# Global Equity Income Strategy
# FACTSHEET

March 2019

## Monthly Portfolio Commentary

Financial markets continued their strong start to 2019, with global equities rising 2.7% in March the third positive month in a row (14.5% gross for the quarter), as fears regarding trade wars and US interest rates continued to ease. The Global Equity Income portfolio, with its relatively defensive positioning, rose by 1.8%, and ended the quarter up 13.9% (net of fees). Our defensive holdings performed well over the month, including Reckitt Benckiser (+10%), Unilever (+9%), Mondelez (+8%) and Compass Group (+8%). Technology specialist Accenture was the top performer, up 11% on strong results and outlook, while Danish pharmaceutical Novo Nordisk rose 10%. On the negative side, cruise giant Carnival fell 11% on a disappointing outlook, while US bank stocks fell as lower US bond yields negatively affected investor sentiment – M&T Bank was down 7% while US Bancorp declined 5%.
Over the month we took advantage of this exceptionally strong start to the year by selling Cap Gemini, CRH and LVMH after c.25% performances. We initiated a few new holdings in good quality stocks that had underperformed, including French auto-parts company Faurecia and US department store company Kohls. The portfolio ended the quarter with cash reserves at 15%.

## Why choose the Global Equity Income Strategy?

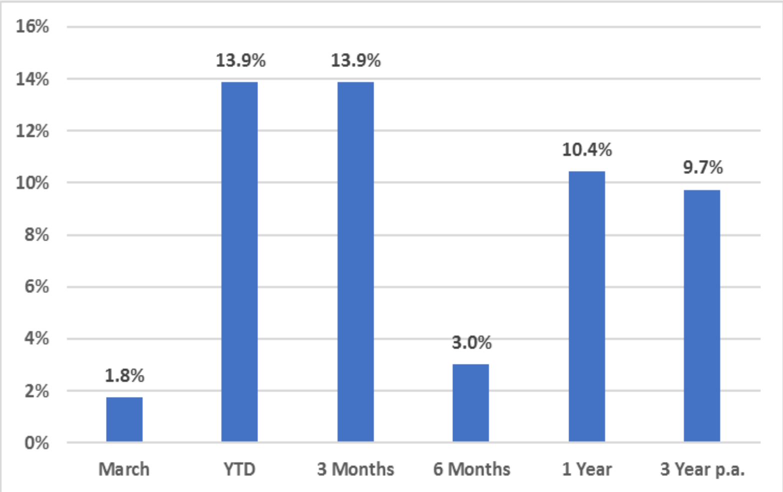
Much analysis has shown that in the long term the majority of equity market returns are made up of dividends and dividend growth. Hence we believe a portfolio combining high quality companies where management are focused on growing their dividend is very much aligned with our own investment beliefs.

## Conservatism

Conservatism features strongly in our investment process when allocating our clients capital. We are unashamed of this and protecting our clients from losses is at the forefront of our risk management process.

## Experience of the team

The team was one of the first investment managers to focus on dividend paying




*Source: Cantor Fitzgerald Ireland Ltd. Research as of 29/03/2019

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## Investment Objective

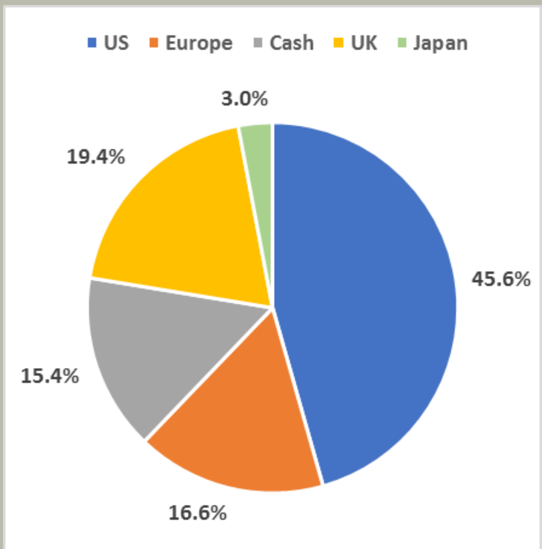
The investment objective of the Global Equity Income Fund is to invest in a diversified global portfolio of financially-strong, well-managed companies that have a proven record in paying an attractive dividend and have management commitment to consistently increase it.

