

# Epoch Global Equity Shareholder Yield (Unhedged)

February 2024

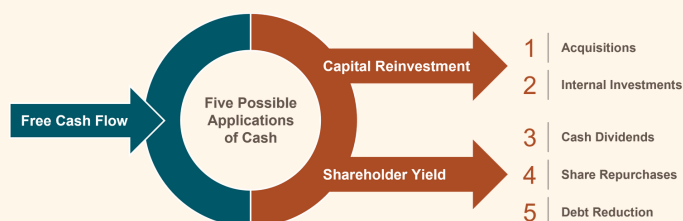
## Fund Overview

### 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.*

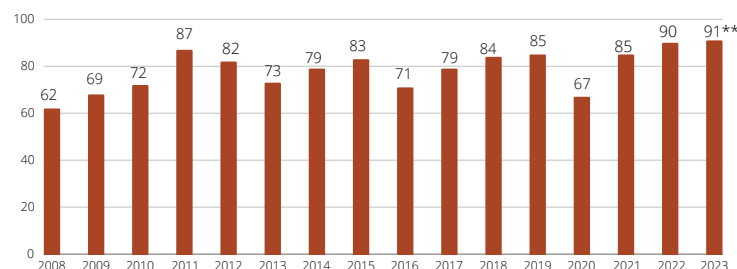
### INVESTMENT APPROACH

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

\*\* As of 31 December 2023

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 (54 out of 187 periods)	When Market Was Down >5% (21 out of 187 periods)	Upside Participation with Protection in Down Markets in 187 rolling three month periods since the portfolio's inception.
Portfolio outperformed <b>72%</b> of the time By an average of <b>3.99%</b>	Portfolio outperformed <b>86%</b> of the time By an average of <b>5.46%</b>	Return period from 15 May 2008 to 29 February 2024. Market represented by the MSCI World ex-Australia Index in \$A, net dividends reinvested.

Source: GSFM as of 29 February 2024.

### PORTFOLIO CHARACTERISTICS

Characteristics	Portfolio	Index
Number of Equity Positions	107	1,421
Dividend Yield (%)	3.6	1.8
Return on Equity	19.6	24.5
Enterprise Value to EBITDA (x)	11.0	14.2
Predicted Beta	0.8	1.0
12-Month Turnover (%)	21	--
Active Share	79.0	--

## Performance as at 29 February 2024

	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	0.41	5.59	8.32	7.20	7.80	7.81	5.88
Growth Return <sup>3</sup>	3.56	9.02	9.28	5.50	1.02	0.58	0.57	1.91
Total Return <sup>4</sup>	3.56	9.43	14.87	13.82	8.22	8.38	8.38	7.79
Benchmark	5.92	12.74	29.79	15.19	13.75	13.53	12.70	9.62

1 Inception date: 15 May 2008

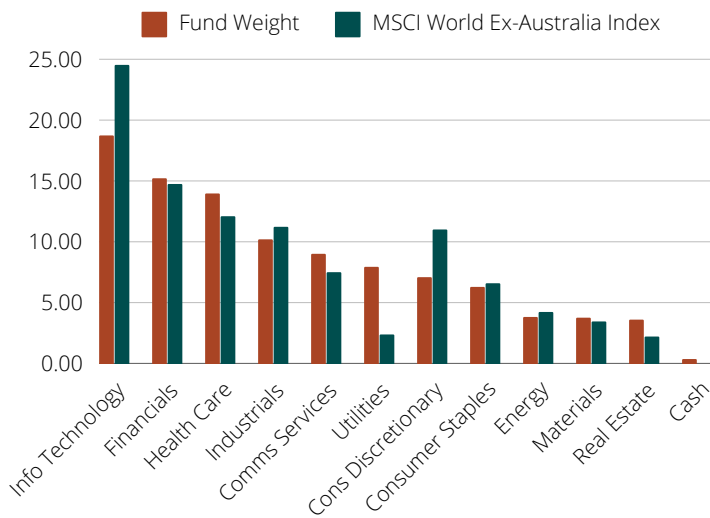
2 Distribution may include income, realised capital gains, and any return of capital

3 Fund returns are calculated net of management fees and assume distributions are reinvested

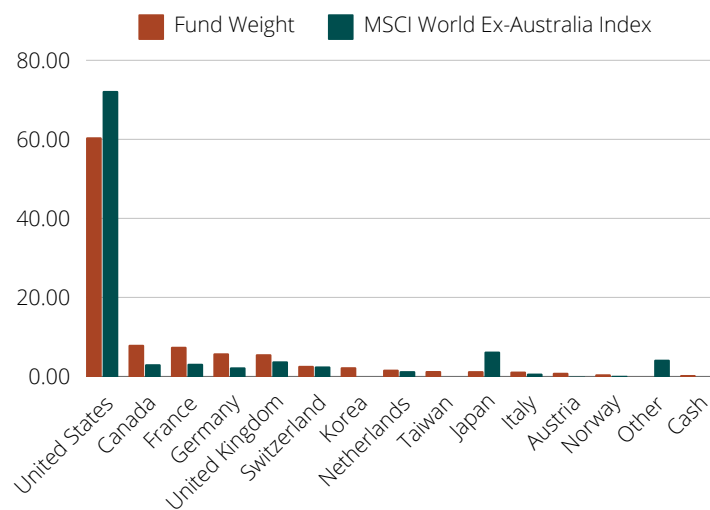
4 MSCI World ex- Australia Index in \$A, net dividends reinvested\*

