

# Epoch Global Equity Shareholder Yield (Unhedged)

JULY 2023

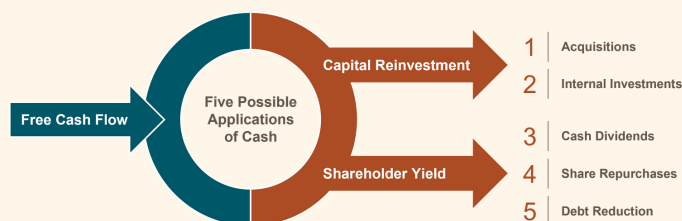
## Fund Overview

### 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.*

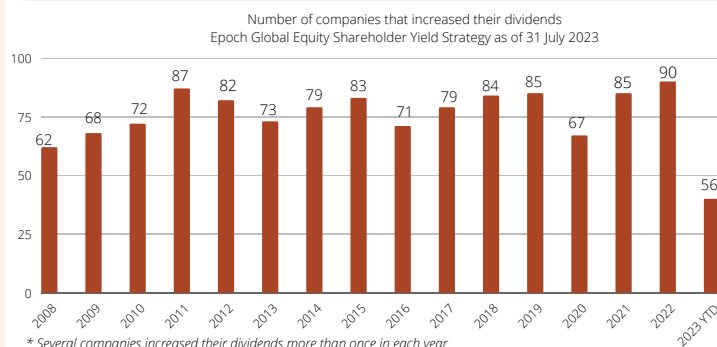
### INVESTMENT APPROACH

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 (51 out of 180 periods)	When Market Was Down >5% (21 out of 180 periods)	Upside Participation with Protection in Down Markets in 180 rolling three month periods since the portfolio's inception.
Portfolio outperformed <b>75%</b> of the time By an average of <b>4.10%</b>	Portfolio outperformed <b>86%</b> of the time By an average of <b>5.46%</b>	Return period from 15 May 2008 to 31 July 2023. Market represented by the MSCI World ex-Australia Index in \$A, net dividends reinvested.

Source: GSFM as of 31 July 2023

### PORTFOLIO CHARACTERISTICS

Characteristics	Portfolio	Index
Number of Equity Positions	105	1453
Dividend Yield (%)	3.7	1.9
Return on Equity	22.6	21.3
Enterprise Value to EBITDA (x)	9.4	11.7
Predicted Beta	0.8	1.0
12-Month Turnover (%)	25	--
Active Share	79.0	--

## Performance as at 31 July 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	4.20	5.72	8.38	7.24	7.74	7.85	6.04
Growth Return <sup>3</sup>	1.33	(2.66)	6.48	4.41	0.06	(0.68)	0.70	1.48
Total Return <sup>4</sup>	1.33	1.54	12.20	12.79	7.30	7.06	8.55	7.52
Benchmark	2.09	6.52	17.62	14.03	11.37	12.49	12.60	9.09

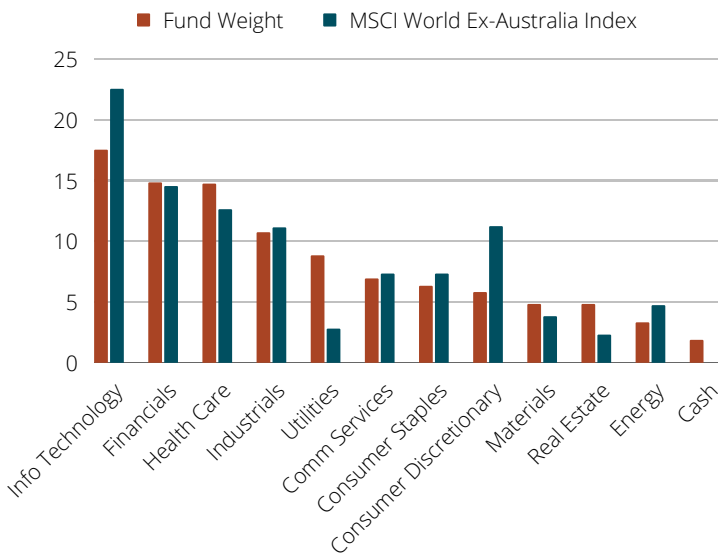
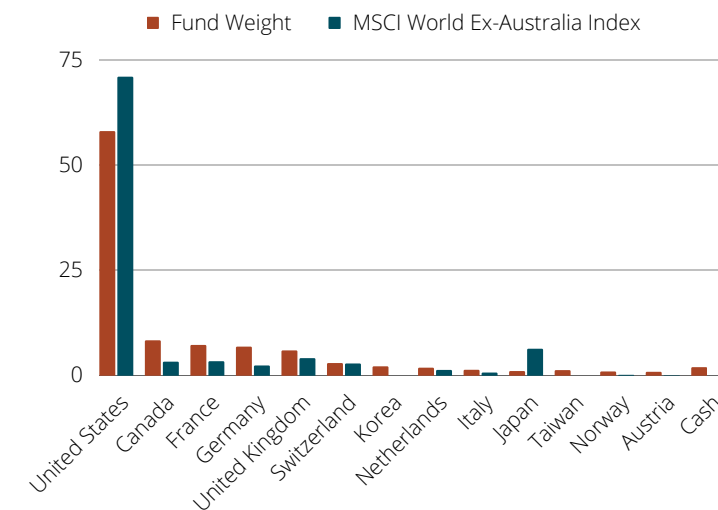
<sup>1</sup> Inception date: 15 May 2008

