



Epoch Investment Partners, Inc.

A black and white photograph of three business professionals in an office setting. A man on the left is looking at a laptop, a woman in the center is smiling, and a man on the right is looking towards the center. The right side of the image is overlaid with a dark red gradient.

Global Equity Shareholder Yield

Reflation, Duration and Salvation

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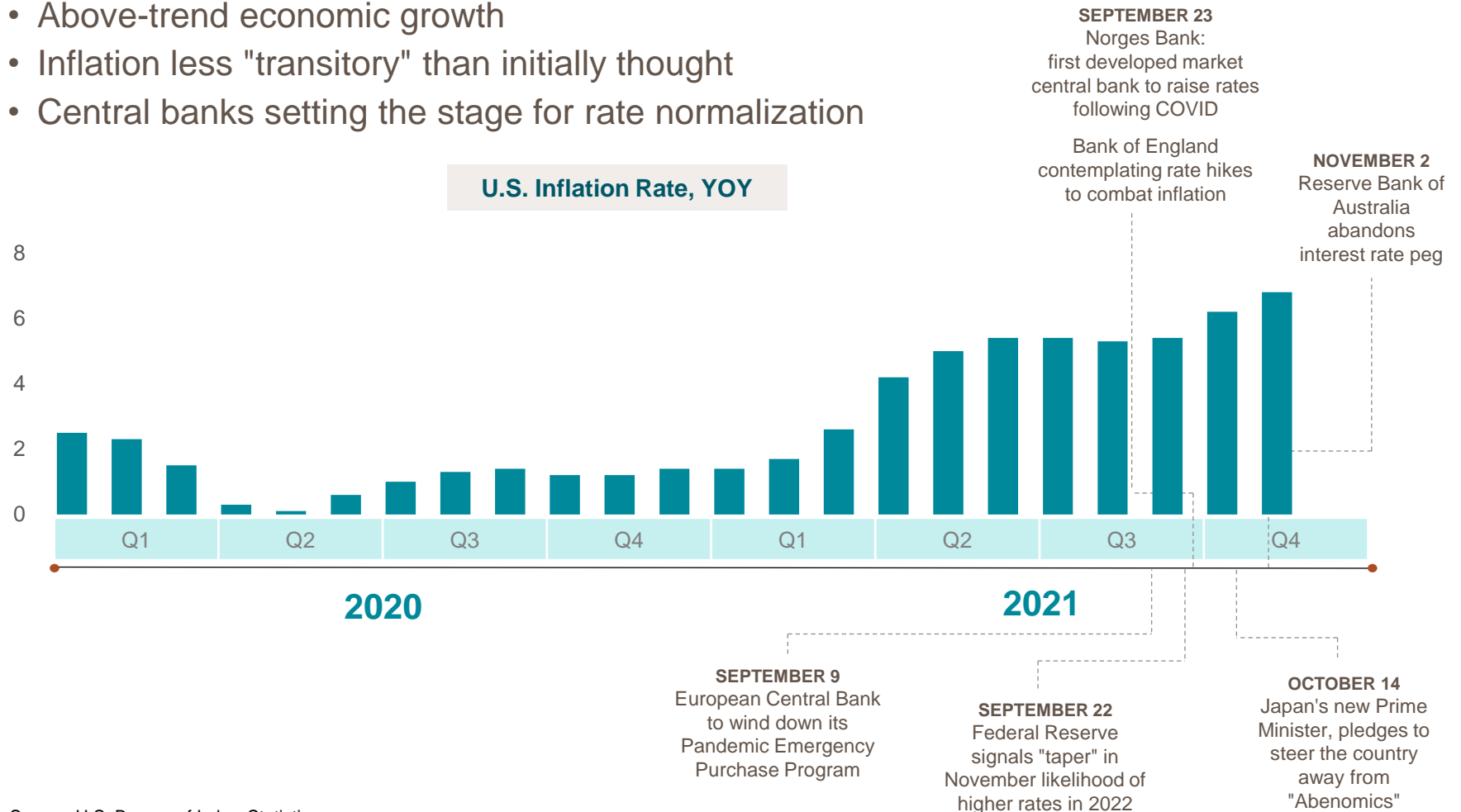
Chapter 1:

REFLATION

Interest rates have hit an inflection point

WE BELIEVE THE TREND FROM HERE IS UP

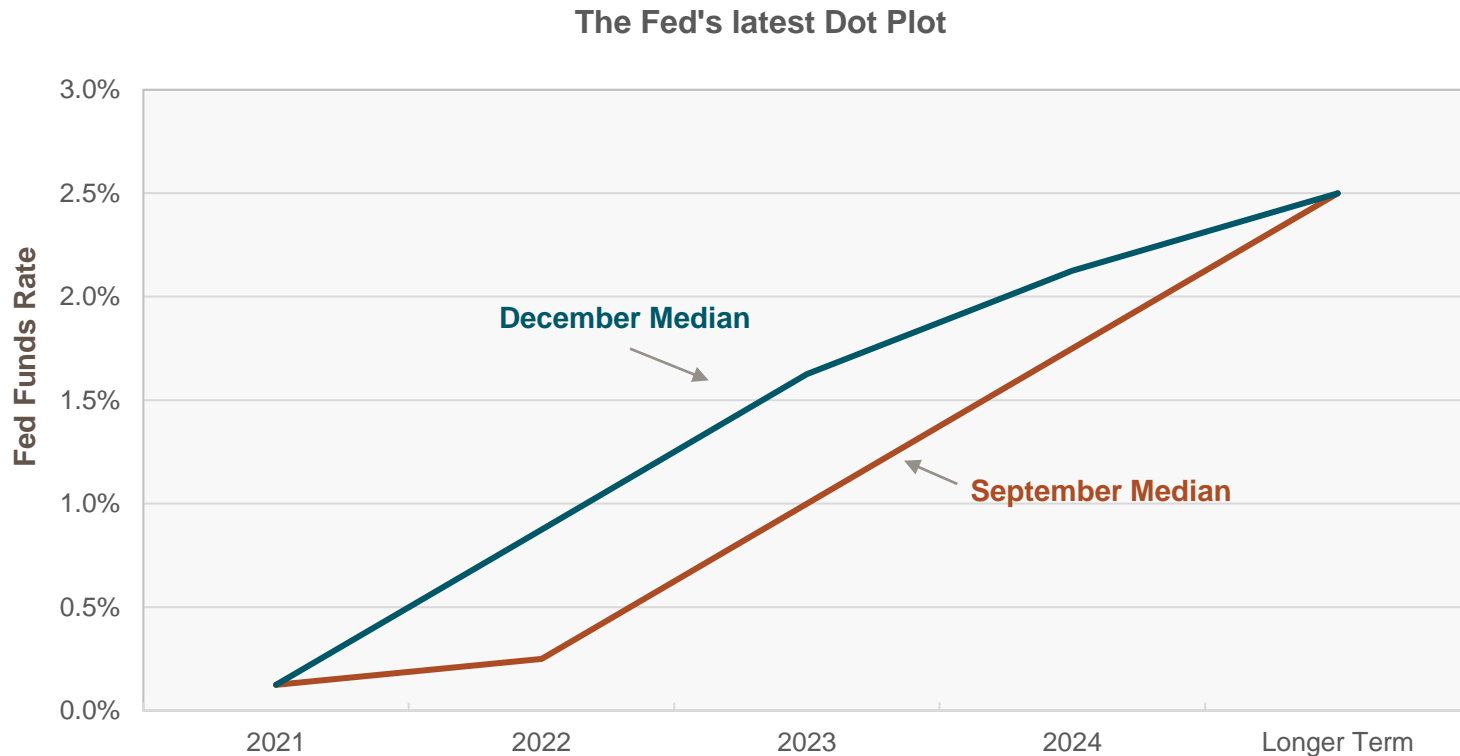
- Above-trend economic growth
- Inflation less "transitory" than initially thought
- Central banks setting the stage for rate normalization



