



MIRABAUD – GLOBAL EQUITY HIGH INCOME FUND

A multi-thematic, growth orientated, ESG, global equity income fund, with a focus on delivering a relatively high and growing dividend stream with the potential for capital appreciation.

How we access high and growing dividends

Mirabaud - Global Equity High Income Fund is a concentrated 35-45 stock portfolio seeking a dividend yield in excess of 1.2x-1.5x the MSCI All Countries World Index, which is the fund's benchmark. Historically, the Fund has delivered a yield around 1.4x* the benchmark, with sustainable growth.

Anu Narula, Mirabaud Asset Management's Head of Global Equities, and **Paul Middleton**, Portfolio Manager, have been managing global equity income strategies since 2011. After joining Mirabaud Asset Management in 2013, they launched the Mirabaud - Global Equity High Income in the same year, applying a distinctive approach in this asset class.

What's uniquely different about the Fund is its focus on global themes that provide an important tailwind for the companies in which it invests. The thematic approach is used as a filter to focus on companies that have the potential for topline growth with sustained and growing dividends. This is then augmented by selecting companies with stronger ESG credentials.

Our approach also means that individual stocks drive risk and return – stock specific risk is higher than factor risk

A 35-45 stock portfolio focusing on companies that pay strong and sustainable dividends in excess of 1.2x-1.5x the MSCI All Countries World Index

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Our approach also means that individual stocks drive risk and return – stock specific risk is higher than factor risk

WE EMPLOY A MULTI-THEMATIC APPROACH

We use themes as a filter within our investment approach. They focus the way we go about finding opportunities in leading companies that will derive additional tailwinds from these themes to deliver topline growth. This is key to generating sustainable, strong cash flow and dividend yield.

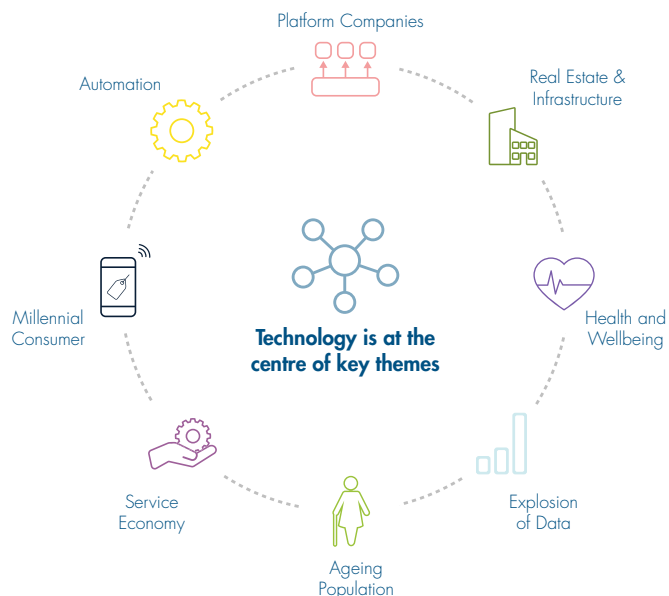
Our thematic style is structured differently - we've identified eight global themes in total and multiple sub-themes beneath them. Their interconnectivity is **innovation and business disruption**. It's this multi-thematic approach that gives us opportunities to exploit areas that are experiencing long-term sustainable demand from consumers or industries.

Our **Explosion of Data** theme is perhaps a very relevant example in today's market environment. This theme continues to be driven by the move towards the digital economy and changing preferences in the way individuals access information. As many countries around the globe faced a lockdown as a result of the coronavirus, the 'stay at home' economy strengthened significantly as companies switched to remote working. This led to significant increases in demand for data and internet traffic, providing strong tailwinds for companies in this area – and plays to our thematic focus.

For example, **Cogent** is directly benefitting from the stay-at-home economy, as a result of increased internet traffic, with more people working from home, more people gaming, and more people watching streaming content. These trends were in place beforehand, however, they have been accelerated by global lockdowns as a result of the coronavirus.

Digital Realty is another example. The company is a global leader in Data Centre Reits, which are a key part of the infrastructure allowing companies to move to the cloud. Digital Realty is also seeing accelerated trends in the current crisis, as enterprises need greater SaaS (Software as a Service) and cloud capabilities in the work from home environment.

At our core, we are fundamental stock pickers. We conduct extensive research to assess how well a company and its management is positioned to take advantage of the opportunities that these global themes present.



The 'stay at home' economy strengthened significantly as companies switched to remote working

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WE FOCUS ON QUALITY

A core belief as equity income investors is built around our experience that companies paying dividends are highly disciplined in managing their cash flow, they apply rigorous standards to capital expenditure decisions and are careful stewards of their cash. However, there is a large disparity between the quality of these companies.