<sup>2</sup> Distribution may include income, realised capital gains, and any return of capital

<sup>3</sup> Fund returns are calculated net of management fees and assume distributions are reinvested

<sup>4</sup> 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 %
Broadcom Inc.	Information Technology	2.0
Microsoft Corporation	Information Technology	0.8
IBM	Information Technology	4.6
Analog Devices, Inc.	Information Technology	1.6
Iron Mountain, Inc.	Real Estate	4.0
AbbVie Inc.	Health Care	3.9
Restaurant Brands International, Inc.	Consumer Discretionary	2.9
TotalEnergies SE	Energy	5.1
Coca-Cola Europacific Partners Plc	Consumer Staples	2.9
Novartis AG	Health Care	3.5

*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 July, with the Fund posting a return of 1.3% and the broader market returning 2.1% as measured by the MSCI World Ex Australia Index in AUD. A lower-than-expected June CPI report drove more traction for a soft-landing narrative that has been building all year. The month saw some slowing of the sharp big tech rally that has been fuelling market returns year to date on the back of a few high-profile earnings disappointments and valuation concerns in the cohort. The Fund's low beta and low volatility exposure remained headwinds to return.

Absolute return was positive in almost all sectors, with financials contributing by far the most to performance. Banks drove performance for the sector, as the dissipation of concerns following the turmoil in the industry earlier this year continued to accelerate, and thus far the regulatory response to the crisis has remained measured. Furthermore, strong 2Q earnings for select holdings showcased resilient profitability and healthier-than-feared credit quality.

Relative return was negative for the month, as the Fund modestly lagged the broad market benchmark as well as the MSCI World High Dividend Yield Index. Communication services was by far the largest detractor to return, owing mostly to stock selection within diversified telecommunications companies. Recent scrutiny of major U.S. telecoms regarding the use of lead sheathed cables weighed on shares through the month. Conversely, financials contributed meaningfully to relative performance on the back of exposure to a few banks and insurance names.

Among the largest individual contributors to return were AbbVie and Iron Mountain. AbbVie is a global pharmaceutical company that develops and markets drugs in specialty therapeutic areas such as immunology, oncology, and virology, among others. Shares rose in response to a positive 2nd quarter earnings report which showed well-balanced growth across multiple therapeutic areas. In particular, the strong sales performance for AbbVie's new immunology drugs Skyrizi and Rinvoq helped to alleviate concerns around biosimilar competition for blockbuster Humira.

AbbVie also raised earnings guidance for the year. We remain confident that AbbVie's existing and new drugs will replace lost Humira revenues. AbbVie is committed to distributing cash to shareholders via an attractive, growing, and well-covered dividend, share repurchases, and reduction of debt related to the 2020 Allergan acquisition. Iron Mountain provides physical document storage, document retrieval and destruction services, and digital data management services to clients globally. The company is structured as a REIT. Shares rose in the month on no company-specific news. Iron Mountain's growing presence in data centre properties provided a favourable connection to the current market enthusiasm for all things AI as the shares rose in tandem with the Data Center REIT index. We believe Iron Mountain is well-positioned with a strong management team and a globally recognised brand. The legacy document storage business is stable and very cash generative, while the data centre business offers long-term growth potential. The company generates significant free cash flow and is committed to paying an attractive progressive dividend.

Among the largest detractors were Omnicom and AT&T. Omnicom is the world's second largest advertising agency, providing creative content creation, planning and media strategy, analytics, and execution services. Shares were pressured on headline growth for the second quarter, which was slightly below consensus estimates. Underlying results by contrast were solid, remain positive and management raised the bottom end of its guided range for the year. Clients remain focused on measurable effective advertising spend which should support cash generation even in a softer macro environment. Omnicom pays a well-covered dividend and has an aggressive share repurchase program that should return once the current pandemic uncertainty abates. AT&T is the third-largest mobile telecommunication services provider in the U.S. Shares were pressured on a WSJ article raising questions around the risk of in place lead sheathed cables. Based on the amount of lead sheathed cable deployed, the cost to mitigate such exposure, the minimal diffusion properties of lead, and questions surrounding the methodology used in the report, we do not believe any cash impart will be material. The company returns cash to shareholders through a dividend and debt reduction after years of spectrum investment. No new positions were initiated during the month. 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 (Unhedged) Fund.**

**FUND FACTS**
**INVESTMENT MANAGER**

Epoch Investment Partners Inc.

**RESPONSIBLE ENTITY**

GSFM Responsible Entity Services Ltd

**MFUND CODE**

GSF02

**APIR CODE**

GSF0002AU

**INCEPTION DATE**

15 May 2008

**MANAGEMENT FEE**

1.25% P.A.

**DISTRIBUTIONS**

Quarterly

**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). 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 21 August 2023.