Source: U.S. Bureau of Labor Statistics

Interest rates have hit an inflection point

WE BELIEVE THE TREND FROM HERE IS UP



Source: Bloomberg. As of December 15, 2021.

Chapter 2:

DURATION

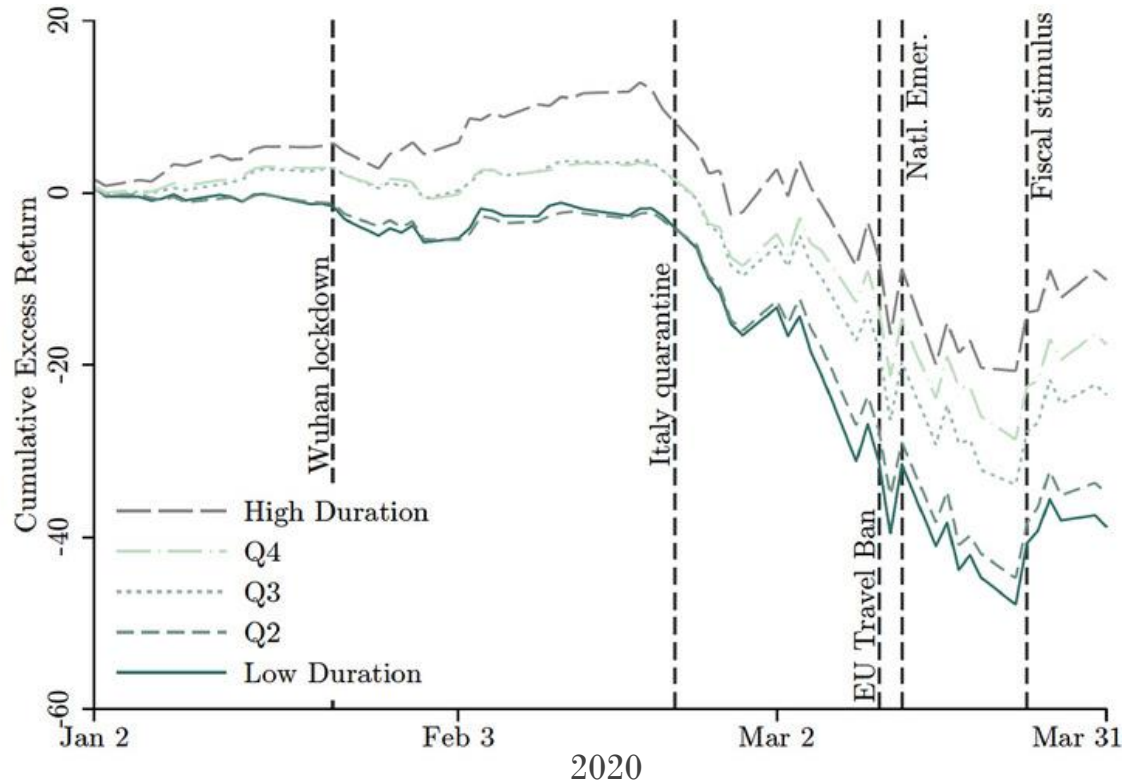
Shareholder yield is an indicator of short duration

LIKE BONDS, STOCKS VARY IN THEIR SENSITIVITY TO INTEREST RATES

- Growth stocks tend to have longer equity duration: they are more sensitive to changes in the discount rate used to value cash flows anticipated in the distant future
- Stocks that have substantial "here and now" cash flows and provide distributions to shareholders have shorter equity duration and are less sensitive to changes in the discount rate