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

## SECTOR ALLOCATION



## REGIONAL ALLOCATION



## TOP 10 HOLDINGS

	Sector	Dividend Yield %
Broadcom Inc.	Information Technology	1.5
Microsoft Corporation	Information Technology	0.7
IBM	Information Technology	3.6
AbbVie, Inc	Health Care	3.4
Iron Mountain	Real Estate	3.2
TotalEnergies AG	Energy	4.9
Deutsche Telekom AG	Communication Services	3.2
AXA SA	Financials	5.2
Coca-Cola Europacific Partners plc	Consumer Staples	2.9
Restaurant Brands International, Inc.	Consumer Discretionary	2.8

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

### PORTFOLIO REVIEW

February saw the portfolio post a return of 3.6% while the broad market returned 5.9% as measured by the MSCI World ex-Australia Index in \$A, net dividends reinvested\*. From a factor perspective, exposure to dividend yield and negative exposure to the medium-term momentum factor were headwinds for relative return.

Absolute return was positive in most sectors, with the largest contributions coming from information technology and industrials. Semiconductor names accounted for the bulk of return within information technology, as the industry continues to benefit from investor focus on AI. Within industrials return came primarily from electrical equipment stocks and a machinery holding.

The Fund lagged the broad market for the month, though it finished ahead of the MSCI World High Dividend Yield Index. The largest detractors came from communication services and information technology. Stock selection accounted for relative underperformance in communication services, owing mostly to exposure to diversified telecommunications names. Information technology underperformance coming from a mix of an underweight allocation to the sector and stock selection, as having no exposure to a semiconductor stock with an outsized return dragged on performance materially. The stock exists outside of our investible universe due to its near-zero dividend yield.

Among the largest individual contributors to return were Iron Mountain and Broadcom. 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 traded higher following a strong Q4 earnings report with FFO per share that was comfortably ahead of consensus estimates and with EBITDA that was modestly ahead. The company's two business lines, records and information management and data centre, both saw strong revenue growth. Guidance for 2024 was also bullish. 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 highly cash-generative while the data centre business is expected to drive growth. The dividend is expected to grow in-line with AFFO per share growth at a mid- to high-single-digit rate. Broadcom is a designer and manufacturer of digital and analog semiconductors focused on connectivity. It also develops and maintains software for mainframe applications. Shares remained a beneficiary of investors' interest in AI exposed names. Broadcom's Silicon Solutions are being used to address new AI use cases on top of already positive network investment. Broadcom returns cash to shareholders via an attractive dividend with a target of paying out 50% of free cash flow. The balance of cash generation is used to fund debt reduction, share repurchases, and/or accretive M&A.

Among the largest detractors were Sanofi and BCE. Sanofi is a global producer of pharmaceuticals based in France. The company also manufactures vaccines and operates a consumer health care business. Shares traded lower following the release of results for the fourth quarter of 2023. Both revenues and EPS came in slightly below estimates and the company also announced the departure of their CFO. Despite the negative reaction, blockbuster immunology drug Dupixent remains on a strong growth trajectory, recent new drug

launches are proceeding favourably and there are multiple pipeline opportunities expected to progress this year.

The company also announced a dividend increase with the earnings report. Our current outlook is for the continued successful execution of the company's strategy supporting an attractive and growing dividend as well as share repurchases. Bell Canada Enterprises is Canada's largest communication company with over 21 million customers. Shares underperformed on a disappointing cash flow guidance for 2024. Free cash flow is being pressured by higher interest expense, timing on government grant receipts, and greater spend on reorganisation costs. The long-term outlook remains positive with the reorganisation to provide higher long term cash generation and the government grants are solely a timing issue. BCE is committed to delivering a consistent growing dividend.

New positions were initiated in Meta and Essential Utilities. Meta, formerly known as Facebook, is the largest social media company in the world with more than 3 billion monthly users across its platforms. It drives substantially all of its cash from selling advertising, although it also offers its platform as a freemium model. Its primary platforms include Facebook, Instagram, Messenger, Reels, and Threads. Cash flow growth is driven by digital advertising growth, share gains outside of the US, and price increases as markets mature internationally. The company returns cash through a dividend and a sizable share repurchase program. Essential Utilities is a regulated utility that provides water, wastewater, and natural gas services to about five million customers in nine states. The company generates cash flow from earning regulated returns in water/wastewater and natural gas jurisdictions, where regulations are mostly constructive. Cash flow growth is driven by a combination of organic rate base growth and roll-up acquisitions in the water segment. Organic rate base growth is underpinned by the investments in the water/wastewater and natural gas infrastructure. Essential Utilities returns cash to shareholders via an attractive and consistently growing dividend, with a 60%-65% EPS payout target. The company maintains a strong balance sheet and invests in water and natural gas rate bases to drive mid-to-high single digit growth. Bolt-on acquisition also provides incremental growth over the long term.

A position was closed in Evergy. Evergy is a regulated utility company that generates cash flow from providing electric generation, transmission, and distribution services to customers in the states of Kansas and Missouri. The company drives cash flow growth by focusing on improving grid reliability and resiliency, accelerating transition to cleaner energy, and further reducing operating and maintenance costs. Evergy rewards shareholders with an attractive dividend that is projected to grow in the mid-single digits annually. We exited the position to fund other 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

### 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

\*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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