

# Q2 2015 GBP Developed Equity Strategy

Summary Details		
Assets under Mgmt.	£1.7bn	
Inception Date	31 May 2003	
Benchmark	MSCI World Net Return Index	
Number of Stocks	196	
Risk Characteristics		
Beta (10 Yrs)	0.95	
Information Ratio (10 Yrs)	0.40	
Volatility	13.44	
Portfolio Statistics	Strategy	Index
Dividend Yield	3.6%	2.4%
Dividend Payout	56.9%	41.7%
Dividend Growth	11.1%	10.1%
Total Payout Yield	4.5%	2.1%
Price to Earnings (trailing)	16.9x	19.2x
Price to Book	2.4x	2.1x
Weighted Avg Mkt Cap.	\$89.3bn	\$88.4bn

Source: Kleinwort Benson Investors as of 30/06/15. The risk characteristics are calculated using monthly gross returns over a 10 year period relative to the MSCI World Index. The AUM listed above is Global Equity Global Developed AUM. Weighted Avg. Mkt. Cap figures are in US Dollars.

## Strategy Overview

<b>Objective</b>	Consistency. Downside protection. Lower risk.
<b>Style</b>	Relative value. High quality. Multi cap. Diversified.
<b>Products</b>	Global, EAFE, Emerging Markets, North America, ACWI, Eurozone

## Investment Philosophy

We are "total return" investors.

Our conviction is that companies with the financial strength and discipline to maintain and grow their dividend commitments outperform.

Uniquely, we find such companies across all capitalisations, and in every sector and every region, even ones where dividends are low and not typically used as a method of analysis. By "looking where others don't look" we consistently find and exploit mispriced stocks.

The main reasons for outperformance are:

- Quality of information
- Better governance
- Plentiful positive earnings surprises
- Capital efficiency and financial discipline
- Lower volatility
- Better valuations

## Annualised Performance (£)

	3Mths	YTD	1Yr	3Yrs	5Yrs	10Yrs
Fund (Gross)	-4.7	-0.7	5.8	13.9	12.6	8.9
MSCI World Net Return Index	-5.3	1.8	10.3	14.2	12.0	7.8
MSCI World Value Net Return Index	-5.5	-0.6	5.6	13.1	10.6	6.7

Source: Kleinwort Benson Investors, Datastream, MSCI as of 30/06/15

Returns are gross of fees in Sterling. Returns from 01/06/03 to 31/07/04 are based on a Belgian Fund which followed the KBI Developed Equity Strategy and was managed by KBI. Returns from 01/08/04 are live from the KBI Developed Equity Strategy. MSCI benchmark returns assume the reinvestment of dividends after the deduction of withholding taxes.

## Portfolio Positioning Sector Breakdown

Sector	%
Financials	21.0
Information Technology	15.0
Health Care	14.1
Consumer Discretionary	10.5
Consumer Staples	10.3
Industrials	9.9
Energy	7.1
Materials	5.1
Telecommunication Services	4.1
Utilities	2.9

## Geographical Breakdown

Region	%
North America	61.6
Europe	24.9
Japan	9.0
Pacific Basin ex Japan	4.5

## Top 10 Holdings

Stock	Country	%
Microsoft Corporation	US	2.7
General Electric Company	US	2.3
Apple Inc	US	1.9
Exxon Mobil Corporation	US	1.9
National Oilwell Varco Inc	US	1.6
Eli Lilly & Company	US	1.5
AbbVie Inc	US	1.4
Intel Corporation	US	1.4
Reynolds American Inc	US	1.3
HSBC Holdings Plc	UK	1.3

Source of all data: Kleinwort Benson Investors. Data as of 30/06/15

## Current Developed Portfolio Characteristics

Mkt. Cap \$bn	Strategy	MSCI World Index	+/- %
<3 (small)	2.5	1.2	1.3
3-5 (mid-small)	5.0	2.8	2.2
5-10 (mid)	15.7	10.5	5.2
10-25 (mid-large)	16.1	20.0	-3.9
>25 (large)	60.6	65.3	-4.7

Source: Kleinwort Benson Investors as of 30/06/15. Market Cap figures are in US Dollars.

## Investment Team

Key People	Title	Investment Experience
CIO		
Noel O'Halloran	Chief Investment Officer	27yrs
Portfolio Management Team		
Gareth Maher	Head of Portfolio Management	28yrs
David Hogarty	Head of Strategy Development	24yrs
Ian Madden	Portfolio Manager	15yrs
James Collery	Portfolio Manager	15yrs
John Looby	Portfolio Manager	25yrs
Massimiliano Tondi	Portfolio Manager	11yrs
Trading		
Ultan O'Kane	Trader	9yrs

## Contact Details

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## Investment Process

We summarise our process into three steps

### STEP 1

Create regional industry group segments from MSCI Index.  
Eliminate stocks below segment average yield.  
Lower yield stocks, countries, industries will qualify.

### STEP 2

Eliminate stocks and segments that fail sustainability, quality and growth criteria.  
Rank remaining stocks

### STEP 3

Create portfolio targeting preferred financial criteria and highest ranked stocks.

## Overview

Global financial markets were buffeted by a series of cross-currents in Quarter 2. Currencies continued to play a key role with the Euro recovering almost 4% against the USD to recoup some of the ground lost in Quarter 1. This was symptomatic of more general volatility evident during the quarter as stalemate turned to breakdown between Greece and its official creditors, Chinese stocks reacted in roller-coaster fashion to mixed policy and economic news, and the Fed continued to agonise about when to finally tighten policy. Against that backdrop, the Vix increased almost 20% over the quarter.

The de-synchronised behaviour of the global economy and stock-market performance, which has been such a feature of the last year and a half, continued in Quarter 2. Japanese equities continued to out-perform their regional counterparts in North America, Europe and elsewhere in Asia, as the trends of Yen weakness and towards a more shareholder-friendly focus by corporate management showed no signs of slowing. By contrast, Asia excluding Japan was the weakest region. The Australian market was notably weak with sharp falls in both its financial and mining sectors. More generally, investors shied away from interest rate sensitive industry groups during the quarter as improving economic data in the US heightened expectations of an interest rate rise.

The benefits of our broad diversification and tendency to provide downside protection in more challenging environments were evident in Quarter 2. The decline in our fund lagged that of the global index, recouping some of the relative ground lost in the previous quarter.

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