The onset of the pandemic hit short-duration stocks the hardest

THE PANDEMIC WAS INITIALLY VIEWED AS A SHORT-TERM DISRUPTION

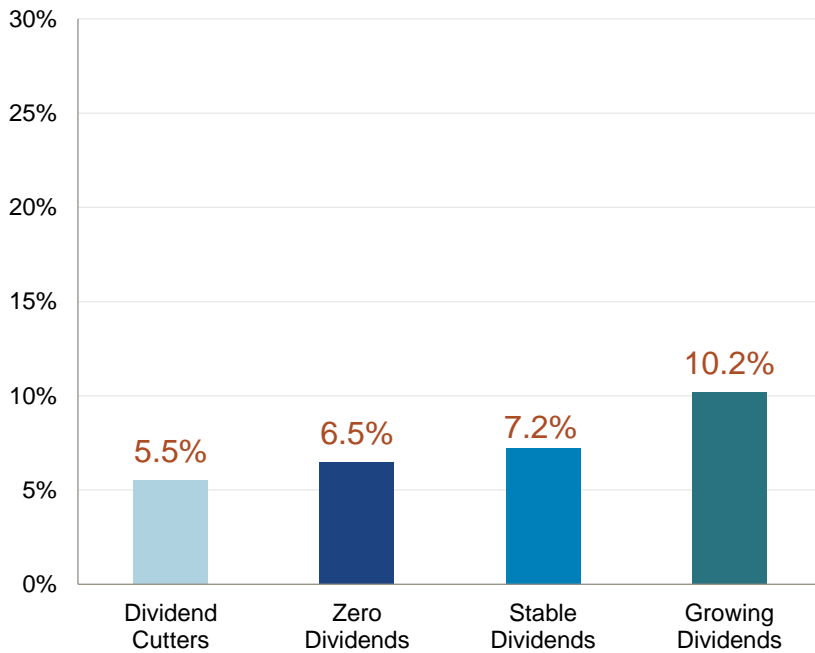


IMPLIED EQUITY DURATION: A MEASURE OF PANDEMIC SHUTDOWN RISK

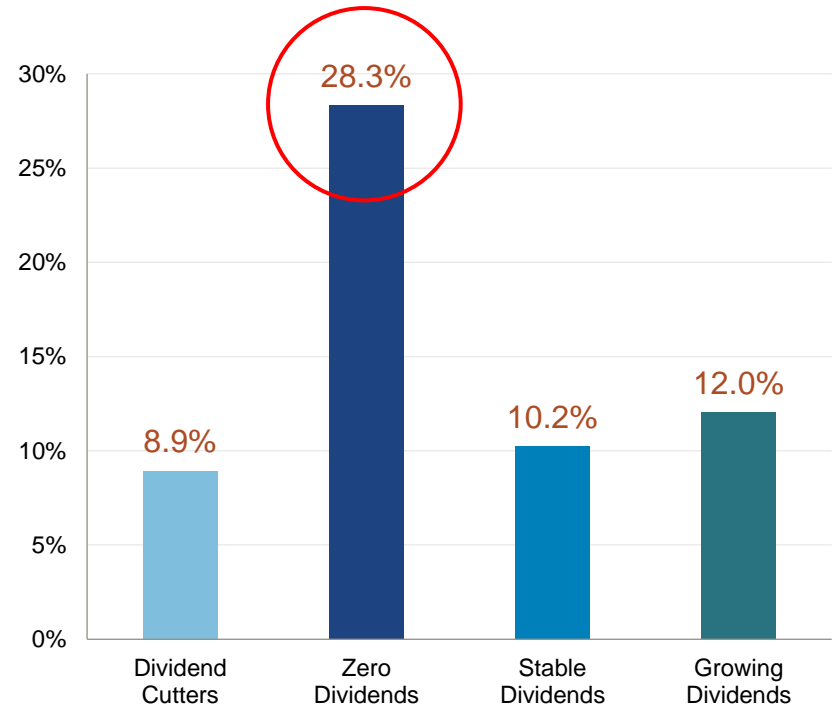
Source: Journal of Accounting Research, Volume: 59, Issue: 1, Pages: 243-281, First published: 21 January 2021, DOI: (10.1111/1475-679X.12348)

Stocks that pay no dividends (long duration) have surged since 2020

ANNUALIZED RETURN: MSCI WORLD
(May 1994 – December 2019)



ANNUALIZED RETURN: MSCI WORLD
(January 2020 – October 2021)



Reporting Currency: USD

Source: Ned Davis Research

Note: Based on equally weighted compound total returns of dividend and non-dividend paying MSCI World stocks. Each of the four portfolios were reconstituted at the beginning of each year based on the actual dividends paid over the previous year. Returns for May 1994 through October 2021, are 5.74% for dividend cutters, 7.74% for zero dividends, 7.47% for stable dividends and 10.22% for growing dividends

Long-duration stocks will face the strongest headwind as rates rise

THEY CANNOT EVADE THE MATH

$$PV = CF1 / (1+R)^1 + CF2/(1+R)^2 + \dots + CFN/(1+R)^N$$

A higher discount rate (r) has a more pronounced effect on the present value of cash flows in the distant future

Chapter 3:

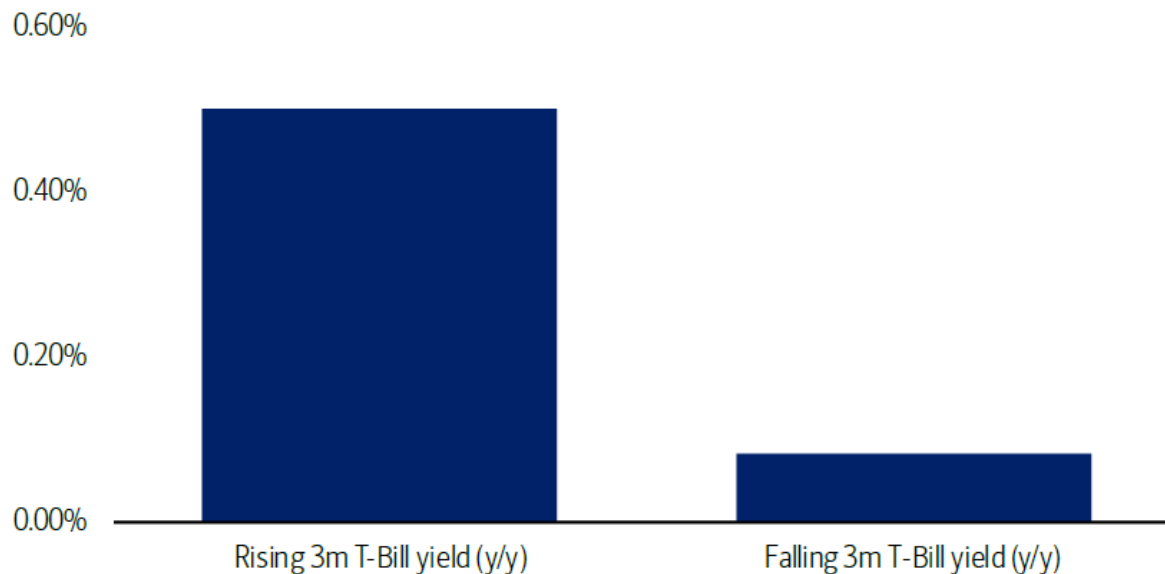
Salvation

Rising short rates are favorable for stocks that pay dividends

EVIDENCE POINTS TO DIVIDEND YIELD AS HELPFUL WHEN RATES RISE

Exhibit 4: High Dividend Yield factor tends to lead the index by a wider margin when cash yields are rising

