

# Global Equity Income: When Quality Counts

Mark Peden – Co-manager, Aegon Global Equity Income Fund

October 2022

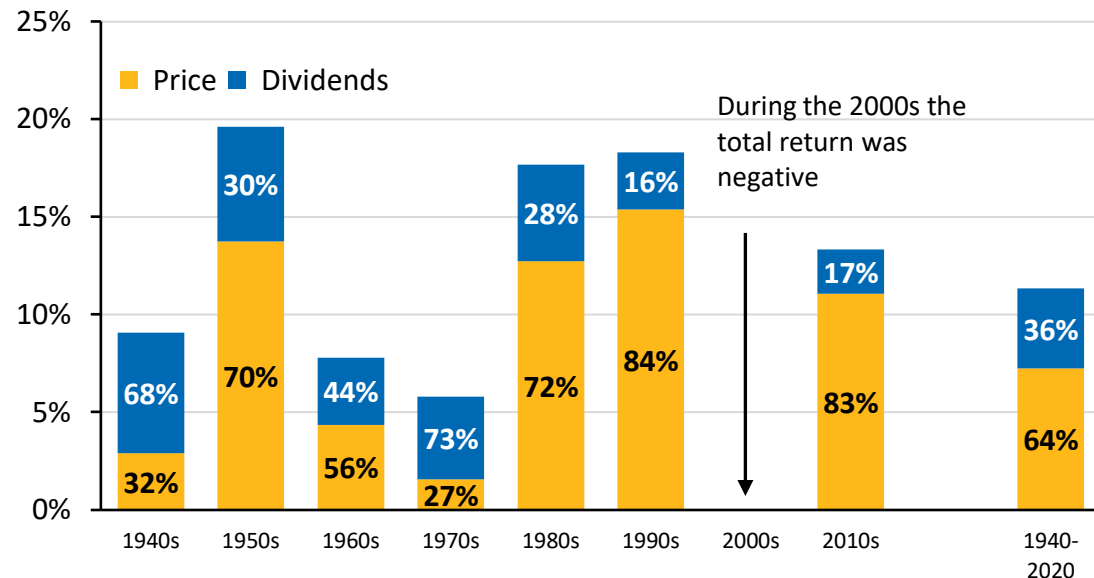


For professional / qualified investors.  
This is a marketing communication.

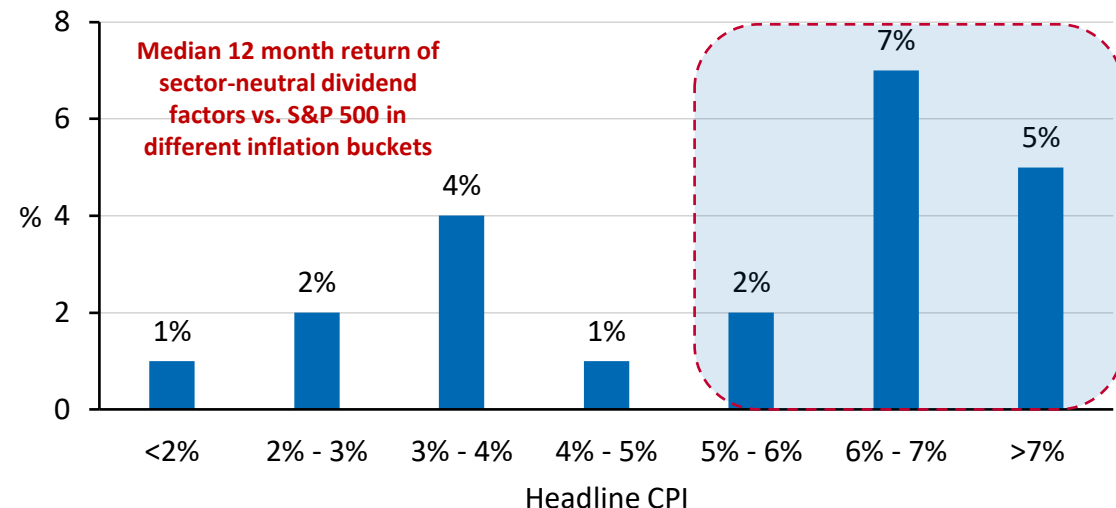
*Beyond  
borders™*

# Dividends: A vital component of total returns

Especially in an inflationary environment



Stocks with high dividend yields have outperformed the market during periods of high inflation since 1970



- **Over a third of total returns** on the S&P 500 between 1940 and 2020 were from dividends
- Stocks with **high dividend yields have outperformed** the market in periods of **high inflation**
- **Dividend growers have outperformed** stocks with static dividends, dividend cutters and non-payers on average in previous **rate hiking cycles**
- This makes the **current backdrop compelling for dividend strategies**

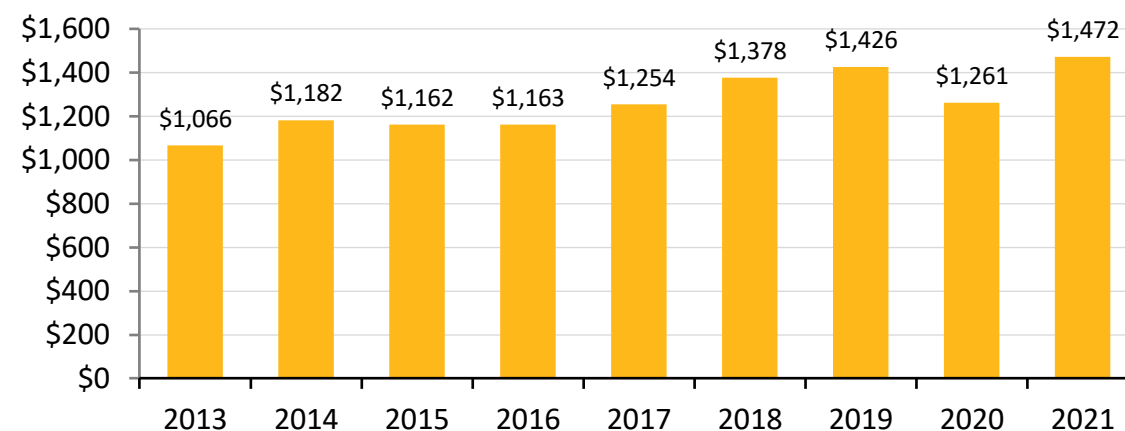
Past performance is not a guide to future performance. Outcomes, including the payment of income, are not guaranteed.

Source: Bloomberg, Kepler Cheuvreux for illustrative purposes.

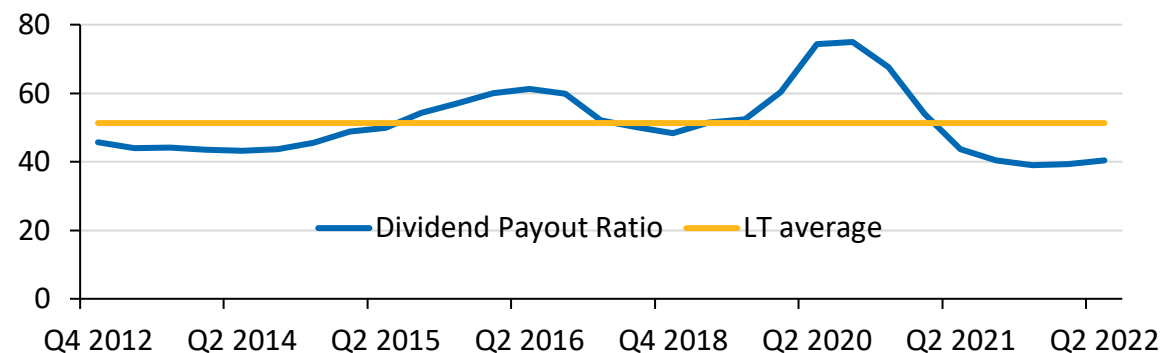
# Global dividends hit record levels

- Equities continue to provide an **attractive source of income** compared to other asset classes
- Despite slowing economies, **corporate earnings and free cash flow generation remain strong**
- **\$1.47tr**: Global dividends **hit record levels in 2021** and are expected to grow further in 2022
- Growth from significant **special dividends** and **rollback of regulatory restrictions** on bank dividends
- **Miners** and **banks** biggest contributors to growth vs 2020
- Even so, dividend payout ratios are around their lowest in a decade
- Rising rate environment **should favour quality, income producing companies** over high growth ones