We invest in leaders - companies that can maintain the ability to achieve sustained growth in revenues following completion of most, if not all of their capital expenditure requirements. This is a stage in their lifecycle where they are returning capital back to shareholders through dividends. Usually, this means investment grade-rated companies, which enjoy high free cash flow yields and very strong balance sheets.

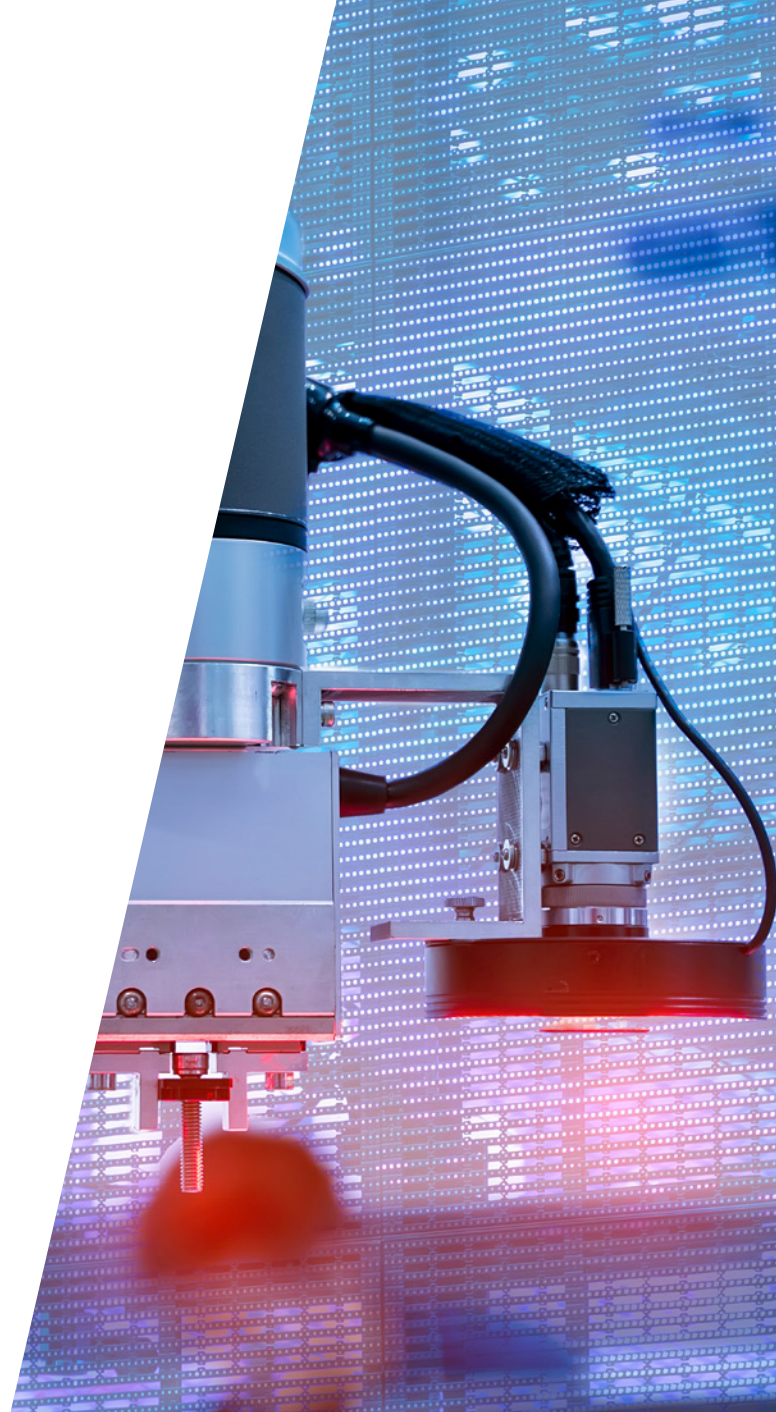
To emphasise our approach on quality, we recently established new positions in leading franchises that can weather global economic uncertainty and continue to provide strong dividend growth. These are marquee names that were on our 'watch' list – where yield was not previously high enough. This changed with the market sell-off in March.

These new names include **Colgate**, a leading brand with a strong balance sheet, which we believe will benefit from an increased focus on health and hygiene. Other examples include **Starbucks**, **Home Depot** and **Procter & Gamble**, the American consumer goods company. Starbucks has a loyal consumer base, a robust digital platform and it has recently reopened its stores in China. Home Depot has also invested heavily in digital technology while Lowes, its major rival, has observed that DIY is picking up as more people stay at home. Our holding in Procter & Gamble, meanwhile, reflects our health and well-being theme where we believe spending will continue, albeit largely online for the immediate future.