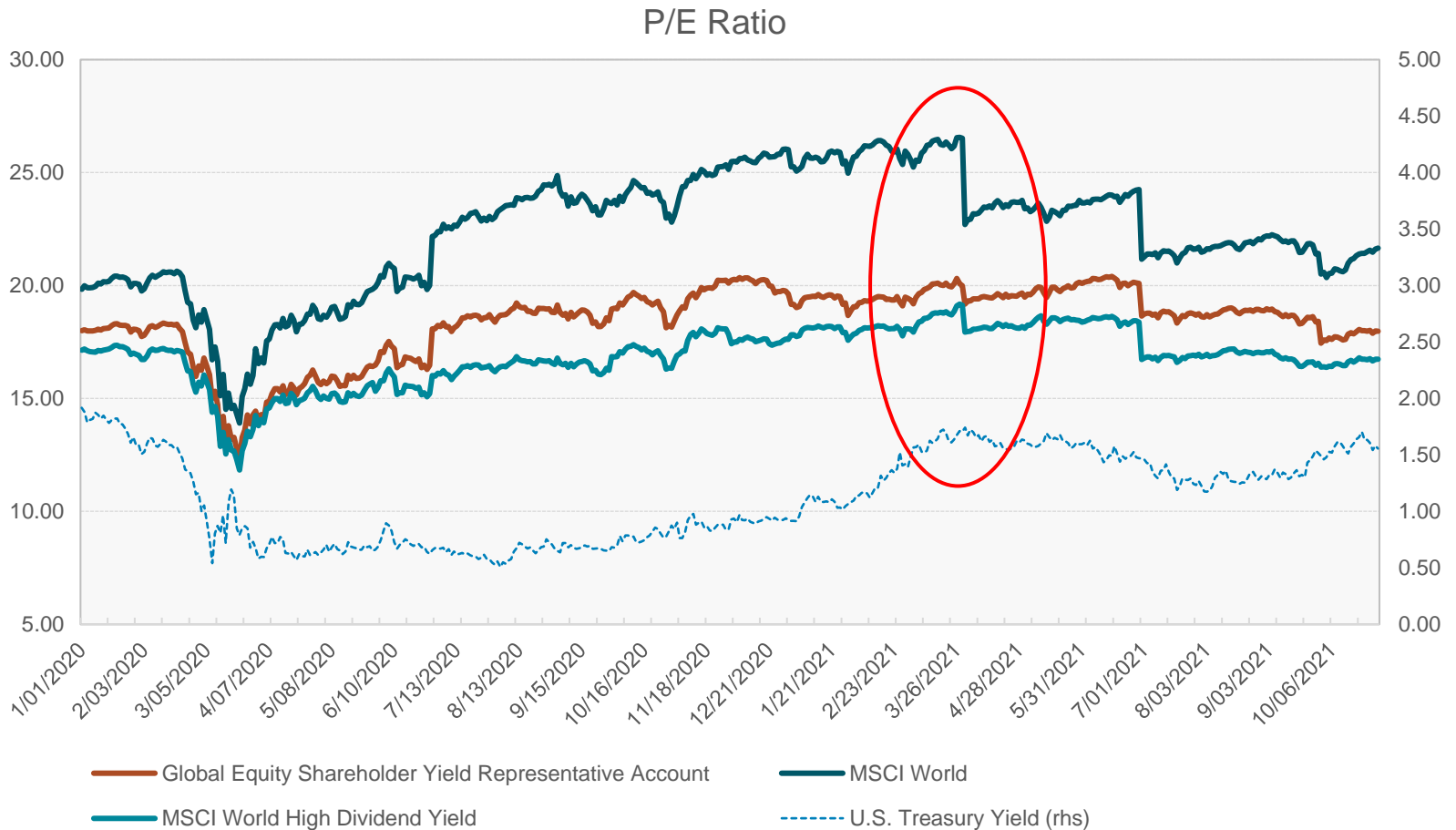
High Dividend Yield factor average relative performance over periods with rising 3m T-Bill yield and in falling 3m T-Bill yield (3/86 – 10/21)



