

# Epoch Global Equity Shareholder Yield (Hedged)

APRIL 2023

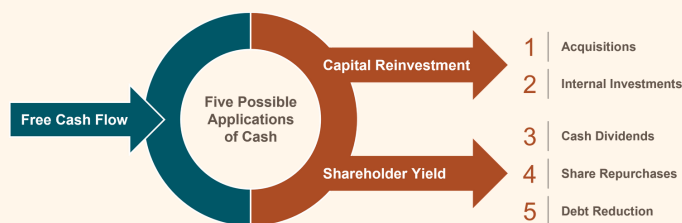
## Fund Overview

### 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.*

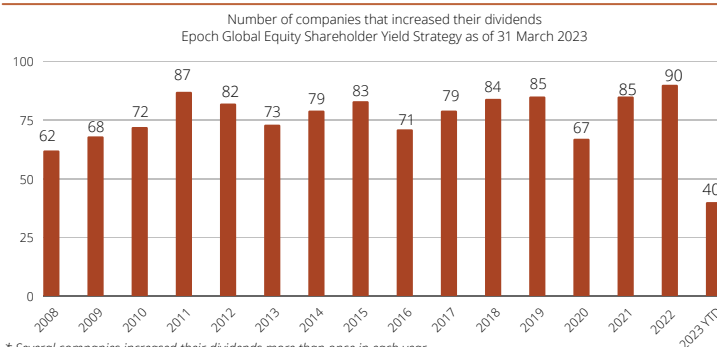
### INVESTMENT APPROACH

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 (50 out of 177 periods)	When Market Was Down >5% (26 out of 177 periods)	Upside Participation with Protection in Down Markets in 177 rolling three month periods since the portfolio's inception.
Portfolio outperformed	Portfolio outperformed	Return period from 31 May 2008 to 30 April 2023.
<b>76%</b> of the time	<b>85%</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>4.67%</b>	By an average of <b>5.17%</b>	

Source: GSFM as of 30 April 2023

### PORTFOLIO CHARACTERISTICS

Characteristics	Portfolio	Index
Number of Equity Positions	102	1,448
Dividend Yield (%)	3.7	2.0
Return on Equity	21.9	21.6
Enterprise Value to EBITDA (x)	9.3	11.8
Predicted Beta	0.8	1.0
12-Month Turnover (%)	29	--
Active Share	78.6	--

## Performance as at 30 April 2023

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years %pa	Since Inception % pa
Distribution Return <sup>2</sup>	0.00	0.12	1.24	4.43	4.01	6.69	7.55	8.32
Growth Return <sup>3</sup>	1.51	(0.44)	0.23	6.55	1.01	(1.08)	(0.88)	(1.36)
Total Return <sup>4</sup>	1.51	(0.32)	1.47	10.98	5.02	5.61	6.67	6.96
Benchmark	1.61	2.47	1.47	12.06	7.52	9.72	9.93	7.75

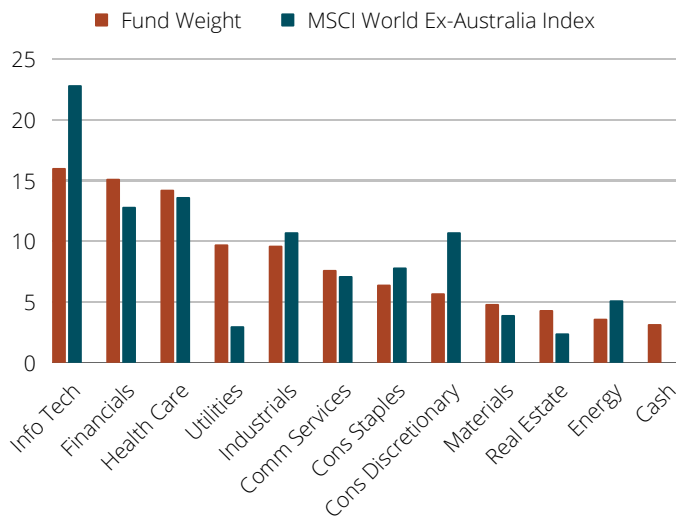
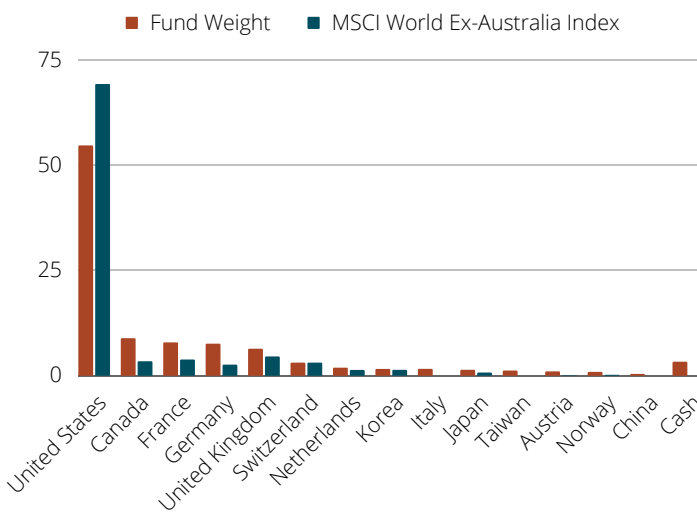
1 Inception date: 15 May 2008