Global total annual dividends (US\$ Billions)<sup>1</sup>



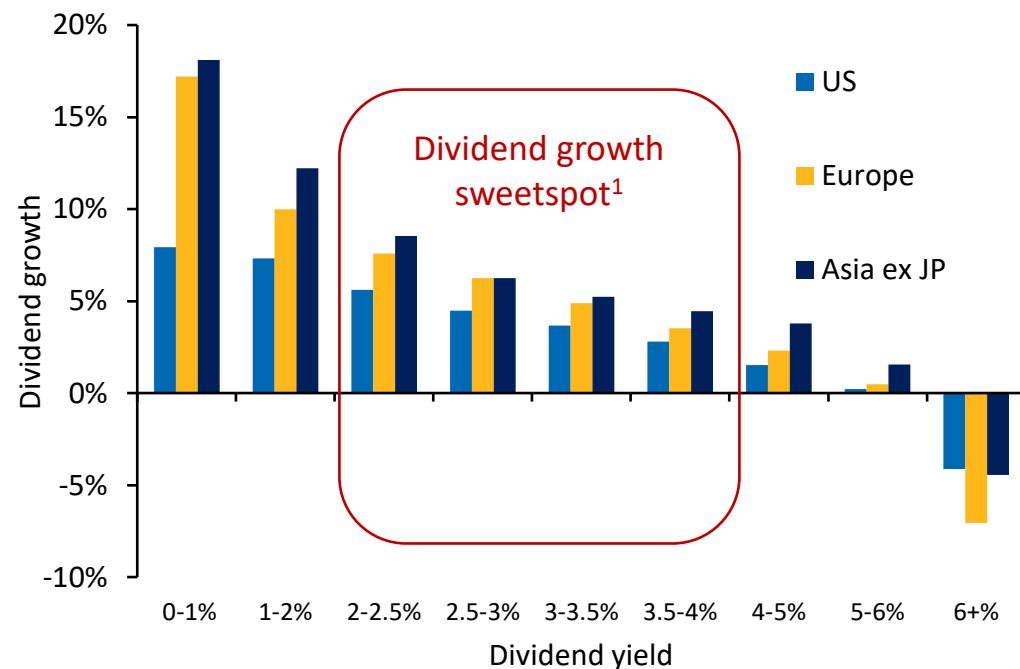
MSCI ACWI Dividend Payout ratio<sup>2</sup>



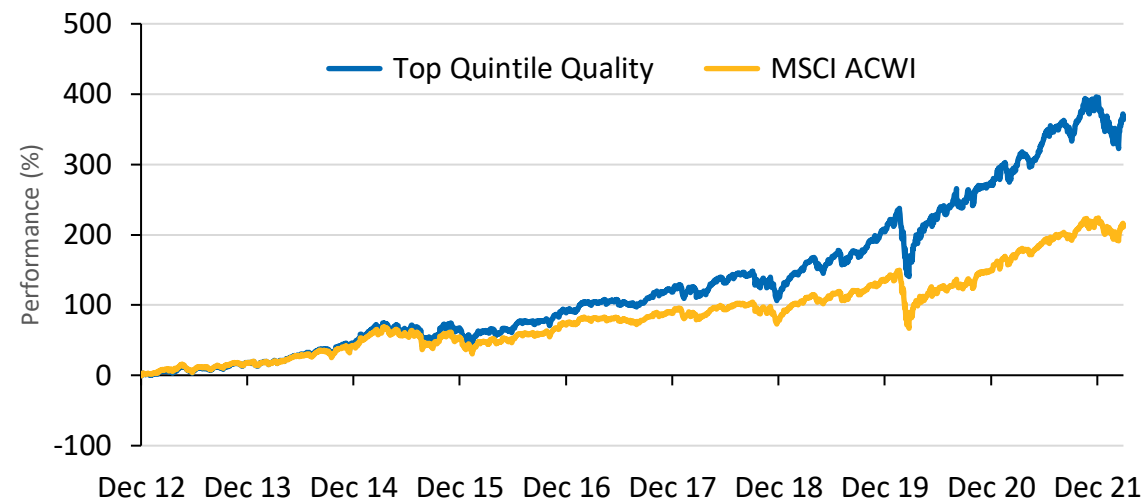
<sup>1</sup>Source: Janus Henderson Global Dividend Index Report, Edition 34, May 2022. <sup>2</sup>Source: Bloomberg as at 30 June 2022.

# Yield and income are not always one and the same

## Quality wins over time



## MSCI ACWI vs top quintile for ROE and Net Debt / EBITDA<sup>2</sup>



- Clear negative relationship between dividend yield and growth - the highest yields can be a dangerous signal
- The 'sweetspot' offers attractive yields AND growth
- High quality companies (strong balance sheets, well covered dividends, high ROEs) tend to sit in the sweetspot and have outperformed significantly over time

<sup>1</sup>Source: SG Cross Asset Research/Equity Quant, June 2021. <sup>2</sup>Source: Bloomberg as at 31 March 2022.

# Aegon Global Equity Income Fund: An Introduction

Past performance does not predict future returns. The information is for informational purposes and readers should not assume that investments in the securities identified and discussed were or will be profitable.

<p><b>Portfolio</b></p>	<ul style="list-style-type: none"> <li>• Focus on sustainable and growing dividends from quality companies that boast strong balance sheets and generate high, recurring cash flows</li> <li>• High-conviction and extremely liquid portfolio of 40 to 50 stocks</li> <li>• Lower beta, low turnover and a long-term investment horizon</li> </ul>
<p><b>Target</b></p>	<ul style="list-style-type: none"> <li>• Distribute net income around 130% dividend yield of MSCI ACWI</li> <li>• Total return mind-set to deliver sustainable capital growth over the long term</li> </ul>
<p><b>Distinctive Features</b></p>	<ul style="list-style-type: none"> <li>• <b>Consistent philosophy:</b> A 10-year focus on the dividend sweetspot to capture premium, robust yields through a combination of proprietary screening and bottom-up fundamental analysis</li> <li>• <b>Stock selection framework:</b> Going beyond traditional Compounders and into Hoarders and De-equitisers results in differentiated regional and sectoral exposures</li> <li>• <b>ESG integration:</b> Embedded into our fundamental company research process with the Fund transitioning to SFDR Article 8 by year-end</li> <li>• <b>Highly experienced and stable team:</b> Proven track record in equity income investing by a team with over 25 years' average industry experience that has been led by Mark Peden since launch</li> <li>• <b>Performance:</b> Consistently distributed income significantly higher than the market and delivered first quartile total returns over 3 years, 5 years and since inception</li> </ul>