Source: BofA US Equity & US Quant Strategy, FactSet, Bloomberg

Long-term yields are more relevant to discount rates

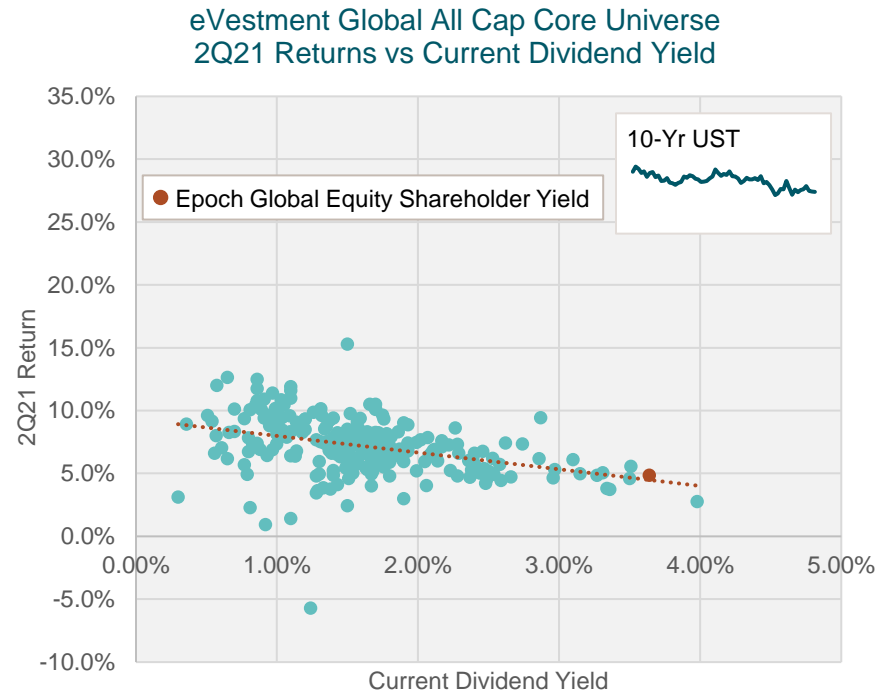
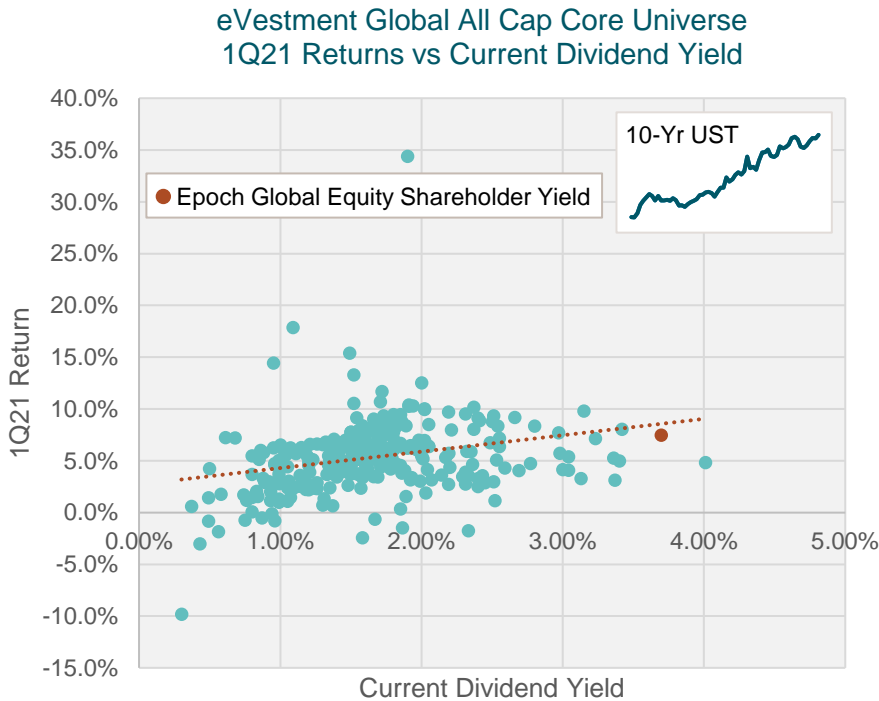
RECENT INCREASES IN 10-YEAR TREASURY YIELDS HAVE DISPROPORTIONATLY INFLUENCED VALUATIONS FOR LONG-DURATION STOCKS



Source: FactSet; Bloomberg

Recent examples of the influence of equity duration

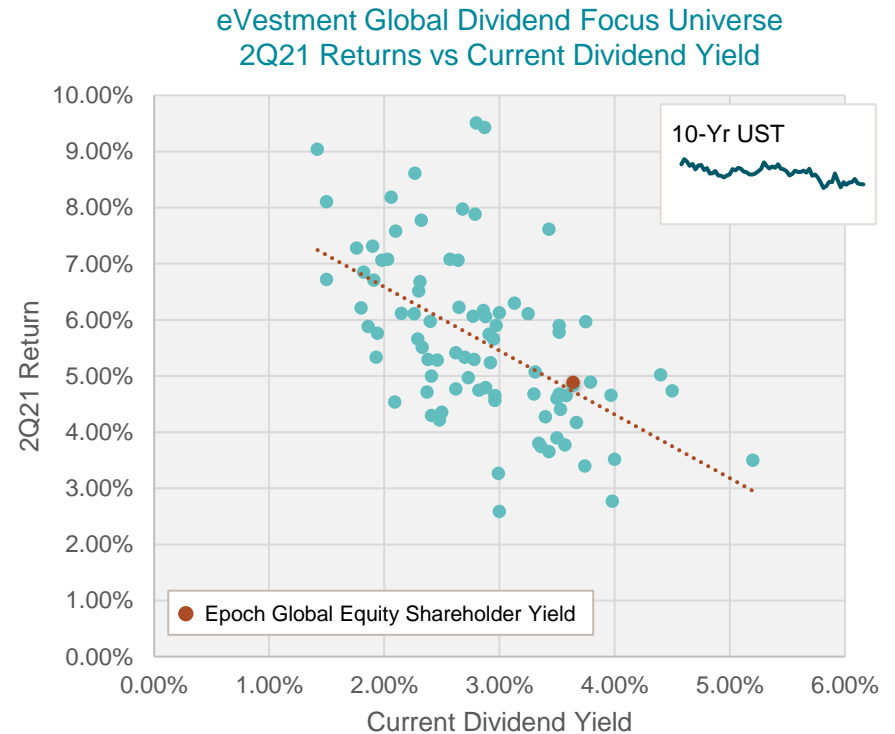
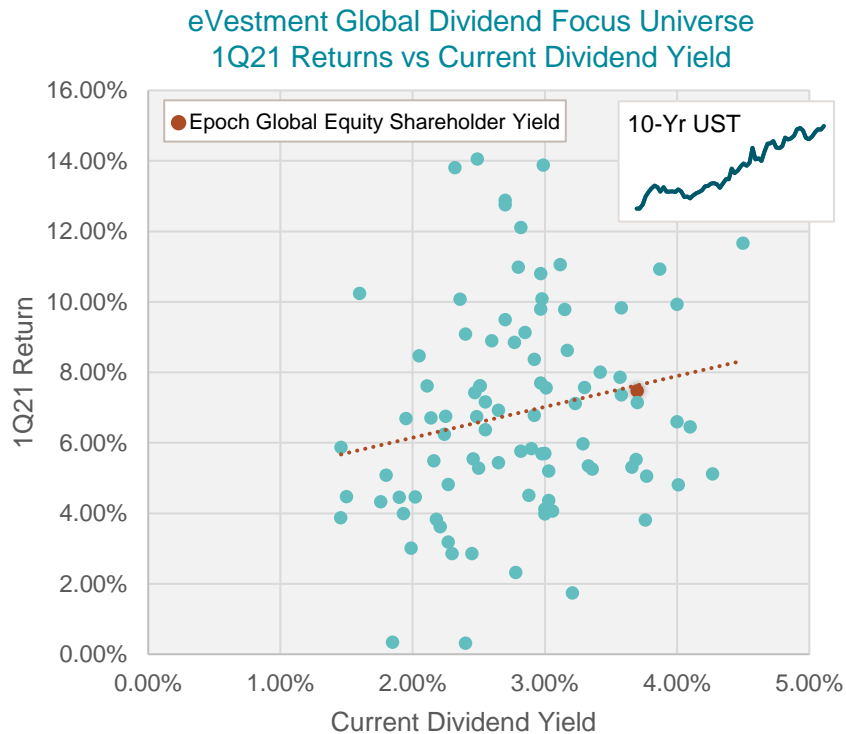
YIELD HAS BEEN A TAILWIND WHEN RATES RISE; A HEADWIND WHEN THEY FALL



