

# Global Select

THIRD QUARTER 2021



*Seeks to provide long-term capital appreciation by investing in a highly concentrated portfolio focused on companies' ability to generate and allocate free cash flow*

## Key Components of the Global Select Strategy

Distinctly concentrated global equity portfolio of Epoch's highest investment conviction, befitting from proprietary research that drives Epoch's U.S. and global strategies

Companies selected based on ability to generate free cash flow and allocate it intelligently to create shareholder value

Flexibility to invest across geographies and the market capitalization spectrum

Portfolio construction framework designed to minimize unintended risks and reduce volatility

Risk Management Integration in Investment Process—Minimize unintended risks and reduce volatility

## Investment Philosophy

Epoch believes that the best predictors of long-term shareholder return are growth in free cash flow and management's skill in allocating that cash.

We prefer cash flow to earnings for three reasons. First, cash flows are more reliable than reported earnings because they are harder to manipulate under accounting rules. Second, for innovative businesses which derive much of their economic value from intangible assets,

reported earnings have become increasingly less relevant as a measure of value generation compared to cash flows. Third, businesses which appear to generate reported earnings but not cash flows are more likely to run into financial distress.

Capital allocation matters because decisions on how to allocate cash flows—whether to reinvest in order to grow a company, or to return capital to shareholders—can create or destroy long-term shareholder value.

## Strategy Approach and Investment Process

Global Select seeks long-term capital appreciation by investing in a portfolio of up to 15 stocks possessing superior risk-return profiles. Companies are selected for their ability to generate and grow free cash flow and allocate it intelligently to benefit shareholders. The portfolio combines investment themes developed by Epoch's Investment Policy Group with high-conviction stock ideas that embody a variant point of view from that implied by the current market price as identified by the firm's research team. The portfolio management team has latitude to invest across geographies and market capitalizations.

The strategy primarily sources ideas from our suite of concentrated 'Choice' strategies (Global, Non-U.S. and U.S.) in assembling a highly concentrated portfolio. In turn, Epoch's Choice strategies source the majority of positions from the approximately 500-600 securities held across the firm, benefiting from proprietary research that drives our U.S. and global strategies. As such, Global Select represents the most concentrated form of Epoch's highest conviction ideas. Portfolio Management is led by the Co-CIOs, representing the full intellectual property of Epoch's global equity investment team, including risk management.

The investment team looks for companies that generate free cash flow, have little debt relative

to their competitors (or are deleveraging), and possess managements with a history of capital allocation decisions that have increased shareholder value. The Global Select strategy leverages the fundamental research efforts of the entire Firm, along with the work of its Quantitative Research and Risk Management team and themes developed by our Investment Policy Group.

The firm's broader underlying equity strategies incorporate qualitative and quantitative analysis to identify potential investments, taking into consideration factors that can lead to growing cash flow. Analysts identify potential research candidates through meetings with companies, suppliers, customers, their peers, conferences, and trade shows. In addition, the portfolio managers may assign research candidates to the analysts based on the macro context or portfolio positioning considerations. Fundamental insights are complemented with the Epoch Core Model, a proprietary quantitative tool that was developed in-house to systematically express Epoch's fundamental investment philosophy, increase the breadth of coverage by our fundamental analysts and help prioritize their research work.

Research analysts perform rigorous bottom-up fundamental research with a focus on identifying companies that have the ability to generate, sustain, and grow free cash flow over time and possess managements that implement sound capital allocation policies designed to create shareholder value. We review the company's business model, industry dynamics,



competitive positioning and strategy, free-cash-flow profile, and returns on capital. In addition, we examine management's historical track record and incentive schemes. We prefer management teams that are focused on measures like free cash flow, return on invested capital, and total shareholder return vs. shorter term sales and EPS growth measures that can be flattered by accounting practices but may not translate into true shareholder value creation.

The final research consideration is price. Analysts must have a variant view of the opportunity compared to what may be imbedded in the current price of the security. This insight may reflect a discounted cash flow analysis or a simpler, price to free-cash-flow multiple or free-cash-flow yield. Estimates of the variant point of view value of the company are compared to the current market price and we look to initiate positions when there is a disconnect between the two.

