

# Epoch Global Equity Shareholder Yield (Unhedged)

OCTOBER 2022

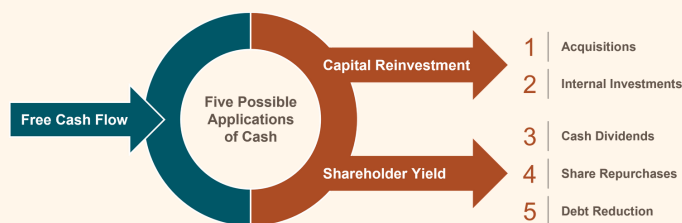
## Fund Overview

### 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.*

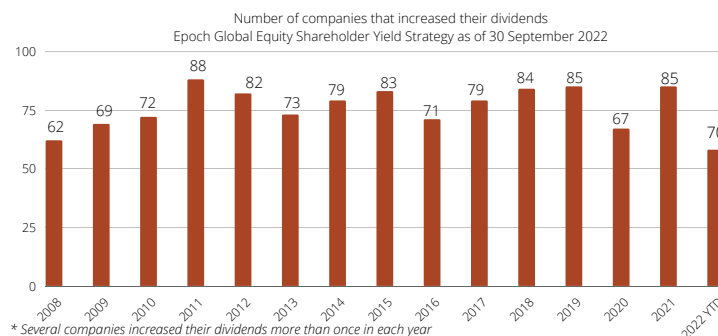
### INVESTMENT APPROACH

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 (49 out of 170 periods)	When Market Was Down >5% (21 out of 170 periods)	Upside Participation with Protection in Down Markets in 170 rolling three month periods since the portfolio's inception.
Portfolio outperformed	Portfolio outperformed	Return period from 15 May 2008 to 30 September 2022.
<b>73%</b> of the time	<b>86%</b> of the time	Market represented by the MSCI World ex-Australia Index in \$A, net dividends reinvested.
By an average of <b>4.29%</b>	By an average of <b>5.46%</b>	

Source: GSFM as of 30 September 2022

### PORTFOLIO CHARACTERISTICS

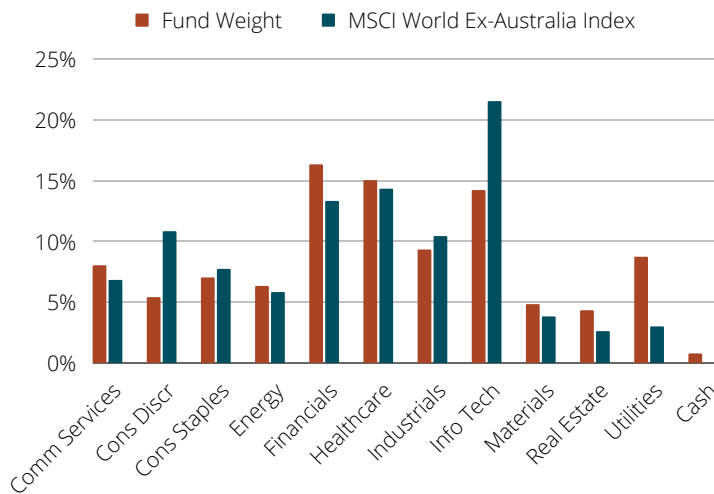
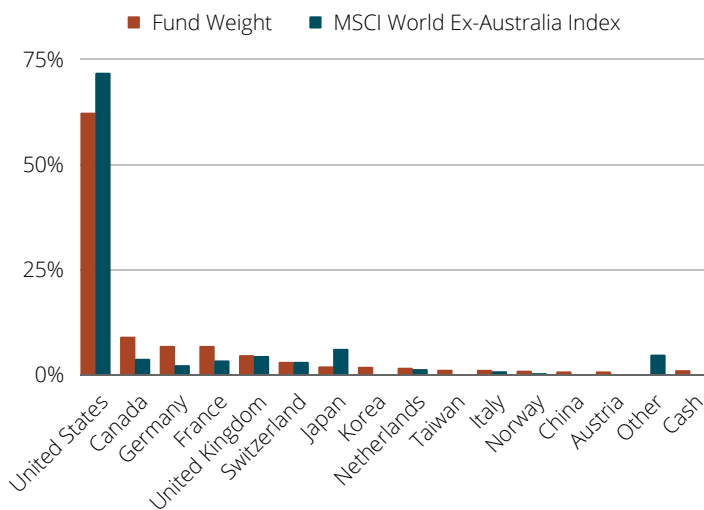
Characteristics	Portfolio	Index
Number of Equity Positions	106	1,451
Dividend Yield (%)	3.9	2.1
Return on Equity	23.3	23.4
Enterprise Value to EBITDA (x)	10.5	13.5
Predicted Beta	0.8	1.0
12-Month Turnover (%)	33	--
Active Share	78.4	--

## Performance as at 31 October 2022

	1 month %	3 months %	1 year %	3 years %	5 years % pa	7 years % pa	10 years %pa	Since Inception <sup>1</sup> % pa
<b>Distribution</b> <sup>2</sup>	0.00	0.39	10.39	7.67	8.24	7.80	7.89	6.00
<b>Growth</b>	8.58	2.80	(1.44)	(2.88)	(1.84)	(2.13)	2.91	1.31
<b>Total Return</b> <sup>3</sup>	8.58	3.19	8.95	4.79	6.40	5.67	10.80	7.31
<b>Benchmark</b> <sup>4</sup>	7.81	1.68	(4.33)	8.88	10.38	9.53	14.50	8.48