**Mark Peden**  
Investment Manager  
30 years' experience



**Douglas Scott**  
Investment Manager  
26 years' experience

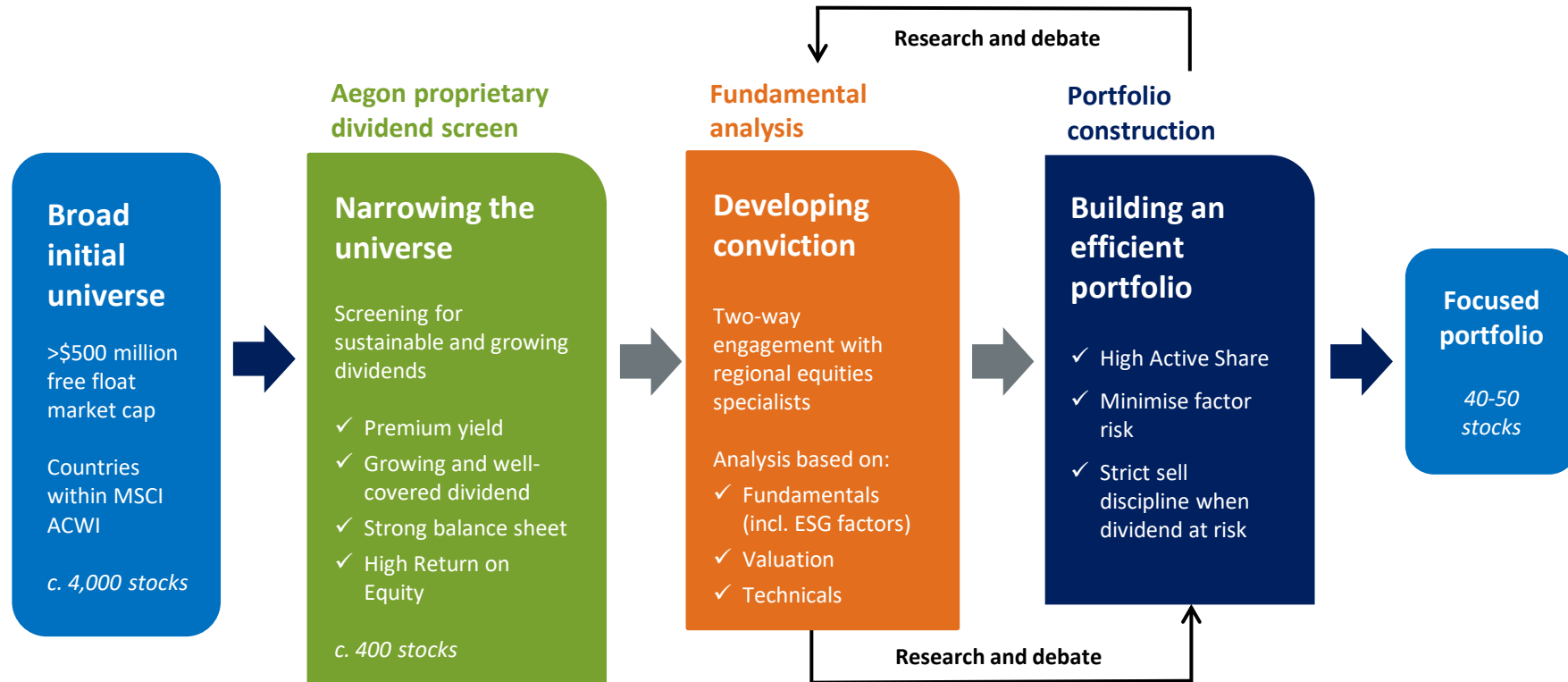


**Robin Black**  
Support Manager  
27 years' experience



**Matt Harding**  
Support Manager  
18 years' experience

# Our investment process



# Aegon proprietary dividend screen

Six simple metrics to capture dividend growth and sustainability

Name	Sector	Region	FY1 DY > MY	FY2 DY > MY	DG FY1 - FY0 >= 0%	Dividend Cover > x	Net Debt / EBITDA < y	RoE > z%	Dividend score
TSMC	Information Technology	Pacific	✓	✓	✓	✓	✓	✓	6
Zurich Insurance Group	Financials	Europe	✓	✓	✓	✓	✓	✓	6
Schneider Electric	Industrials	Europe	✓	✓	✓	✓	✓	✓	6
DBS Group Holdings	Financials	Pacific	✓	✓	✓	✓	✓	✓	6
Allianz SE	Financials	Europe	✓	✓	✓	✓	✓	✓	6
Johnson & Johnson	Health Care	North America	✓	✓	✓	✓	✓	✓	6
Pfizer Inc	Health Care	North America	✓	✓	✓	✓	✓	✓	6
Simplo Technologies	Information Technology	Pacific	✓	✓	✓	✓	✓	✓	6
Anheuser-Busch InBev	Consumer Staples	Europe				✓			1
General Electric	Industrials	Europe				✓			1
China Steel Corporation	Materials	Pacific	✓	✓		✓			3
Netflix	Consumer Discretionary	North America					✓	✓	2
Amazon.com	Consumer Discretionary	North America					✓	✓	2

*Attractive, above market and well covered dividends backed by strong balance sheets*

Highlighted rows indicate current portfolio holdings. Please note the snapshot of our proprietary screen is purely for illustration.




# Generating alpha beyond traditional income stocks

## Strategic allocation

**Compounders**

*Consistent dividend growers*

Long term record of annual growth in dividend per share

Defensive	Cyclical
 	 



**Typically 50% of the fund**



## Tactical allocation

**Hoarders**

*Ability to substantially raise payout ratios*

Operational success leaves balance sheet firepower to materially increase shareholder remunerations



  



  


**De-equitisers**

*Equity for debt arbitrage*

Scope for equity retiral either through M&A or share buybacks

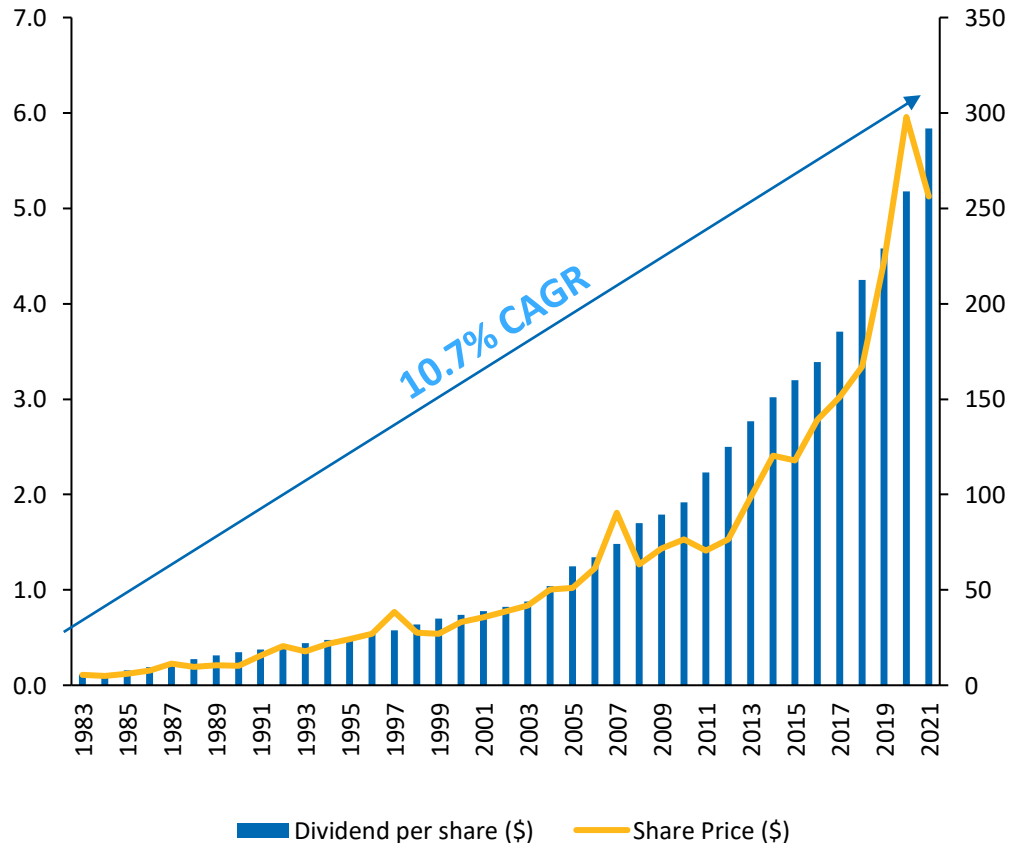
  




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# The Compounder



- Global leading manufacturer and distributor of industrial gases
- Active capital allocation programme to areas that contribute to cleaner air and GHG mitigation
- World’s largest hydrogen supplier to refineries to produce low-sulphur, cleaner burning fuels
- 40 consecutive years of annual dividend increases

Our products enable customers to avoid  
**54 M MT CO<sub>2</sub>**  
 equivalent to emissions from 11 M cars, and almost  
 double our direct and indirect CO<sub>2</sub> emissions