Source: eVestment. All returns are gross of fees. The net-of-fee results for the Global Equity Shareholder Yield composite were 7.36% and 4.73% for the first and second quarters of 2021, respectively.

Recent examples of the influence of equity duration

YIELD HAS BEEN A TAILWIND WHEN RATES RISE; A HEADWIND WHEN THEY FALL



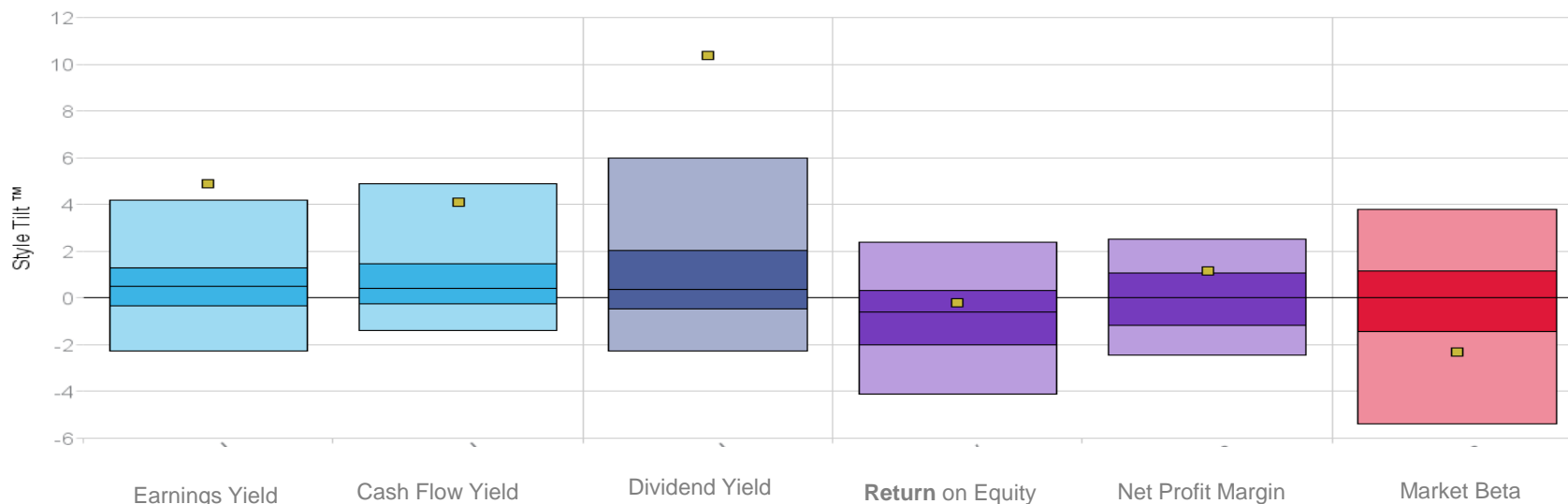
Source: eVestment. All returns are gross of fees. The net-of-fee results for the Global Equity Shareholder Yield composite were 7.36% and 4.73% for the first and second quarters of 2021, respectively.

Attributes of the Global Equity Shareholder Yield Strategy

CONSISTENT ATTRIBUTES ATTRACTIVE TO LONG-TERM INVESTORS

- Value tilt based on earnings and cash flow yields
- High dividend yield without sacrificing quality
- Quality tilt based on return on equity and net profit margin
- Lower volatility

PEER STYLE SKYLINE™



■ Global Equity Shareholder Yield

Morningstar World Large Blend Category, MSCI World Index (Net), As of June 30, 2021

Source: Style Research; MSCI Inc. The data shown above is of a representative account and such data may vary for each client in the strategy due to market conditions, client guidelines and diversity of portfolio holdings. The data is unaudited and may change at any time. The data is supplemental to the composite presentation, is shown for informational purposes only, and is not indicative of future portfolio characteristics or returns.

Attributes of the Global Equity Shareholder Yield Strategy

THESE ATTRIBUTES PERSIST EVEN WITHIN A VALUE UNIVERSE:

- Value tilt based on earnings and cash flow yields
- High dividend yield without sacrificing quality
- Quality tilt based on return on equity and net profit margin
- Lower volatility

PEER STYLE SKYLINE™



■ Global Equity Shareholder Yield

Morningstar World Large Value Category, MSCI World Index (Net), As of June 30, 2021

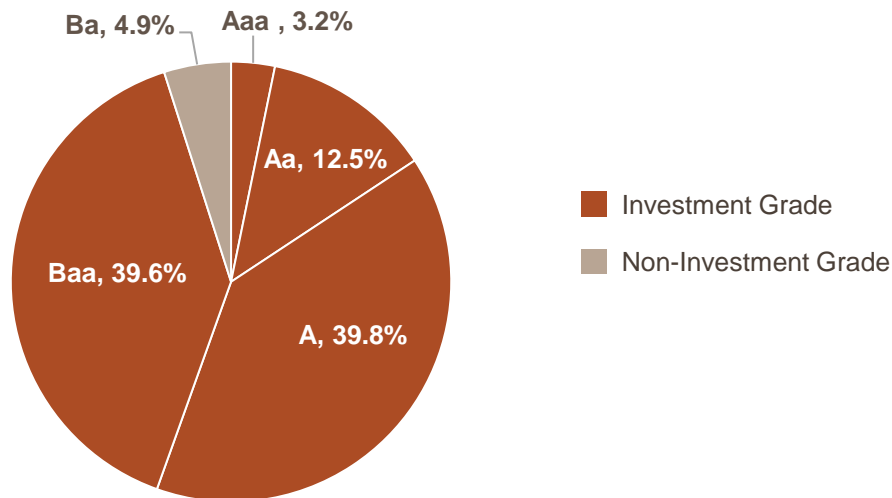
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GESY: Substantial Yield Without Sacrificing Quality

EVIDENCE OF A HIGH-QUALITY PORTFOLIO

- Rigorous process results in holdings with a history of growing cash flows and distributions of excess cash to shareholders
- Portfolio quality factors including return on equity and net profit margin consistently above average
- Companies in the portfolio predominantly have investment-grade credit ratings.