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 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	3.9
IBM	Information Technology	4.8
Broadcom Inc.	Information Technology	3.5
TotalEnergies SE	Energy	4.8
Microsoft Corporation	Information Technology	1.1
MetLife, Inc.	Financials	2.7
Iron Mountain, Inc.	Real Estate	4.9
Analog Devices, Inc.	Information Technology	2.1
Cisco Systems, Inc.	Information Technology	3.3
Restaurant Brands International Inc	Consumer Discretionary	3.7

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**
**Portfolio Review**

Bouncing off deeply depressed sentiment at the end of last month, October saw global equity markets rise strongly. Despite a hotter-than-expected September CPI report and underwhelming earnings from big tech names, markets rose as investors once more began speculating on a curtailing of interest rate hikes. Expected inflation relief from supply chain normalisation and central bank discussions on slowing the pace of tightening were among talking points supporting the bullish move. It was a strong month for the fund, as it managed to outperform the benchmark during the rally.

All sectors contributed positively to absolute returns during the month, with the largest contributions coming from Financials and Health care. The contribution from Financials was carried by a very strong month for banks and insurance firms. Pharmaceutical stocks drove performance within Health care, buoyed largely by one holding that saw shares rise on the announced commercialisation of a new cancer mRNA vaccine.

On a relative return basis, it was a good month for the fund as it outperformed both the broad MSCI World ex Australia benchmark and the MSCI World High Dividend Yield Index. The largest contributors to relative returns were Consumer Discretionary followed by Financials and Communication Services. The contribution from Consumer Discretionary was due to a mix of sector allocation and stock selection. An underweight to the sector along with having no position in an internet and direct marketing stock and an automobile stock that both fell significantly during the month drove performance. Relative performance in Financials came primarily from stock selection, with exposure to select insurance companies contributing most. Within Communication Services stock selection was primarily responsible for outperformance, as having no position in an interactive media and services holding that struggled during the month accounted for relative return.

Among the largest individual contributors to return were IBM and MetLife. IBM is a leading provider of software solutions, consulting, application management, servers, and storage systems. Shares rose on strong results throughout the year including a positive mainframe cycle and consulting demand strength. Results supported IBM's long term mid-single digit growth target as its new model focused on hybrid cloud returns the company to long term organic expansion. The company pays a well-covered, growing dividend.

MetLife is an insurance company that serves retail and commercial customers globally with a comprehensive offering of insurance products including life, disability, accident & health, dental, and annuities. Shares traded higher in the period following improved sentiment toward the impact of higher rates on interest spread income and underwriting profits that continue to benefit from falling COVID claims. MetLife has a strong regulatory capital position, pays an attractive and growing dividend, and consistently uses excess capital to repurchase repurchases.

Among the largest individual detractors were China Resources Gas (CRG) and Taiwan Semiconductor Manufacturing (TSMC). CRG is a leading regulated natural gas distribution company in China. Shares declined with the broader Hang Seng index as China's national congress in October led to the consolidation of power and was not well received by global investors. Management remains focused on generating strong cash flow growth from regulated gas distribution and new connection activities, which are driven by the secular coal-to-gas conversion in China. CRG returns cash to shareholders via an attractive and growing dividend. TSMC is one of the largest semiconductor manufacturers in the world. Shares underperformed on reports of semiconductor inventory build which could lead to cancellation of production slots with TSMC. As one of only two foundry providers able to deliver bleeding-edge capacity any order weakness is likely to be temporary as inventories correct. Worries that Taiwan could follow a similar fate to that of Ukraine continue to weigh on shares, however, in our opinion, remain unwarranted due to the national defense importance of the chips that TSMC produces. The company pays a well-covered dividend.

Positions were initiated in BAWAG and Eli Lilly during the month. BAWAG is a leading Austrian bank with a low-cost deposit franchise in its home market and a growing international presence in Germany, Switzerland, and the Netherlands. The company is well capitalised and maintains one of the best profitability track records among European financials. BAWAG pays an attractive, growing dividend and returns excess capital to shareholders through its recently renewed share repurchase program. Eli Lilly is a U.S.-based biopharmaceutical company that discovers, develops, and commercialises medicines in large, growing, and defensive therapeutic areas with high unmet needs including endocrinology, oncology, immunology, and neurology. The company's diabetes franchise is particularly strong. The company has a favorable growth outlook with several promising drugs recently launched or awaiting approval, and a broad pipeline of drugs in various stages of clinical development. Eli Lilly returns cash to owners through a growing dividend and regular share repurchases. The dividend is targeted to grow in line with earnings and is well covered by free cash flow. Positions were closed in Tokio Marine and Hubbell during the month to fund more attractive shareholder yield 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.**

### FUND FACTS

**APIR CODE**

GSF0002AU

**MFUND CODE**

GSF02

**INCEPTION DATE**

15 May 2008

**DISTRIBUTIONS**

Quarterly

**INVESTMENT MANAGER**

Epoch Investment Partners Inc.

**RESPONSIBLE ENTITY**

GSFM Responsible Entity Services Ltd

**MANAGEMENT FEE**

1.25% P.A.

**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. 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 30 September 2022 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 16 November 2022.