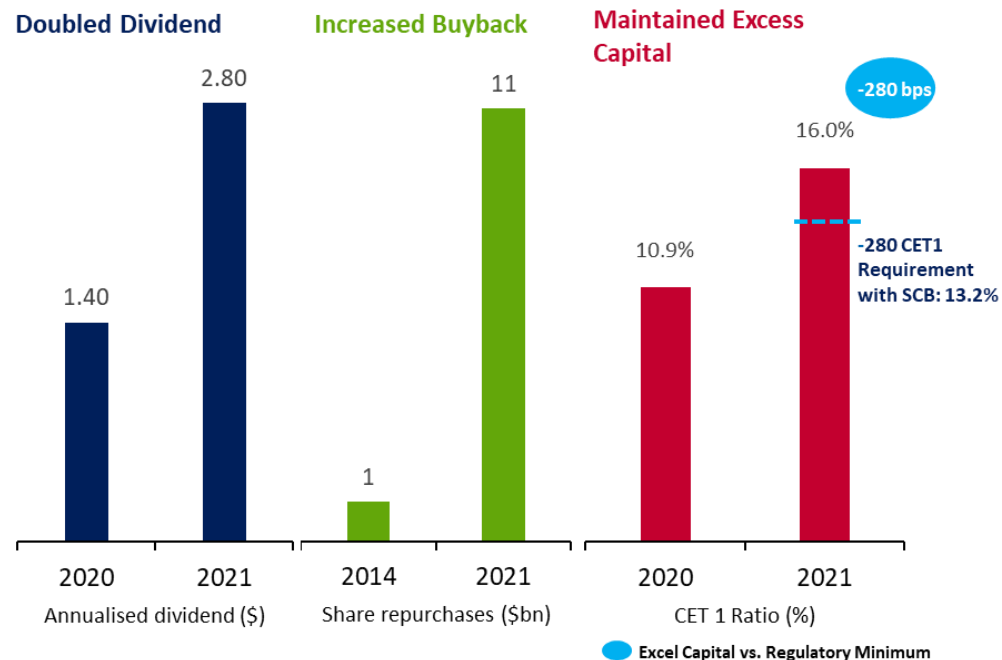
Source: Air Products and Chemicals as at 31 December 2021. For illustrative purposes only.

# The Hoarder

## Morgan Stanley

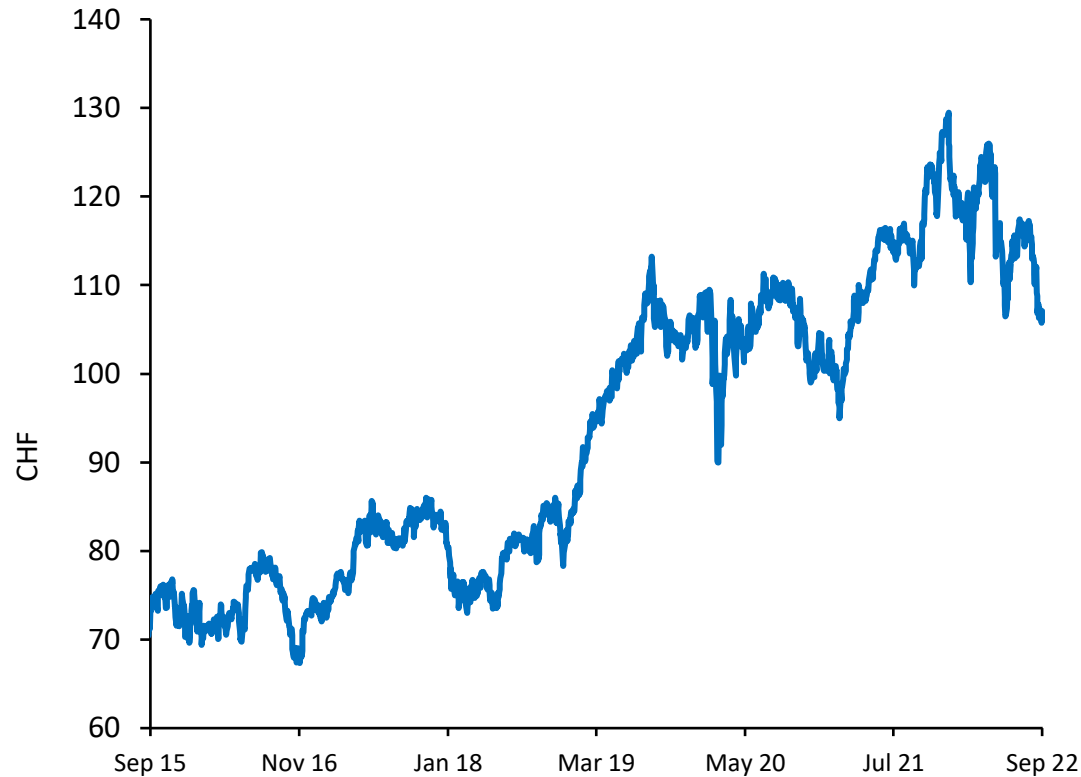
### New capital return policy announced in June 2021

#### Reset dividend while maintaining excess capital



- Morgan Stanley is a world leading wealth and investment manager responsible for \$6.5tn in client assets
- Having accumulated significant excess capital over past years a doubling of the dividend and a new \$12bn share buyback programme were announced immediately post the Federal Reserve's June 2021 stress tests
- Delivery on long-term goals to further improve the profitability and returns of the franchise, whilst also operating well above their stress capital buffer, will ensure continued very strong capital returns

# The De-equitiser



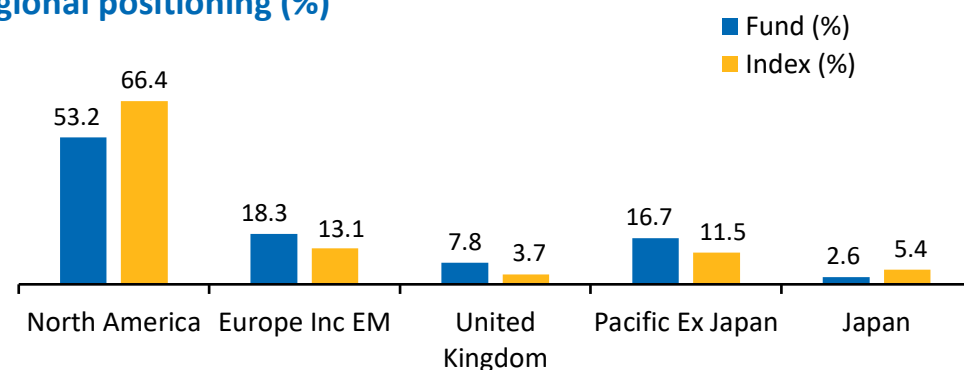
- The world's largest food and beverages company owning over 2,000 brands in more than 150 countries
- New management team arrived in January 2017 with mandate to reposition portfolio and review capital structure
- Subsequent sales of US confectionery, US ice cream, Gerber Life, Nestle Skin Health and Herta
- Enter into global coffee alliance with Starbucks
- Implementation of two CHF20bn share buyback programs that amount to over 12% of company's market value
- Sustainable dividend practice has led to over 20 years of consecutive dividend increases

# A differentiated approach to income investing

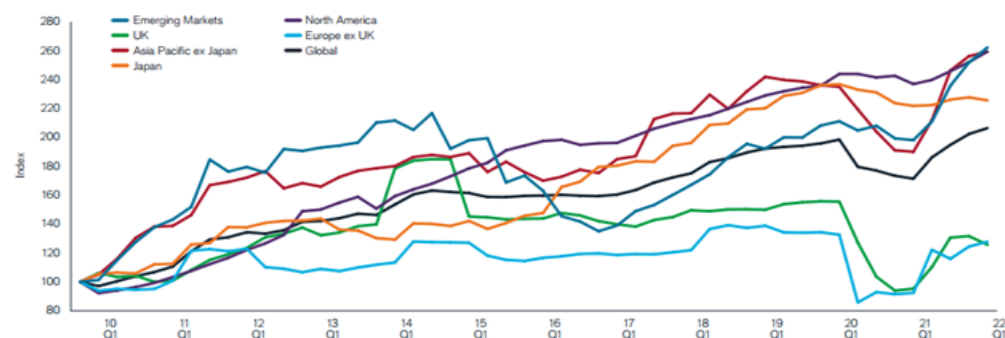
## A truly global proposition

Past performance does not predict future returns.