Credit Ratings Weights of GESY holdings



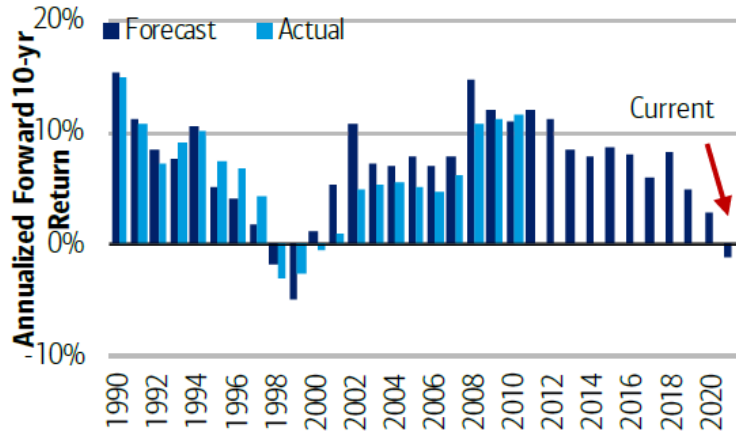
Source: Moody's, Fitch.

Five holdings in the portfolio have no ratings because they hold no debt.

The PE Expansion Surge is Likely Over

SHAREHOLDER DISTRIBUTIONS ARE EXPECTED TO BE THE MOST RELIABLE (AND PERHAPS THE MOST SIGNIFICANT) COMPONENT OF EQUITY RETURNS IN THE COMING YEARS

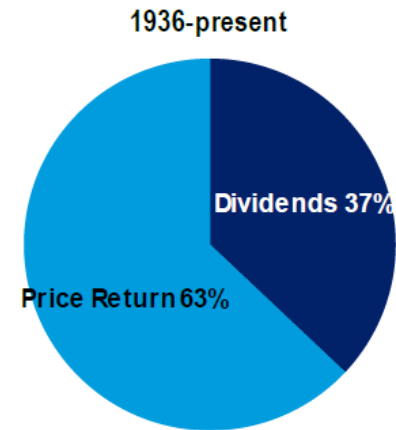
Exhibit 1: Flat to negative returns for the next decade: long-term valuation model yields -50bp price return per annum over next decade
S&P 500 annualized forward 10-year returns (forecast vs. actual) since 1990



Source: BofA US Equity & Quant Strategy

BofA GLOBAL RESEARCH

Exhibit 2: Dividends have contributed ~40% of total returns but could represent a larger proportion over the next 10yrs
S&P 500 total return composition since 1936

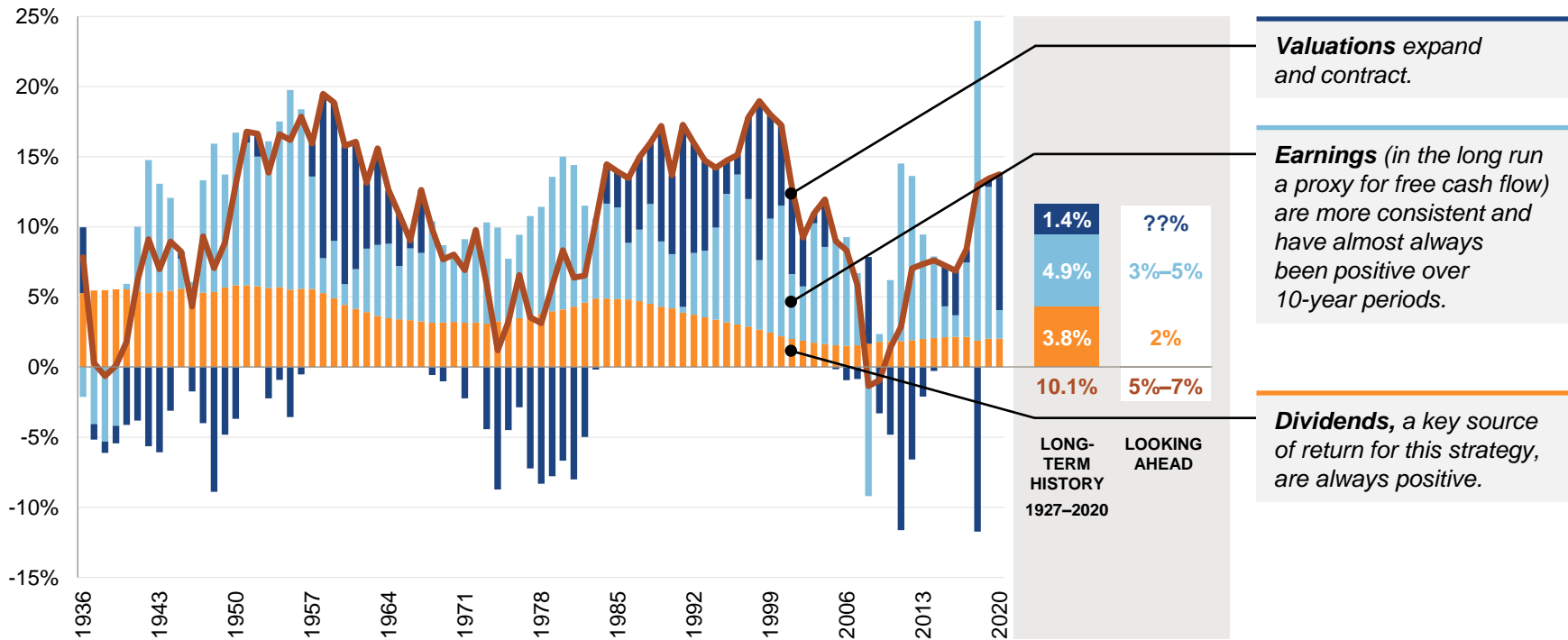


Source: Bloomberg/S&P, BofA US Equity & US Quant Strategy

The Components of Equity Returns

EARNINGS, DIVIDENDS AND VALUATION: RETURN CONTRIBUTIONS FOR ROLLING 10-YEAR PERIODS (S&P 500 Index 1936–2020)

