

Global Equity Income Fund

For Investment Professionals Only

Performance	1 Month (%)	Q2 2023 (%)	1 Year (%)	3 Years P.a. (%)	5 Years P.a. (%)
Global Equity Income Fund (Net Of Fees)	3.03	3.71	9.24	12.61	9.35
Msci World Index¹	3.63	6.38	13.56	13.27	10.56

Source: IQ EQ Fund Management (Ireland) limited (Class A Acc EUR) as at 30 June 2023
¹The MSCI World Index shown above does not include fees or operating expenses and you cannot invest in it. The MSCI World Index captures large and mid-cap representation across 23 Developed Markets (DM) countries. With 1,650 constituents, the index covers approximately 85% of the free float-adjusted market capitalization in each country.

Fund overview

The aim of the **Global Equity Income Fund** (the “Fund”) is to achieve long-term capital growth through investment in companies which expect to generate a higher-than-average dividend yield. The Fund targets a dividend yield 1% greater than the market dividend yield. The concept is that dividends are the foundation of total returns over the long term.

The quarter was characterised by persistently high inflation and a generally hawkish tone from central bankers about the need for higher interest rates. Despite this equity market volatility trended lower during the period as fears about the health of the US banks sector, which dominated sentiment in the first quarter, faded somewhat.

The higher-than-expected inflation data released during the quarter served to raise investor expectations of the ultimate peak in central bank interest rates to levels last seen before the collapse of Silicon Valley Bank.

Market comment

Global equity markets made further gains in Q2 while bond markets remained under pressure. The MSCI World Index advanced by 6.38% in euro terms taking the year-to-date return to 12.58% while the JP Morgan Global Bond Index (euro-hedged) fell by 1.13%.

In an extension of the trend seen in the first quarter, equity market performance was driven by technology stocks, particularly those such as Nvidia, Microsoft, Amazon, Meta, and Google which are associated with the development and implementation of Artificial Intelligence (“AI”). Such was the concentration of performance that the top ten stocks in the MSCI World Index were responsible for over 60% of the return during the quarter.

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Warning: Past performance is not a reliable guide to future performance. The value of your investment may go down as well as up. This product may be affected by changes in currency exchange rates. The Fund is actively managed. SFDR disclosures are available upon request from 5th Floor, 76 Sir John Rogerson’s Quay, Dublin 2, D02 C9D0

The Energy and Utilities sectors underperformed during the quarter as oil and gas prices fell in response to the threat of higher interest rates.

Fund performance

The **Global Equity Income Fund** returned 3.71% during the quarter versus an index return of 6.38%. Stock Selection and Asset Allocation negatively impacted on relative performance, while Currency contributed positively during the quarter. Q2 performance drivers were like those of the first quarter. Stock Selection was weakest within the Industrials sector, driven by poor performance from international courier company, United Parcel Service (“UPS”). The Asset Allocation outturn was driven by underweight positions in the Technology and Consumer Discretionary sectors and overweight positions in the Consumer Staples sector. Currency contributed positively to relative performance during the quarter, due mainly to the Fund’s underweight in Japanese yen and overweight in Swiss francs. The Japanese yen fell during the period, while the Swiss franc rallied.

The top five equity contributors to relative performance during the quarter were: Broadcom Inc, JPMorgan Chase & Co, ABB Ltd, Engie SA, and Nintendo Co Ltd. The bottom five equity detractors to relative performance during the quarter were: United Parcel Service, Rio Tinto plc, Pfizer Inc, Hong Kong Exchanges, and Nestlé SA.

Broadcom Inc (“Broadcom”) is a global technology company designing and supplying hardware and software solutions for a broad range of customer segments including wired and wireless networks, data centres, process automation, and the data sector. During the quarter the share price rose by over 35%. The company has a BBB ESG rating from MSCI and was upgraded in both 2021 and 2022. Broadcom has an excellent record in capital allocation and shareholder remuneration, increasing its dividend by double-digits over the past ten years. The company is seeking to acquire cloud computing software company VMware to add to its portfolio offering. The bid is subject to scrutiny by European and UK regulators. The shares rose during the period on enthusiasm about demand for Broadcom’s processor chips, which

are designed for machine learning. The company works closely with tech giants Google and Meta in the design of this hardware, seen as critical to the success of those companies’ AI plans.

JPMorgan Chase & Co (“JPM”) is a leading global financial services firm with assets of \$3.8tn and global operations. The company is a leader in investment banking, financial services for consumers and small businesses, commercial banking, financial transaction processing, and asset management. The stock performed strongly during the quarter following the release of the bank’s first quarter earnings report. The bank’s consumer business generated stronger-than-expected profits during the quarter. JPM also demonstrated the strength of its balance sheet at quarter-end, providing comfort to investors following the strains in the US regional banks sector.

