



STRATEGY PROFILE

# U.S. Equity Shareholder Yield

SECOND QUARTER 2020



**SEEKS SUPERIOR TOTAL AND RISK-ADJUSTED RETURNS WITH HIGH DIVIDEND INCOME AND BELOW-MARKET VOLATILITY**

**AT A GLANCE**

Our U.S. Equity Shareholder Yield strategy pursues attractive total returns with an above-average level of income by investing in a diversified portfolio of U.S. companies with strong and growing free cash flow. Companies in the portfolio possess managements 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. The portfolio generally holds between 75 and 120 stocks from equity markets worldwide, with risk controls to diversify the sources of shareholder yield and minimize volatility.

**THE U.S. EQUITY SHAREHOLDER YIELD OPPORTUNITY**

- Access to a portfolio of high-quality U.S. companies with attractive income and capital appreciation potential
- Portfolio holdings generate strong free cash flow and use their excess cash to provide shareholder yield — dividends, share buybacks and debt pay downs — without taking undue business risk
- Active management by an experienced investment team
- Risk management integrated with the investment process, seeking to achieve the least possible volatility for the return characteristics sought and capital preservation in down markets; the strategy has had a historically low beta
- Record of strong relative and risk-adjusted returns since inception
- Cash-flow-oriented approach and low beta complements other managers within an overall asset allocation plan

**EPOCH'S DISTINCT INVESTMENT PHILOSOPHY AND APPROACH**

The bedrock of our philosophy is that the growth and applications of free cash flow represent the best predictor of long-term shareholder return. As a result, our security selection process is focused on free-cash-flow metrics and capital allocation as opposed to traditional accounting-based metrics such as price-to-book and price-to-earnings. We look for a consistent, straightforward ability to generate free cash flow and to allocate it effectively among internal reinvestment opportunities, acquisitions, dividends, share repurchases and debt pay downs. An essential factor is

the evaluation of each company's management team to confirm their commitment to transparency and building shareholder value. The companies uncovered by this process have inherently less volatility due to their ability to generate cash flow.

The U.S. Equity Shareholder Yield strategy uses proprietary quantitative research to identify potential investments. We look for factors including high current dividend yield, growth in cash flow, cash from operations that exceeds dividends and no dividend cancellations. Stocks are then subject to rigorous fundamental research. We develop an investment thesis as we assess the sources of the company's long-term value creation and management's ability to nurture it. Management's track record of allocating capital is scrutinized as we look for those with the discipline to return cash to shareholders if the expected return for other uses of cash does not exceed the firm's cost of capital. We select stocks that can help the portfolio meet our 5% shareholder yield requirements, with 3% coming from dividends and 2% coming from share buybacks and debt repayments. We also look for a 3% minimum growth rate of cash flow. Once a stock has been purchased for the portfolio, we regularly revisit our thesis and typically sell the stock if it appears the company will no longer be able to provide the required level of shareholder yield or if we see another investment with the characteristics we are looking for with less risk.

While the portfolio is constructed from the bottom up, decisions are made with consideration of the macro context. Epoch's Investment Policy Group, composed of senior members of our different strategy groups, provides insight and guidance on the global market environment and macroeconomic and industry trends.

We analyze risk as part of the portfolio construction process to monitor portfolio volatility and better ensure the delivery of the strategy's goals. A senior member of the Quantitative Research and Risk Management team is a co-portfolio manager on every strategy managed by Epoch so that portfolio managers are aware of unintended biases and the effect individual securities may have on the portfolio. The portfolio is diversified across sectors and sources of yield so that no single stock is relied on too heavily to achieve the portfolio's yield targets.

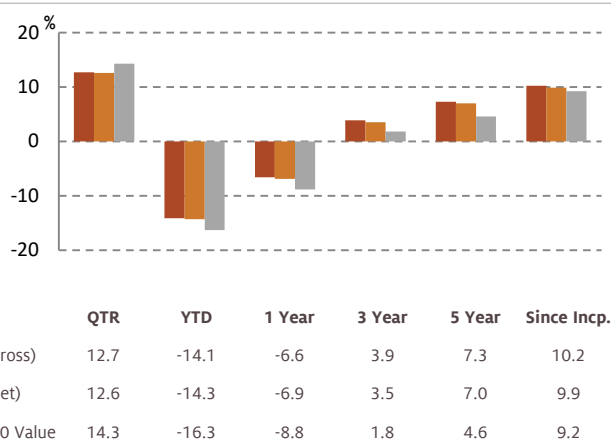
**EXPERIENCED PORTFOLIO MANAGER TEAM**

	Joined Epoch	Industry Experience
<b>Kera Van Valen, CFA</b>	2008	19
<b>John Tobin, PhD, CFA</b>	2012	39
<b>Mike Welhoelter, CFA</b>	2005	34
<b>Bill Priest, CFA</b>	2004	55
Supported by a team of analysts with an average of over 20 years experience		