DIVERSIFIED APPROACH TO BUILDING YIELD

We implement a barbell strategy to construct a portfolio that can achieve high and growing dividends, with capital growth. As a starting point, all stocks that enter the portfolio must generate a yield of at least 2%. We then look for a balance of companies with higher yields that are growing dividends, alongside firms with lower yields but with the potential for much higher dividend growth. This approach positions the fund to benefit from more sustainable dividend growth and creates more opportunities to participate in capital appreciation.

The Global Equities team has the capability to add income through covered calls. This involves selling calls on selected companies, collectively making up no more than 25% of the portfolio. The team has done this successfully in the past, during previous periods of market dislocation.



We are seeking high free cash flow yields and very strong balance sheets

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We look for leading franchises that can weather global economic uncertainty and continue to provide strong dividend growth

APPLYING OUR ESG APPROACH

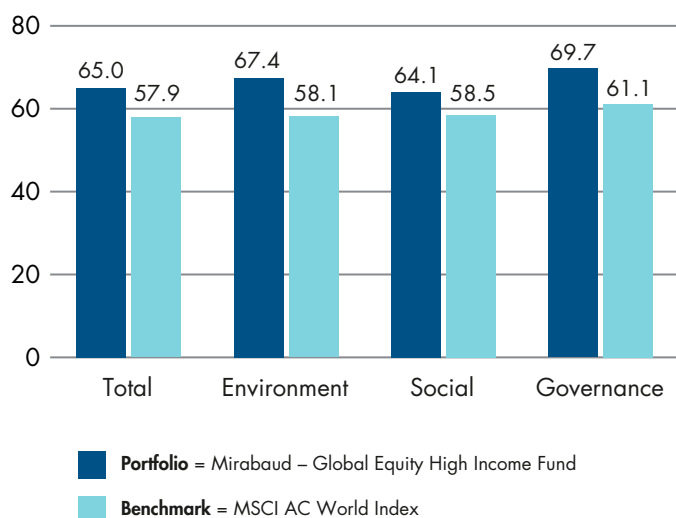
As active owners, the Global Equities team work jointly with a central function of ESG specialists to strengthen engagement with companies held in the Fund's portfolio. Any new insights are automatically fed back into the process.

As part of our long-term sustainable approach, we screen out sectors where active engagement is unlikely to lead to positive outcomes - this includes tobacco and alcohol. We then look for leaders, harnessing independent information sources such as Sustainalytics to focus on highly-rated ESG companies.

A defining feature of the Fund is our approach to ESG, which has led to a five-globe Morningstar Sustainability Rating – placing it 4th percentile in Morningstar's Global Equity Income Sector**. In today's more challenging world, implementing an ESG framework is crucial in understanding the sustainability of a company's dividend and growth prospects. It helps us create a multi-layered approach to longer-term risks and make well-informed decisions.

ESG SCORE

As of end of March, the total ESG score was 65/100 vs 57.9 for the benchmark.