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 %
Broadcom Inc.	Information Technology	2.8
Microsoft Corporation	Information Technology	0.8
AbbVie, Inc.	Health Care	3.8
Analog Devices, Inc.	Information Technology	1.7
TotalEnergies SE	Energy	4.7
Deutsche Telekom AG	Communication Services	3.2
IBM	Information Technology	5.2
Iron Mountain, Inc.	Real Estate	4.5
Coca-Cola Europacific Partners Plc	Consumer Staples	2.6
Restaurant Brands International Inc	Consumer Discretionary	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**
**PORTFOLIO REVIEW**

Global equity markets were positive in April, as sentiment appeared to remain driven by investors betting on the timing of an end to interest rate hikes and the likelihood of a recession in the near term. The banking turmoil seen in March looked to be easing through most of the month but crept back into headlines near month end.

Absolute returns were positive in all sectors except for Information Technology, with the largest contributions coming from Health Care and Financials. Within Health Care, pharmaceuticals were the primary driver of return, while Insurance stocks were the main driver of return within Financials.

On a relative return basis, the Fund finished roughly in-line with the broad MSCI World ex Australia benchmark and ahead of the MSCI World High Dividend Yield Index. Consumer Discretionary was the largest contributor to relative return owing mostly to stock selection, with the most impact coming from having no position in an automobile stock that was pressured heavily during the month. The biggest detractor to relative return was stock selection within Information Technology, as exposure to a few underperforming semiconductor stocks was a drag on performance.

Among the largest individual contributors to return were Novartis and TotalEnergies. Novartis is a global pharmaceutical company with a broad portfolio of drugs spanning multiple therapeutic areas. Shares traded higher in the month carrying over positive momentum from the significant phase 3 clinical trial results for cancer drug Kisqali reported at the end of March. The first quarter earnings report then gave the shares a further lift with revenues and earnings ahead of consensus and full-year guidance raised. Novartis pays an attractive and growing dividend, which is well covered by free cash flow, and regularly repurchases shares. The company's plan to spin out Sandoz, its generic drug business, remains on track for 2023 execution. 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. While OPEC+'s announcement to cut production at the beginning of the month boosted oil prices and energy stocks, oil prices faded during the second half of month on demand concerns. TotalEnergies' shares held up well, together with its integrated peers, due to better-than-expected 1Q23 refining margins, reflecting the benefit of integrated business model. 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 and reward shareholders with buybacks using excess free cash flow.

Among the largest detractors were Analog Devices and Cisco Systems. Analog Devices is a developer of analog integrated circuits and digital signal processors. Analog has a history of

technological innovation and driving sales into adjacent markets. Shares were pressured on competitor comments that end demand outside of industrial and automotive remain weak. With most of Analog's revenues addressing these two segments they should perform better than their competitors and are in a strong position to take share on better product breadth and selling into acquired companies end markets. Analog Devices has a history of returning cash to shareholders through a combination of dividends, share repurchases, and debt reduction. Cisco is the world's largest supplier of routers and switches. Shares declined on a profit warning from a computer distributor. The inventory glut in the PC sector has not fully played out but stocks are reduced, and the company should benefit from sustained network investment even in a lighter IT spending environment. The company has a policy of returning more than 50% of cash generation through a progressive dividend and share repurchases.

Positions were initiated in International Flavors and Fragrances (IFF) and Hyundai Glovis. IFF is a leading specialty chemical company that manufactures ingredients for food, beverage, scent, health & biosciences, pharma solutions, and other consumer products. The company generates strong cash flow from broad and differentiated product offerings and through continued innovations to meet changing customer needs. Cash flow growth is underpinned by the end-market demand growth, margin expansions from productivity improvement, and market share gains in products and geographies. IFF returns cash to shareholders via an attractive and growing dividend. The company is currently focused on debt reduction and will consider buybacks after reaching target leverage of 3.0x. Hyundai Glovis is a large Korean logistics company primarily focused on the automotive business through its relationship with Hyundai and Kia Motors Corp. Cash is generated by providing movement of both parts and completed vehicles around the globe for its customers. It is growing its services both within its captive customers, which are growing their market share, and through expansion into non-captive customers where it can leverage its logistical expertise. Hyundai Glovis returns cash through a growing dividend.

No positions were closed during 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

#### INVESTMENT MANAGER

Epoch Investment Partners Inc.

#### RESPONSIBLE ENTITY

GSFM Responsible Entity Services Ltd

#### MFUND CODE

GSF01

#### APIR CODE

GSF0001AU

#### INCEPTION DATE

15 May 2008

#### MANAGEMENT FEE

1.30% P.A.

#### DISTRIBUTIONS

Quarterly

#### BUY / SELL SPREAD

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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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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