### Regional positioning (%)



### JANUS HENDERSON GLOBAL DIVIDEND INDEX BY REGION



Source: FactSet. Data as at 30 September 2022. Index: MSCI All Country World GBP. Where ADRs are used regional allocations reflect country of incorporation of underlying company. Source for JHGD Index: Janus Henderson Global Dividend Index Report, Edition 34, May 2022.

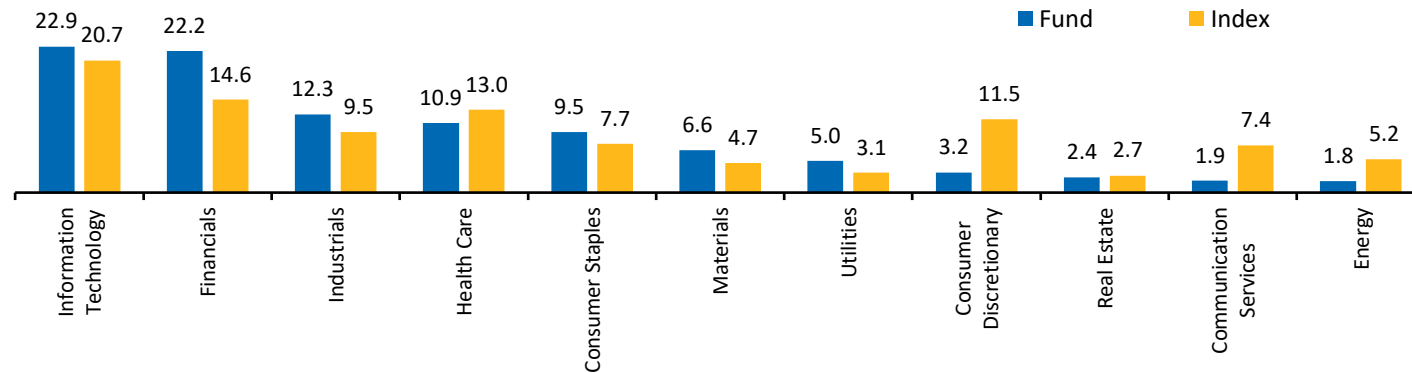
\*Yield data as at 1 September 2022, historic yield is calculated as dividend per share (sum of last 4 quarterly distributions/price on date quoted).

Top 10 holdings	Weight (%)
Microsoft Corporation	6.7
PepsiCo	4.1
Nestle	3.8
AstraZeneca	3.5
DBS Group Holdings	3.5
Eaton Corp	3.4
NextEra Energy	3.4
Broadcom	3.3
Zurich Insurance Group	3.3
Watsco	3.1
<b>Total</b>	<b>38.2</b>
Number of holdings	47
Historic Yield* (C Inc USD)	3.05%

- Top 10 holdings go beyond traditional ‘compounders’
- Strong exposure to Asia-Pacific’s dividend growth story
- Underweight US and Japan – two of the lowest yielding developed markets

# A differentiated approach to income investing

## Sector positioning (%)



- Significant tech weighting reflecting high dividend growth in the sector
- Financials remain a key source of income and are supported by interest rate rises
- Low exposure to structurally challenged traditional income sectors like energy and communication services

## JHGDI – TOTAL DIVIDENDS BY INDUSTRY

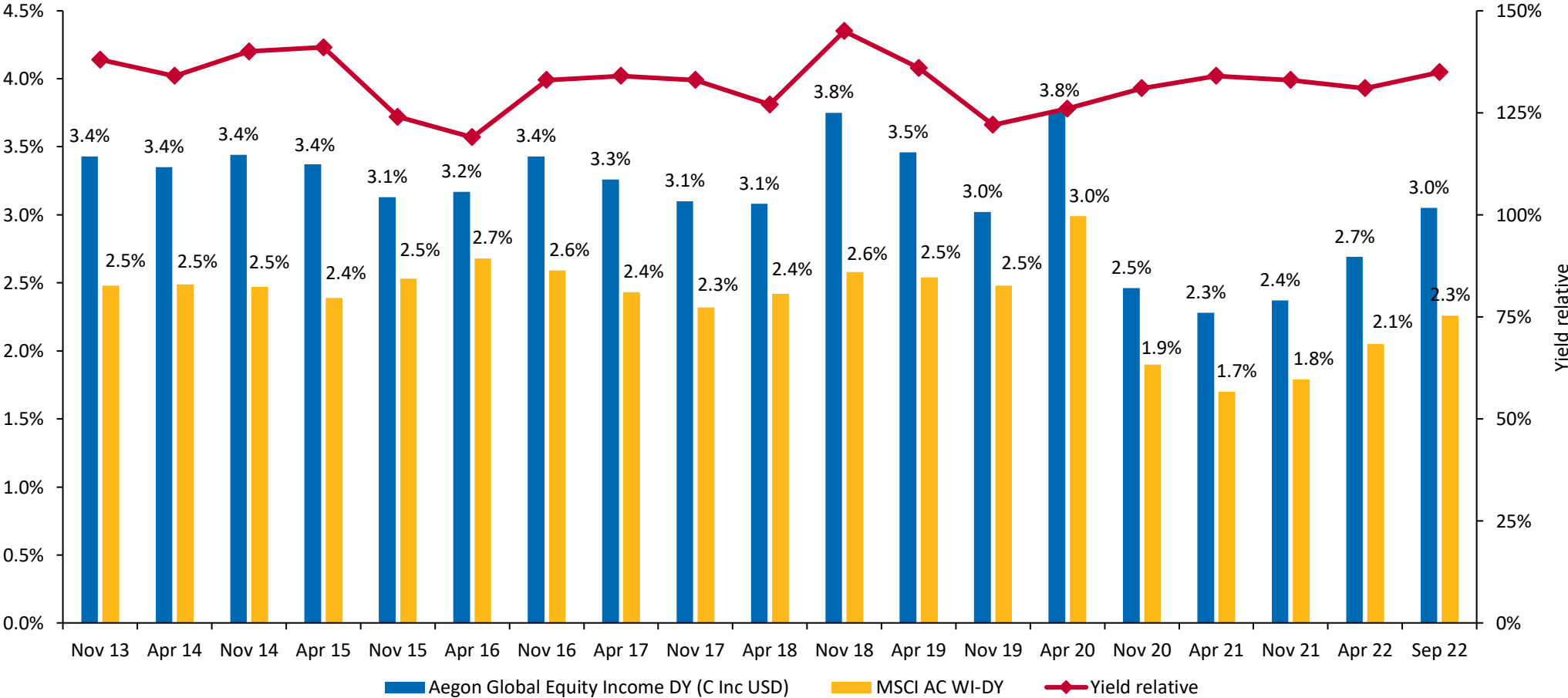


Source: Citi Investment Research, FactSet. Data as at 30 September 2022. Index: MSCI All Country World GBP.  
 Source for JHGDI chart: Janus Henderson Global Dividend Index Report, Edition 34, May 2022.

# Premium income with long-term capital appreciation

Distribution yield – consistently around 30% higher than the MSCI ACWI

Past performance does not predict future returns.