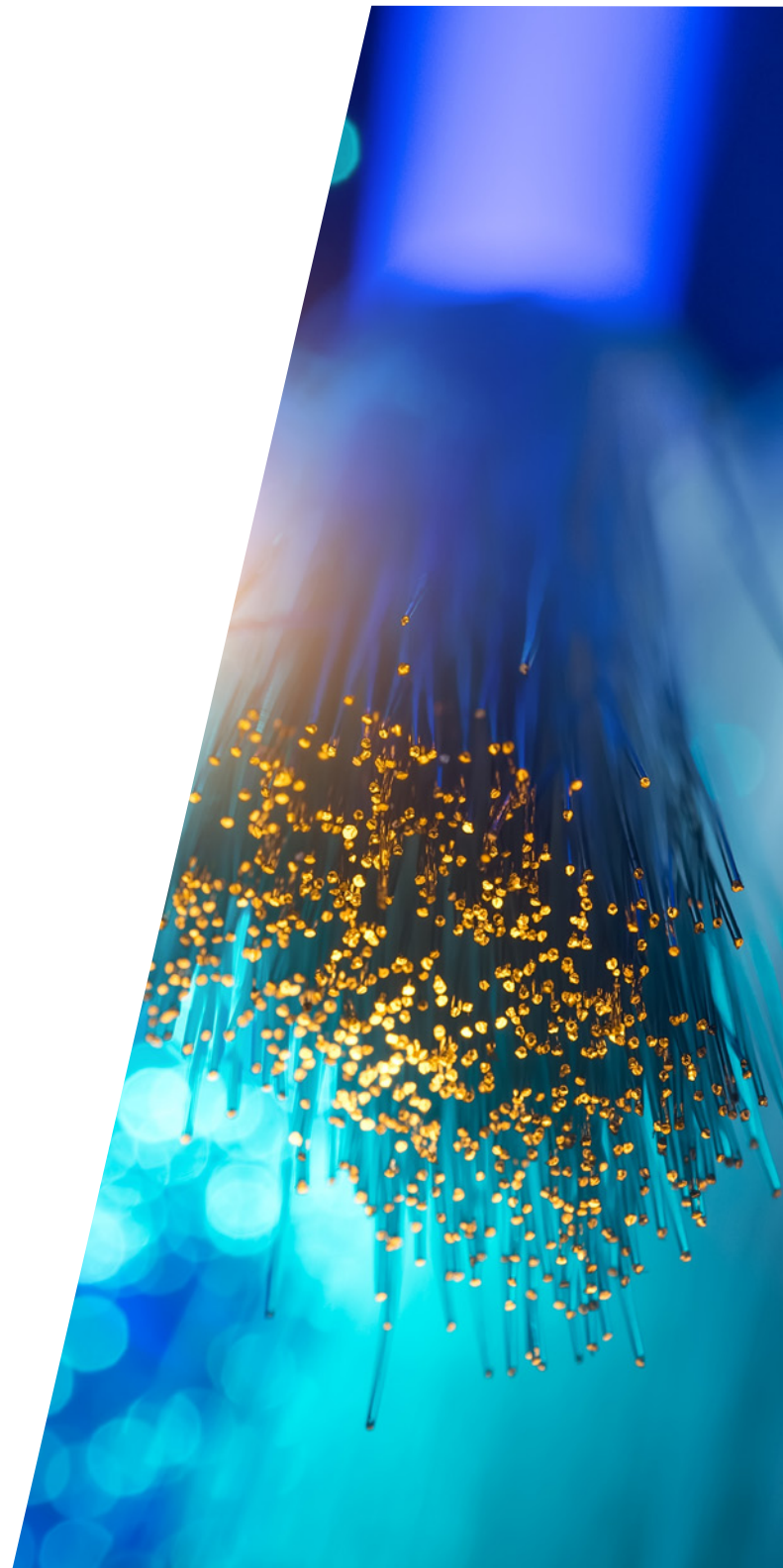


Source: Mirabaud and Sustainalytics at 31/3/2020

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ENGAGEMENT IN ACTION

- We approached **Edenred** (part of our Explosion of Data theme), a global leader in prepaid corporate benefits, regarding alleged anti-competitive behaviour as well as cybersecurity questions highlighted by our ESG research provider. Through our conversations with the company we established that, despite suffering a minor cybersecurity incident, they had strong systems and policies in place, and a strong business continuity plan. The company also aims to increase their transparency and communications. With regards to the alleged anti-competitive behaviour issue, the company explained that they were appealing the decision and that the fines imposed on it and its peers were not financially material. We also ensured that they improved their compliance systems to avoid similar incidents in the future.
- We contacted **Technopro** (part of our Service Economy theme), a Japanese staffing company, as part of our active shareholder dialogues with all portfolio companies. The focus of our conversation was on human capital, data privacy and corporate governance. We found that the company was working to increase its transparency and communications on CSR initiatives, following relatively lower ratings by ESG data providers. The areas where we found room for improvement were the development and proactive communication of data privacy management and cybersecurity issues. Our assessment after the analysis was that the company's management of ESG issues was part of their business strategy and now lives up to the sustainability expectations we set for all our portfolio companies. We will continue to monitor their development in the coming years.



All sources Mirabaud Asset Management, unless otherwise stated.

***Source: Mirabaud Asset Management at 31/3/2020, based since the Fund's inception**

****Source: Morningstar at 31/3/2020**

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Anu Narula

EXPERIENCED GLOBAL EQUITIES TEAM

- At Mirabaud Asset Management, Anu and Paul have been managing global equity portfolios along thematic lines for over six years.
- They have been investing thematically for over seventeen years.
- Anu Narula, Head of Global Equities, is A-rated by Citywire.
- Anu Narula has a uniquely long term track record in managing global equities, outperforming the average manager since 2011 (source: Citywire)



Paul Middleton

IMPORTANT INFORMATION

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All investment involves risks. **Past performance is not indicative or a guarantee of future returns. Fund values can fall as well as rise, and investors may lose the amount of their original investment. Returns may decrease or increase as a result of currency fluctuations.**

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