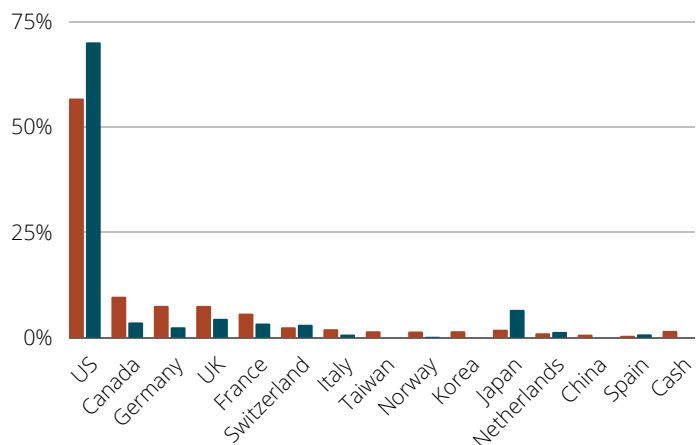
<sup>^</sup> Inception date: 15 May 2008

\* Distribution may include income, realised capital gains, and any return of capital

<sup>^^</sup> Fund returns are calculated net of management fees and assume distributions are reinvested

\*\* MSCI World ex- Australia Index in \$A, net dividends reinvested\*

**Past performance is not a guide to future performance**

**SECTOR ALLOCATION**

**REGIONAL ALLOCATION**

**TOP 10 HOLDINGS**

	Sector	Dividend Yield %
AbbVie, Inc.	Health Care	3.6
Nutrien Ltd.	Materials	2.2
Broadcom Inc.	Information Technology	2.5
Microsoft Corporation	Information Technology	0.8
Cisco Systems, Inc.	Information Technology	2.7
Astrazeneca	Health Care	2.3
IBM	Information Technology	5.4
TotalEnergies SE	Energy	5.8
MetLife, Inc.	Financials	2.8
Analog Devices, Inc.	Information Technology	1.8

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 negative return of 2.0% in February.

Financials and Information Technology provided the largest drag on absolute returns, with Financials showing acute sensitivity to the Ukraine situation, as Western sanctions were largely targeted at Russia's financial system. European insurance stocks accounted for the bulk of the sector's negative performance for the strategy. Semiconductor firms were mainly responsible for Information Technology's negative returns. Ukraine is a large supplier of neon gas to the semiconductor industry and while supply stoppage is unlikely to have meaningful effects on the industry as there are alternative suppliers, the current conflict has highlighted recent tensions in the South China Sea. Military action in this region by China or its neighbours would have more immediate and long-term repercussions.

Relative performance was solid for the month, as the Fund finished ahead of the broad market MSCI World ex-Australia benchmark and modestly behind the MSCI World High Dividend Index. Communication Services stocks were the biggest contributors to relative performance, followed by Industrials and Materials. Stock selection in Communication Services drove performance, due mostly to not owning interactive media and services companies which were the worst performing segment in the sector. Outperformance in Industrials and Materials came from stock selection as well, with relative returns being boosted by exposure to aerospace and defense holdings and an exceptionally strong return in an out of benchmark chemical holding.

Among the largest individual positive contributors to absolute performance were Nutrien and BAE Systems. Nutrien is a major producer of plant nutrients such as potash, nitrogen fertilizer, and phosphate. The company also operates an extensive retail network for the distribution of nutrients to growers in the U.S., Canada, Australia, and Brazil, as well as providing an expanding suite of value-enhancing services. Shares gained as U.S. and EU sanctioned Belarus, a major producer of potash, for aiding Russia's invasion of Ukraine. The sanction is expected to lead to supply disruption and higher potash prices. Nutrien is a world leader in potash production. Fundamentals in the agriculture sector have remained strong with higher crop prices supporting farmer income and lifting prices for key crop nutrients like potash. Nutrien has a transparent shareholder distribution policy that includes an attractive, growing dividend along with regular share repurchases. BAE Systems is a leading British aerospace and defense contractor. Shares outperformed with the rest of the defense sector as Russia's incursion into Ukraine will prompt higher military spending. Germany helped solidify this thought process by announcing a nearly doubling of its military budget for the year and committing to meet the 2% of GDP spend NATO members had previously targeted. BAE pays a well-covered dividend and recently announced a new share repurchase program.

Among the largest individual detractors were Lazard and TotalEnergies. Lazard is a global financial services firm engaged in two businesses: financial advisory services (merger and acquisition, capital markets, restructuring, shareholder advisory) and asset management across equities, fixed income, alternatives, and real assets. The company reported earnings that were positive with strength evident in the advisory side of the business. The asset management side faced headwinds tied to the general market environment as well as due to asset outflows in the period. Over time, market cycles wash out and earnings growth reflects the organic expansion of AUM from positive asset flows. Lazard's advisory pipeline remains strong, and the company is well-positioned to participate in a global environment where deal flow is expected to remain elevated. The company pays an attractive, growing dividend and returns excess capital annually to shareholders in the form of share repurchases and/or extra cash dividends.

**FUND FACTS**

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 underperformed despite higher oil and gas prices as investors become concerned with the company's exposure to Russia (around 15% of upstream production or about 5% of 2021 cash flow) following Russia's invasion of Ukraine. Management is focused on driving cash flow growth from liquified 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.

Positions in B&M European Value Retail and Bridgestone Corporation were initiated during the period. B&M is a discount retailer with 1,090 store locations, which are predominantly in the UK but also include a small presence in France. The company's core customer skews lower-income and spends only £21 per shopping trip. Cash flows are sustained by the low-cost corporate structure, direct sourcing, and fast-turning inventory. B&M can grow cash flows above current levels through its store opening program, which expands the existing fleet by approximately 5% annually. The company pays out 30%-40% of net income in a regular dividend and returns additional cash to shareholders via special dividends. Bridgestone is one of the largest tire manufacturers in the world. Cash generation is the result of attachment to new car sales and replacement tires, which are largely tied to mileage driven. Growth is driven by pricing, market share gains, and global growth of vehicle sales and miles driven. Near-term growth will also benefit from investment in technology to increase the range of electric vehicles and a focus on larger-size tires. The company has a progressive dividend policy as well as periodically repurchases shares. PepsiCo was closed during the period to fund higher-yielding opportunities.

**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 (Unhedged) Fund.**

**APIR CODE**

GSF0001AU

**MFUND CODE**

GSF01

**INCEPTION DATE**

15 May 2008

**DISTRIBUTIONS**

Quarterly

**INVESTMENT MANAGER**

Epoch Investment Partners Inc.

**RESPONSIBLE ENTITY**

GSFM Responsible Entity Services Ltd

**MANAGEMENT FEE**

1.30% P.A.

**BUY / SELL SPREAD**

Buy +0.20% / Sell -0.20%

**Important Information**

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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)

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