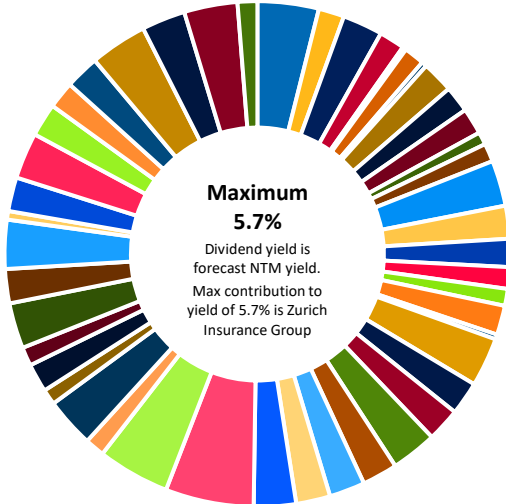


Source: FactSet, MSCI ACWI and Aegon as at 1 September 2022

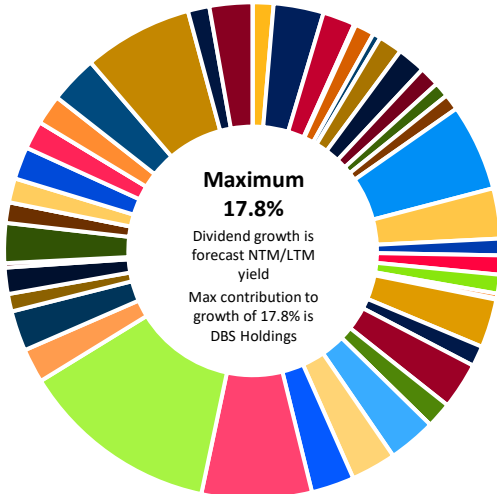
# Deconstructing the Fund's income

- Income delivery does not rely on a few, very high-yielders
- A totally diversified source of both yield and dividend growth
- Highly liquid portfolio

Contribution to dividend yield



Contribution to dividend growth



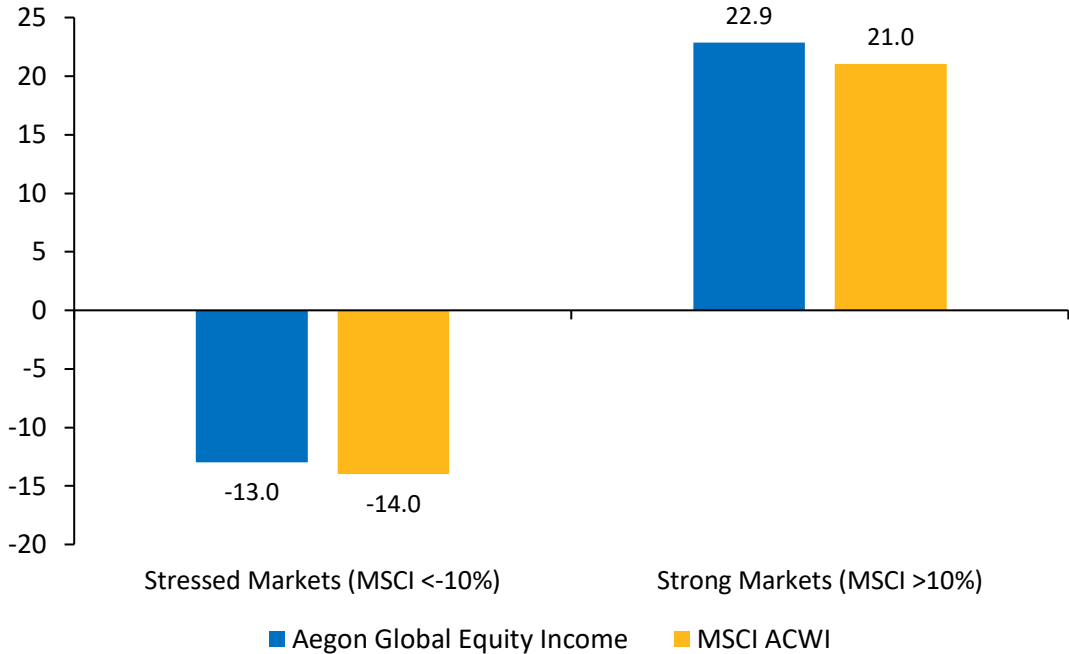
Source: FactSet as at 30 September 2022  
Next Twelve Months (NTM), Last Twelve Months (LTM).

# Dampening global equities drawdown...

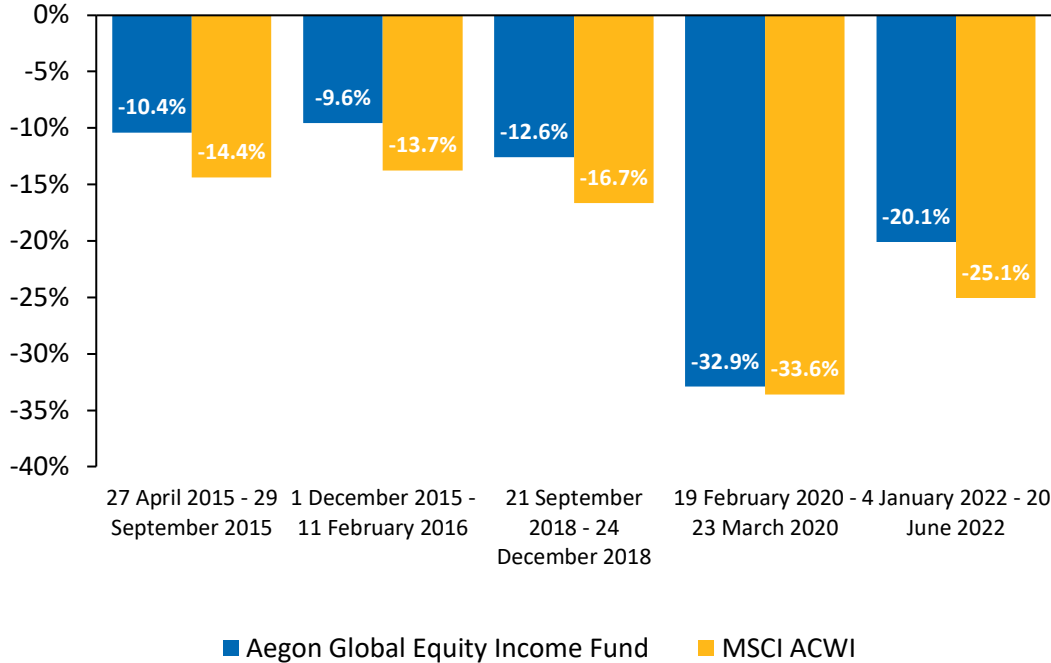
...while keeping up with strong markets/relative protection in down markets

Past performance does not predict future returns.

Average rolling 1 year performance, in USD



Equity downturns of more than 10%

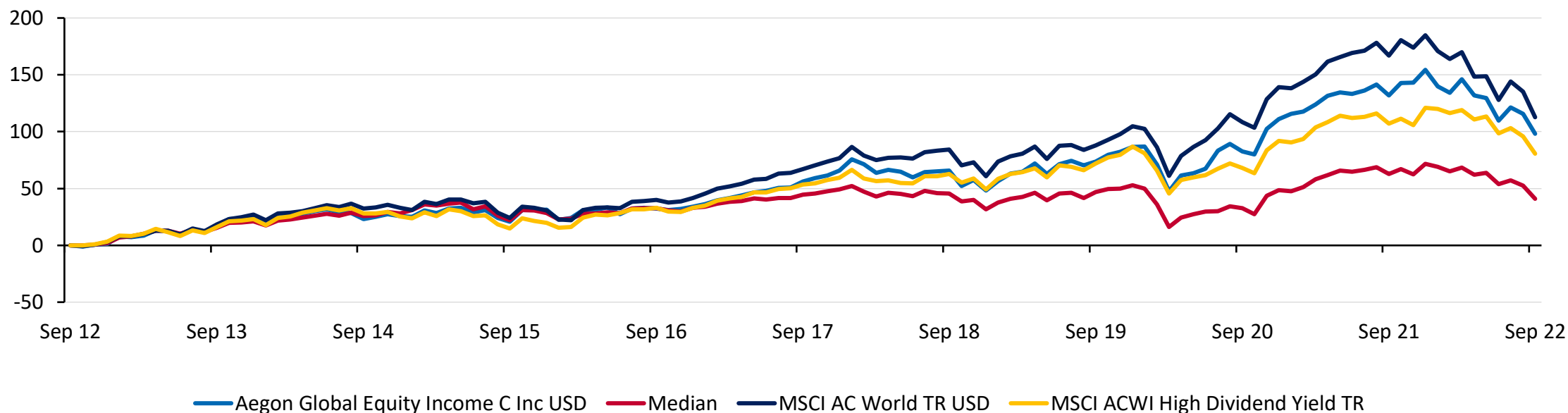


Lhs chart as at 30 September 2022. Stressed Markets refers to 6 periods and Strong Markets to 56 periods. Equity market reference index: MSCI AC World Net Total Return Index. Reference index data source: FactSet. Rhs chart as at 20 June 2022. Fund shown: Aegon Global Equity Income C USD, inception date 28 September 2012. Chart shows Fund performance (net of ongoing charges and noon-priced), during periods where global equities sold off by more than 10% since inception.



