



Epoch Investment Partners, Inc.

GRANT SAMUEL
FUNDS MANAGEMENT



8 February 2018

MEDIA RELEASE

Trump's Tax Cut and Jobs Act combined with unprecedented global growth will boost global share markets in 2018

The timing of President Trump's Tax Cut and Jobs Act – coinciding with the most synchronised global economic recovery since the 1950s – will boost company earnings globally during 2018, despite recent market volatility, says John Tobin, portfolio manager with US based Epoch Investment Partners.

“The variability in GDP growth across countries is at its lowest point in over 50 years. This solid global growth cycle is a major positive for economies and company earnings growth.

“Capex has rebounded strongly, and US export and industrial production has risen significantly. Meanwhile, we are expecting the transition globally, from quantitative easing to quantitative tightening, to be slow, gradual and well telegraphed.

“In fact, despite anticipated QE measures, financial conditions will remain extremely loose. In the US, the Fed's financial stress indicators suggest markets are still awash with liquidity.”

“The lower tax rate regime in the US will impact this liquidity, and along with US companies, beneficiaries of the lower tax rates will also include non-US companies with significant earnings in the US – including automotive manufacturers, global financial and pharmaceuticals, along with companies operating in the aerospace and defense industries,” Mr Tobin says.

These tax reform initiatives, along with the economic recovery being experienced around the world, bode well for those companies already generating free cash flow.

“The most significant changes of the recent US tax reforms relate to business taxes. Lower taxes mean higher company earnings and cash flow, and these changes permanently raise the path of after-tax earnings and cash flow, which is unequivocally positive for share prices.

“It is a good move for shareholder yield.

“History suggests the extra cash from corporate tax returns will flow mostly to shareholders through dividends, buybacks and debt reductions, rather than other sources.

“This environment will be favourable for equity strategies focused on identifying companies with growing free cash flow and a track record of returning excess free cash to shareholders.”

In terms of sector allocation, Mr Tobin says Epoch Investment Partners remains overweight in telecoms, utilities, consumer staples and energy.

“The key to producing superior risk-adjusted equity returns is the identification of companies with a consistent ability to both generate free cash flow and to properly allocate it among internal reinvestment opportunities, acquisitions, dividends, share repurchases and debt repayments.

“The focus needs to be on companies which return a proportion of their market capitalisation to shareholders on a regular basis, while still reinvesting enough in the business to grow operating cash flow,” Mr Tobin says.

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Grant Samuel Funds Management (GSFM) was established in July 2007 as a subsidiary of the Grant Samuel Group. In November 2016 CI Financial Corp (CI) purchased an 80 per cent stake in the business. CI is a diversified wealth management firm with fee-earning assets of CAD\$186.3 billion (as of 31 December 2017). GSFM specialises in marketing funds managed by high calibre local and international managers to Australian and New Zealand institutional and Australian retail investors.

Since 2007, GSFM has formed alliances with following investment managers to distribute investment products to Australian and New Zealand clients:

- New York based Epoch Investment Partners, Inc.
- Tribeca Investment Partners, a successful Australian boutique manager
- Payden & Rygel, a Los Angeles based independent investment management firm
- Triple Three Partners Pty Ltd (Triple3) a boutique research and investment management firm
- Munro Partners, an independent global equity manager
- London-based Man Group plc

GSFM currently represents \$6.5 billion funds under management (as at 31 December 2017). For more information about GSFM please visit the website: www.gsfm.com.au