We aim to improve long-term risk-adjusted total equity returns while maintaining a balanced exposure to dividend yield, quality and dividend growth. We will aim to generate a c. 5-6% return annually over the medium term.

## Portfolio Management Team

Pramit Ghose, Bernard Murphy & Gareth Walsh

## Geographical Exposure*




| Calendar Year Returns* | | |
|---|---|---|
| 2018 | 2017 | 2016 |
| -7.1% | 6.8% | 10.7% |

*Source: Cantor Fitzgerald Ireland Ltd. Research as at 29/03/2019

WARNING: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up.

WARNING: This fund may be affected by changes in currency exchange rates

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### Top 10 Equity Holdings (38.2% of assets)*:

| Company | Sector |
|---|---|
| Novo Nordisk | Health Care |
| Compass Group | Consumer Discretionary |
| US Bancorp | Financial |
| Unilever | Consumer Staples |
| Prudential | Financial |
| United Technologies | Technology |
| Honeywell Intl | Industrial |
| Royal Dutch Shell | Energy |
| Kohls Corp | Consumer Discretionary |
| Novo Nordisk | Health Care |

### Sector Weights*:

| Sector | Global Equity Income |
|---|---|
| Cash | 15% |
| Financials | 16% |
| Consumer Staples | 17% |
| Technology | 8% |
| Industrials | 13% |
| Consumer Discretionary | 13% |
| Energy | 8% |
| Health Care | 7% |
| ETF | 3% |
| Materials | 0% |
| Utilities | 0% |
| Energy | 0% |
| Real Estate | 0% |

*Source: Bloomberg & Cantor Fitzgerald Ireland Ltd. Research

### Holding Update**

United Technologies provides products and services to the building systems and aerospace industries worldwide. It operates through the following business segments: Otis elevators & escalators; UTC Climate, Controls & Security; Pratt and Whitney aircraft engines; and Collins Aerospace. Geographically, the US is the biggest region with 57% of Revenue and 50% of operating profit. Europe has 20% and 22% respectively, Asia Pacific has 15% and 16%.

Market Cap : $114 BLN USD        Dividend Yield : 2.2%

United Technologies are moving into a new phase following the successful integration of Rockwell Collins into their Aerospace division. This created the world's largest aerospace supplier. In November 2018 the company proposed the splitting up of the company to release value. They aim to separate the business into 3 distinct parts; Aerospace – combining Pratt & Whitney engines and Collins Aerospace, currently about 60% of group profit (operating margins of 6% and 14.7% for P&W and CA); Climate, Controls and Security, 25% of the current group and healthy 15%+ margins; and Otis 15% of profits, also with 15%+ margin.

The group trades on a sub 17x multiple, while aviation peers such as Safran, Rolls Royce and Aerojet Rocketdyne trade between 18x and 30x, and elevator peers of Otis such as Kone & Schneider trading around 22x. The group hopes that this leaves significant scope for a re-rating if the de-merger happens. The balance sheet has always been carefully monitored at United Technologies. Debt was increased to fund the Rockwell Collins acquisition (announced Sept 17), but since then the impressive cash flow has facilitated significant debt reduction, with net debt reducing from 3.0x EBITDA to 2.6x this year.

The dividend of 2.2% is well covered with the pay-out ratio below 45% at the end of 2018. The dividend continues to increase at an average of 5% per annum. Organic growth averaged 8% last year across the group, with a healthy spread across all divisions. Notwithstanding the tragic events at Boeing, Pratt & Whitney was the standout with 22% organic growth, although margins were lower as the GTF (Geared Turbo Fan) engine incurred new shipment costs. This is forecast to be a multi-year positive as it becomes fully operational. The share delivered 21.7% in Q1 2019.

**Source: Bloomberg & Cantor Fitzgerald Ireland Ltd. Research

WARNING: This is not a stock recommendation



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