# Premium income with long-term capital appreciation

Past performance does not predict future returns.

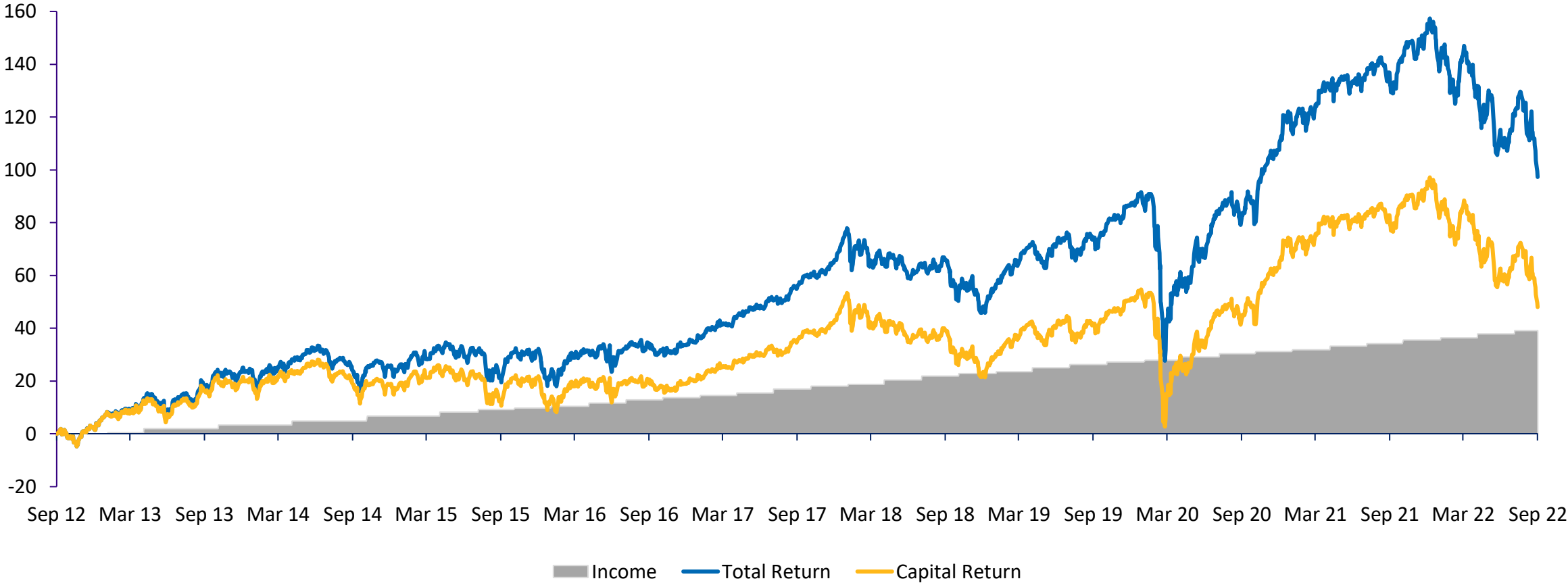


Fund rankings*	1 year	3 years	5 years	Since launch
Quartile	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Peer group	55/169	14/149	15/128	10/90

Source: Lipper as at 30 September 2022. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Benchmark and sector median source: Lipper. Median is Lipper Global Equity Global Income. Aegon Global Equity Income Fund C (Inc) USD shares vs MSCI AC World Index (Index is gross and based on closing prices). MSCI AC World High Dividend Yield TR is used for illustrative purposes only. Inception 28 September 2012. \*Fund rankings compiled using Lipper Primary share classes based on the A (Inc) EUR shareclass launched on 7 October 2013. Lipper primary share classes are generally the highest charging share classes available, and are usually the 'A' retail share classes for Aegon funds.

# Income: A significant contributor to long-term returns

Past performance does not predict future returns.

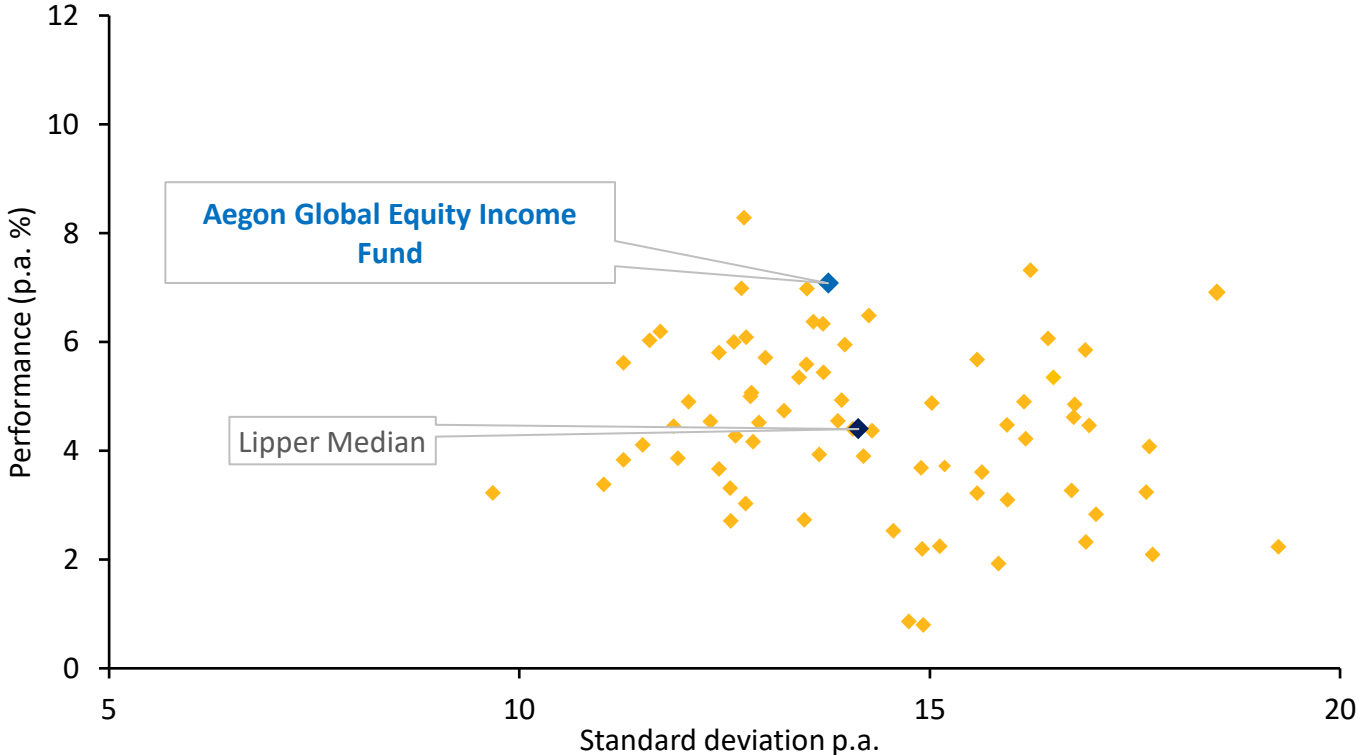


As at 30 September 2022. Source: Lipper. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Fund shown: Aegon Global Equity Income Fund C (Inc) USD shares % Growth TR and CR since inception on 28 September 2012.