United Parcel Service (“UPS”), the international courier company, fell over 7% during Q2 and was among the main detractors of returns in the month. The stock has been trading in a range relative to the broader market for the past 12 months and was towards the top of that range before the company released Q1 earnings, which disappointed investors. Management indicated that some domestic US volumes were being redirected to other carriers while the company negotiates a new labour contract with the Teamsters Union. The company has set clear ESG targets which include its pledge to be carbon-neutral by 2050. Interim 2035 targets include a 50% reduction in CO2 per package in its global small package operations. 100% of facilities are to be powered by renewable energy, and 30% of fuel used in its global air fleet is to be sustainable aviation fuel. The stock offers a dividend yield of 3.6% with consistent dividend growth.

Rio Tinto plc (“RIO”), the global mining giant, contributed negatively to relative performance during the quarter, falling by 6.8% after announcing earnings that disappointed investors. The management team expressed a confident outlook for 2023 after the easing of Covid restrictions in China. However, recent data from China suggest that the recovery is proceeding more slowly than investors had expected. It was hoped that economic recovery would lead to a

rebound in steel consumption, which is important to the company's Iron Ore division. Investors had been disappointed earlier in the year with the company's decision to lower its final 2022 dividend from the bumper pay-out in 2021. The rationale for doing so revolved around lower commodity prices during 2022. Nevertheless, the company raised its pay-out ratio to 60%, consistent with its own bullish outlook.

Sample portfolio transactions

There were no significant transactions during the period.

The QQE perspective

How does an equity market go up if investors are concerned about recession? Equity markets made further gains during the second quarter, taking the year-to-date return of the MSCI World Index to 12.6% in euro terms. And yet, when surveyed, many investors expect at least a slowdown, if not outright recession, by the end of the year. Bond investors expect interest rates to start to come down early in 2024 in response to the expected slowdown.

There has been much comment recently about a divergence between bond and equity investors' respective expectations about the likelihood of a recession. However, the nature of the equity rally this year suggests that equity investors are equally unsure about the course of the global economy and are focussing on persistent earnings rather than cyclical earnings.

Our Quality model is comprised of four sub-pillars reflecting the attributes that we believe will drive long-term performance for our clients: Profitability, Persistence, Protection and People. The Persistence pillar has been the standout performer so far in 2023, indicating that investors prefer large-cap technology and internet related stocks over smaller cap or economically exposed stocks. It is also worth noting that performance within this equity rally has been concentrated in a relatively narrow group of stocks that investors believe can survive a slowdown. So perhaps there is no major dichotomy between bond and equity investors. Both expect a slowdown, but equity investors are paying up for Persistence and hoping these stocks can ride out a recession. This is hardly the sign of a gung-ho attitude to economic growth. We will continue to monitor the performance of the four pillars of our Quality model for early signs that equity investors genuinely believe that recession can be avoided.

Calendar year performance	2022 (%)	2021 (%)	2020 (%)	2019 (%)	2018 (%)
Global Equity Income Fund (Net of fees) (EUR)	-2.8	27.5	-4.2	27.4	-4.4
MSCI World Index (EUR)	-12.8	31.1	6.3	30.0	-4.1
ABB Ltd	-14.4	45.2	10.8	30.0	-25.8
Broadcom Inc	-13.3	56.4	44.9	29.1	2.2
Engie SA	10.4	8.3	-13.1	21.7	-7.8
Hong Kong Exchanges	-24.2	9.3	71.6	14.6	-2.9
JPMorgan Chase & Co	-12.6	27.7	-5.5	47.3	-6.6
Nestlé SA	-14.0	25.4	2.1	34.7	-1.8
Nintendo Co. Ltd	6.5	-15.7	54.7	54.2	-27.9
Pfizer Inc	-10.4	66.7	3.2	-6.9	24.8
Rio Tinto plc	31.9	0.6	30.6	35.4	0.3
United Parcel Service	-16.3	30.0	48.7	24.2	-15.5

Source: IQ EQ Fund Management (Ireland) Limited (Class A Acc in EUR) and Bloomberg as at 30 June 2023. Performance quoted in local currency unless otherwise stated.

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The MSCI World Quality Index is based on MSCI World, its parent index, which includes large and mid cap stocks across 23 Developed Market (DM) countries*. The index aims to capture the performance of quality growth stocks by identifying stocks with high quality scores based on three main fundamental variables: high return on equity (ROE), stable year-over-year earnings growth and low financial leverage. The MSCI Quality Indexes complement existing MSCI Factor Indexes and can provide an effective diversification role in a portfolio of factor strategies.

About us*

We are IQ-EQ, a leading investor services group employing over 5,000 people across 25 jurisdictions worldwide. We bring together that rare combination of global expertise with a deep understanding of the needs of our clients. We have the know how and the know you to support fund managers, global companies, family offices and private clients.

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*Information correct as of July 2023

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