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 the Co-CIO's and senior members of our investment leadership, provides insight and guidance on the global market environment and macroeconomic trends.

## Risk Management

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 Risk Management team is a co-portfolio manager on every strategy managed by Epoch, so portfolio leadership is aware of unintended biases and the effect individual securities may have on the portfolio. The portfolio is diversified across sectors and the sizes of individual positions are limited.

### Portfolio Management Team

#### Industry Experience

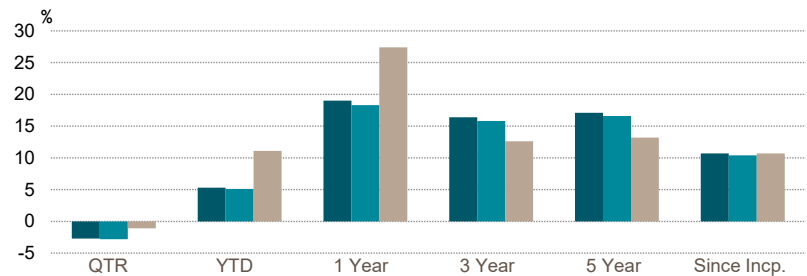
Bill Priest, CFA 56 years

Bill Booth, CFA 25 years

Mike Welhoelter, CFA 34 years

Supported by a team of analysts with an average of 20 years experience

## GLOBAL SELECT



	2020	2019	2018	2017	2016	2015	2014	2013	2012
Portfolio (Gross)	21.0	37.2	-0.2	27.4	-4.7	-3.2	0.3	26.0	0.8
Portfolio (Net)	20.3	36.3	-0.5	27.0	-5.0	-3.4	0.0	25.6	0.6
MSCI ACWI (Net)	16.3	26.6	-9.4	24.0	7.9	-2.4	4.2	22.8	5.0

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Results for 2012 represent partial period performance from July 1, 2012 through December 31, 2012.

## SECTOR WEIGHTS

	Portfolio %	MSCI ACWI (Net) %
Information Technology	34.5	22.1
Communication Services	24.4	9.1
Consumer Discretionary	22.9	12.3
Health Care	7.7	11.6
Utilities	4.1	2.6
Materials	0.0	4.6
Real Estate	0.0	2.6
Industrials	0.0	9.6
Consumer Staples	0.0	6.8
Energy	0.0	3.5
Financials	0.0	14.4
Cash	6.4	0.0
<b>Total</b>	<b>100.0</b>	<b>100.0</b>

## 5 LARGEST COUNTRY WEIGHTS

	Portfolio %	MSCI ACWI (Net)%
United States	45.6	59.6
Japan	17.2	6.2
Germany	8.1	2.3
Spain	8.1	0.6
France	7.6	2.9
<b>Total</b>	<b>86.6</b>	<b>71.6</b>

## THREE YEAR RISK METRICS

Portfolio vs. MSCI ACWI (Net)	
Info Ratio	0.63
Alpha	5.22
Beta	0.84
R <sup>2</sup>	0.89

## ADDITIONAL INFORMATION

Composite Inception	April 30, 2012
Assets	\$125.2 million
<b>Availability</b>	<b>Minimum</b>
Separate account	\$50 million

## CHARACTERISTICS

	Portfolio	MSCI ACWI (Net)
Dividend Yield (%)	0.9	1.7
Standard Deviation (3yr) (%)	16.0	17.9
Sharpe Ratio (3yr)	0.95	0.64
Weighted Avg Mkt Cap (\$M)	427,716	355,570
Weighted Med Mkt Cap (\$M)	95,633	87,348
Number of Equity Positions	14	2,979
12 Month Turnover (%)	101.8	

## 3 LARGEST HOLDINGS

	Portfolio %
Sony Group Corporation	9.5
Microsoft Corporation	9.1
T-Mobile US, Inc.	8.3
<b>Total</b>	<b>26.9</b>

All data as of September 30, 2021 unless otherwise noted. Source: FactSet Research Systems, Inc.; MSCI Inc. Totals may not add due to rounding. 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 1/2008, net performance is calculated by deducting the actual investment management fee incurred by each portfolio in the composite. Prior to 1/2008, 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.