# Premium income with long-term capital appreciation

Past performance does not predict future returns.

## Aegon Global Equity Income Fund risk/return profile (28 September 2012 to 30 September 2022)



- Lipper Global Equity Global Income sector includes 79 global dividend equity funds with performance record since 28 September 2012
- Aegon was the 3rd best performer over the period

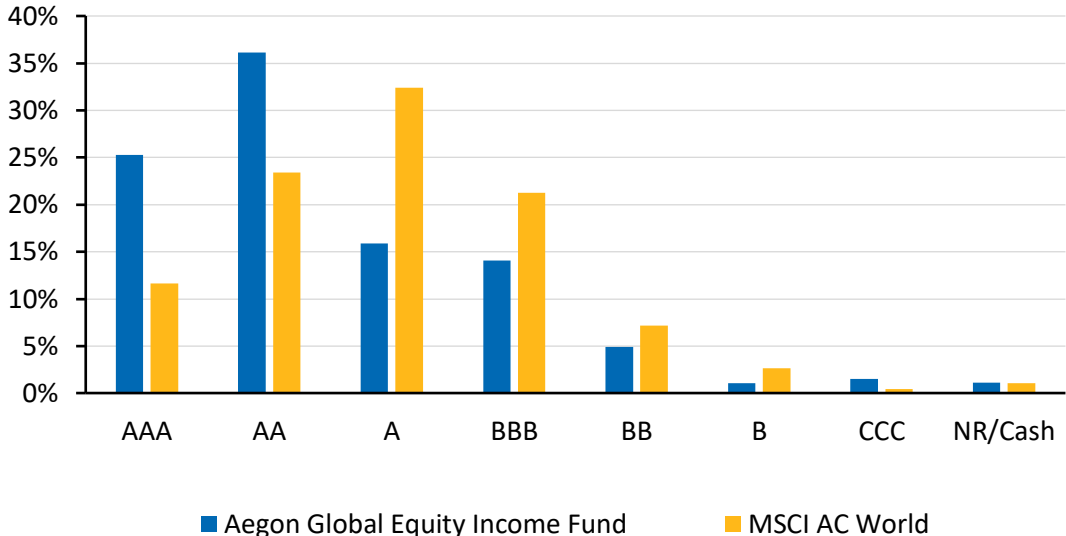
Source: Lipper as at 30 September 2022. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Benchmark and sector median source: Lipper. Aegon Global Equity Income Fund C (Inc) USD shares vs Lipper Global Equity Global Income sector. Volatility based on annualised standard deviation. Inception: 28 September 2012.

# Delivering strong ESG outcomes

Sustainable companies lead to sustainable payouts

- **61%** of fund rated **AAA** or **AA** by MSCI, compared to just **35%** of the index
- Lower weighting than index in stocks **rated BBB or lower**
- **Carbon statistics highly favourable** compared to index

GEIF MSCI ESG Ratings vs MSCI AC World



Output summary		Aegon Global Equity Income	MSCI ACWI
<b>Footprint</b>	tCO2e	25,093	48,890
<i>Coverage</i>	%	99%	99%
<b>Carbon Intensity</b>	tCO2e/USDm invested	42	78
<i>Coverage</i>	%	99%	99%

Source: MSCI as at 30 June 2022.

# Compelling reasons to consider the Fund

Past performance does not predict future returns.

## Consistency, reliability and longevity

<b>Current backdrop</b>	<ul style="list-style-type: none"> <li>Dividends tend to keep up with inflation and dividend payers perform well in rate rising cycles</li> </ul>
<b>Fund performance</b>	<ul style="list-style-type: none"> <li>Consistently delivered income significantly above dividend yield of market</li> <li>First quartile total returns over 3 and 5 years and since launch*</li> </ul>
<b>Consistent philosophy, stable team</b>	<ul style="list-style-type: none"> <li>Stable team with a proven track record in equity income investing, complemented by the Aegon Proprietary Dividend Screen</li> </ul>
<b>ESG integration</b>	<ul style="list-style-type: none"> <li>Results in a portfolio with strong ESG outcomes</li> </ul>



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30 years' experience



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As at 30 September 2022. Source: Lipper, NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Sector median source: Lipper. Global Equity Global Income sector. \*Fund rankings compiled using Lipper Primary share classes based on the A (Inc) EUR shareclass launched on 7 October 2013. Lipper primary share classes are generally the highest charging share classes available, and are usually the 'A' retail share classes for Aegon funds.

# Aegon Global Equity Income Fund

Shareclass	ISIN	Bloomberg	WKN	Austria	Belgium	Switzerland	Germany	Spain	UK	Guernsey*	Ireland	Italy	Jersey*	Luxembourg	Malta	Netherlands	Portugal*	Sweden
A Inc EUR	IE00BF5SW189	KGEICAI ID	A1W8HY	✓		✓	✓		✓		✓	✓			✓		✓	
B Acc USD	IE00B8NW0X18	KGEIBAU ID				✓			✓	✓	✓		✓	✓	✓	✓		
B Acc EUR (Hedged)	IE00B8NVV808	KGEIBAE ID			✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	
B Acc GBP	IE00BF5SVX39	KGEICBA ID				✓			✓	✓	✓		✓	✓		✓		
B Inc EUR	IE00BF5SVY46	KMGEBIE ID			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	
C Inc USD	IE00B8PL6278	KGEICIU ID				✓			✓	✓	✓		✓	✓	✓	✓		✓
C Inc GBP	IE00BF5SW304	KMGICIG ID				✓			✓		✓							
S Inc EUR	IE00BF2HQ058	KGEISEI ID	A2JP33	✓		✓	✓				✓							
D Acc USD	IE000JYW5R00	AEGEIDU ID									✓							
G Acc USD	IE000U1RCGR2	AEGEIXU ID									✓							
X Acc USD	IE000AUXFHF1	AEGEIGU ID									✓							

As at August 2022. \*Institutional only.

# Important information

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## Investment policy

The Fund shall directly invest at least 80% of the Net Asset Value of the Fund in equity securities. The Investment Manager in seeking to achieve the Fund's investment objective, intends to invest primarily in a portfolio of global equity securities providing an above average yield (i.e. a higher yield than the yield of the overall global equity market). The Fund may also invest to a limited extent, in other securities and instruments as described below. In selecting investments, the Investment Manager shall seek to invest in equity securities that have the potential for growth of income and capital and the Investment Manager shall seek to identify companies with attractive long-term business prospects that generate cash and produce attractive levels of dividend income. The Fund shall invest in a diversified portfolio of equity securities.

## The main risks of the fund are:

**Other markets:** The Fund may invest in countries which have less developed political, economic and legal systems and which provide fewer investor protections. Difficulties in buying, selling, safekeeping or valuing investments in such countries may reduce the value of the Fund.

**Concentration Risk:** Holding a limited number of underlying investments means a change in the value of any one investment has more impact on the Fund's value. This increases potential gain but also potential loss.

**Foreign Exchange Risk:** The Fund's portfolio of investments may be denominated in a range of currencies which differ from the Fund's base currency. Fluctuations in these currencies may increase the risk of losses to the Fund where hedging is not used or is incomplete or unsuccessful.

**Fund charges:** The Fund charges its fees against capital, which will increase the amount of income available for distribution to Shareholders, but may constrain capital growth.

For more details on the risks for this fund please see the KIID or Prospectus

# Important information

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**For Professional Investors only and not to be distributed to or relied upon by retail clients.**

This is a marketing communication. Please refer to the Prospectus of the UCITS and to the KIID before making any final investment decisions. The relevant documents can be found at [aegonam.com](http://aegonam.com). The principal risk of this product is the loss of capital.

Past performance does not predict future returns. Outcomes, including the payment of income, are not guaranteed.

All data is sourced to Aegon Asset Management unless otherwise stated. The document is accurate at the time of writing but is subject to change without notice. Yield for C Inc USD at 1 September 2022. Source: Aegon Asset Management UK plc.

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