**RISK/RETURN PROFILE**

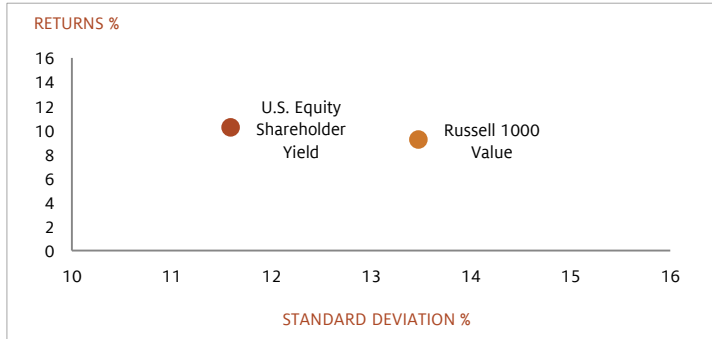
Annualized Return		
U.S. Equity Shareholder Yield		10.2%
Russell 1000 Value		9.2%
Risk Metrics		
Standard Deviation	Portfolio	Russell 1000 Value
	11.6	13.5
Sharpe Ratio	0.82	0.63

## U.S. EQUITY SHAREHOLDER YIELD RESULTS



	Portfolio (Gross)	Portfolio (Net)	Russell 1000 Value
2019	25.0	24.6	26.5
2018	-4.6	-4.9	-8.3
2017	17.8	17.5	13.7
2016	15.6	15.3	17.3
2015	-1.3	-1.6	-3.8
2014	16.1	15.8	13.5
2013	31.6	31.2	32.5
2012	3.5	3.2	8.1

## RISK/RETURN PROFILE



## RISK METRICS

Portfolio vs.	Alpha	Beta	R <sup>2</sup>
Russell 1000 Value	2.61	0.80	0.87
Portfolio vs.	Upside Capture	Downside Capture	
Russell 1000 Value	84.2	74.2	

## CHARACTERISTICS

	Portfolio
Dividend Yield (%)	3.7
Weighted Avg Mkt Cap (\$M)	150,277
Weighted Med Mkt Cap (\$M)	68,110
Number of Equity Positions	93
12 Month Turnover (%)	29.5
Companies that Increased dividends YTD	42

## PORTFOLIO COMPOSITION

### 10 LARGEST HOLDINGS

	Portfolio %
Microsoft Corporation	2.3
Verizon Communication	2.1
Johnson & Johnson	2.0
Merck & Co., Inc.	1.9
AbbVie, Inc.	1.9
Amgen Inc.	1.8
Procter & Gamble Comp	1.8
Kimberly-Clark Corpor	1.7
KLA Corporation	1.7
AT&T Inc.	1.7
<b>Total</b>	<b>19.0</b>

### SECTOR WEIGHTS

	Portfolio %
Health Care	14.2
Financials	13.3
Information Technology	12.9
Consumer Staples	12.8
Utilities	12.2
Industrials	10.1
Consumer Discretionary	5.7
Communication Services	4.8
Energy	4.6
Materials	4.0
Real Estate	2.9
Cash	2.4
<b>Total</b>	<b>100.0</b>

### ADDITIONAL INFORMATION

Composite Inception	June 30, 2012
Strategy Assets	\$1,999 million
<b>Availability</b>	<b>Minimum</b>
Separate Account	\$25 million
Mutual Funds	
Mainstay Epoch U.S. Equity Yield Fund	
Ticker: EPLCX (1 Share)	\$5 million

All data as of 06/30/2020 unless otherwise noted. Source: FactSet Research Systems, Inc.; Frank Russell Company ("Russell"). Totals may not add due to rounding. The inception date of the strategy is June 30, 2012. Performance for the most recent quarter is preliminary and subject to change. The risk statistics are shown for informational purposes only and are not indicative of future results. Past performance is no guarantee of future results. Valuations are computed and performance is reported in U.S. dollars. Composite returns are presented gross and net of management fees and include the reinvestment of all income. Gross-of-fees returns are presented before management fees but after all trading expenses. Net performance reflects the gross-of-fees return reduced by the investment management fee and performance-based fee (where applicable) incurred. Effective 10/2012, net performance is calculated by deducting the actual investment management fee incurred by each portfolio in the composite. Prior to 10/2012, net-of-fee returns reflect the deduction of the highest annual management fee, calculated on a monthly basis. Returns include the effect of foreign currency exchange rates. The statements expressed herein are informed opinions, are as of the date noted, and are subject to change at any time based on market or other conditions. International investments involve special risks including currency fluctuation, long liquidity and different accounting methods and economical and political systems. Securities of smaller companies tend to be more volatile and less liquid than that of large companies. Information about indices allows for the comparison of an investment strategy's results to that of a widely recognized broad market index. There is no representation that such index is an appropriate benchmark for such comparison. Results for an index do not reflect trading commissions and costs. Index volatility may be materially different from a strategy's volatility and portfolio holdings may differ significantly from the securities comprising an index. This information is intended to highlight issues and not to be comprehensive or to provide advice only. Any reproduction, modification, distribution, transmission or republication of the information, in part or in full, is prohibited.