— Total Return ■ P/E Change ■ EPS Growth ■ Dividend Reinvestment



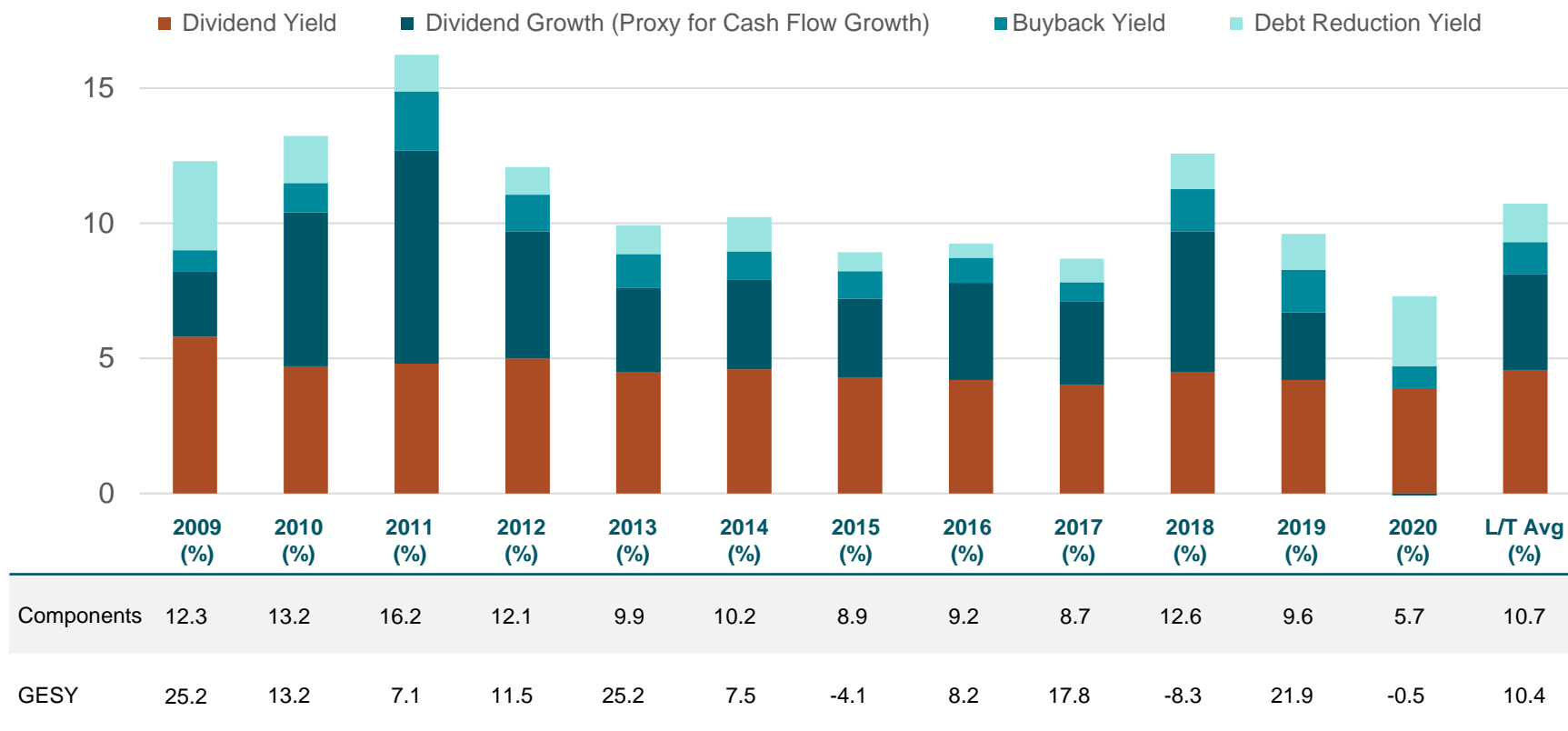
Sources: Epoch Investment Partners, Inc.; Standard & Poor's.

Note: We use U.S. historical data as a proxy for global markets because similarly detailed data is not available for non-U.S. markets.

Components of Shareholder Yield

Reporting Currency: USD

DIVIDENDS, SHARE BUYBACKS AND DEBT REDUCTION WITH CASH FLOW GROWTH



Sources: Epoch Investment Partners, Inc

Assumes an equal-weighted portfolio. Includes any companies that were held during the year except those that were acquired. Repurchase yield and debt reduction yield based on companies that repurchased shares or paid down debt and prorated for the portfolio. This does not take into account net stock or debt issuance. Companies that raised equity and/or debt are treated as zero entries in the analysis. In some cases, the parent company was used in the dividend growth calculation to best estimate growth and eliminate the effect of currencies.

Expanding Opportunities to Harvest Shareholder Yield

GESY CAPTURES SHARE BUYBACKS AND DEBT REDUCTION IN ADDITION TO DIVIDENDS

Exhibit 2: US companies have \$7tn in cash after a 20-year record influx

US corporate liquid assets and 5-year rate of change



Source: BofA Research Investment Committee, FRED, Federal Reserve Bank of St. Louis

BofA GLOBAL RESEARCH

Shareholder Yield: Relevant for the Times

REFLATION

- Interest rates have hit an inflection point and have begun to normalize

DURATION

- Higher yield and shorter duration are shifting from a negative to a positive relative to other stocks

SALVATION

- A focus on cash flows and distributions to shareholders (cash dividends, share buybacks and debt reduction)
- Dividends: historically a more reliable component of equity returns than earnings growth or expanding valuation multiples
- Above-average yield and quality characteristics whether compared to a broad universe or a value or equity-income universe
- A conservative approach that complements riskier allocations