

SARASIN  
& PARTNERS

# Sarasin global strategy

28 September 2020

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This document is for investment professionals only and should not be relied upon by private investors.





# 01

**The COVID economy**  
**Have we seen the worst?**



# COVID19:

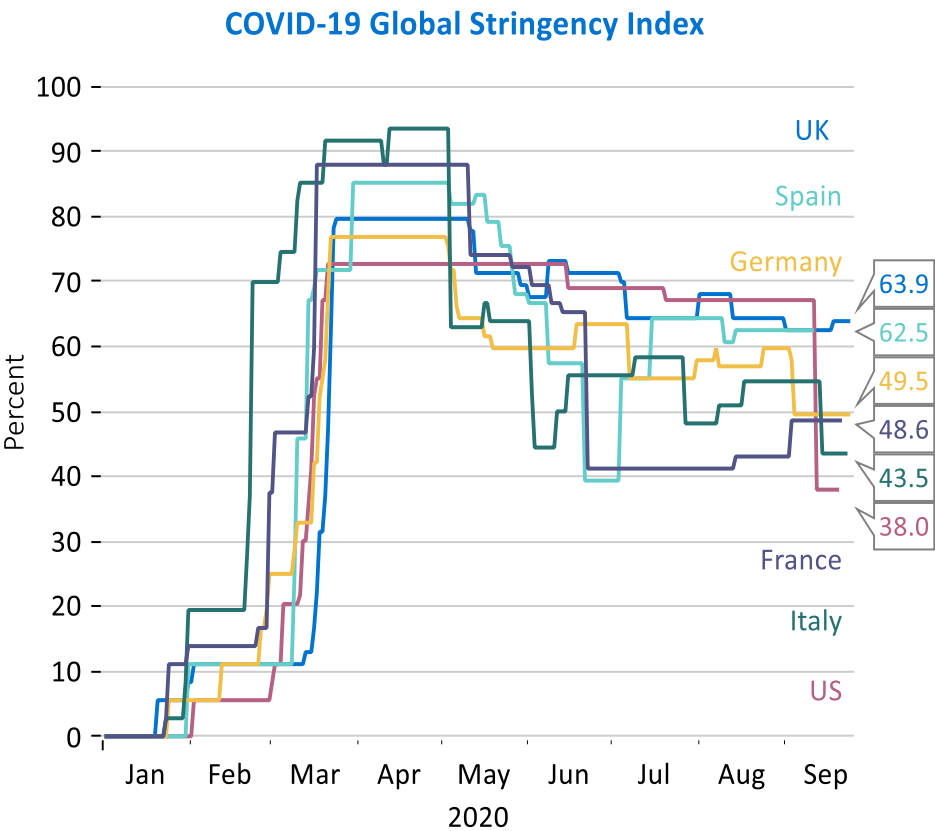
Stubbornly high restrictions in Europe – business sentiment weakening again



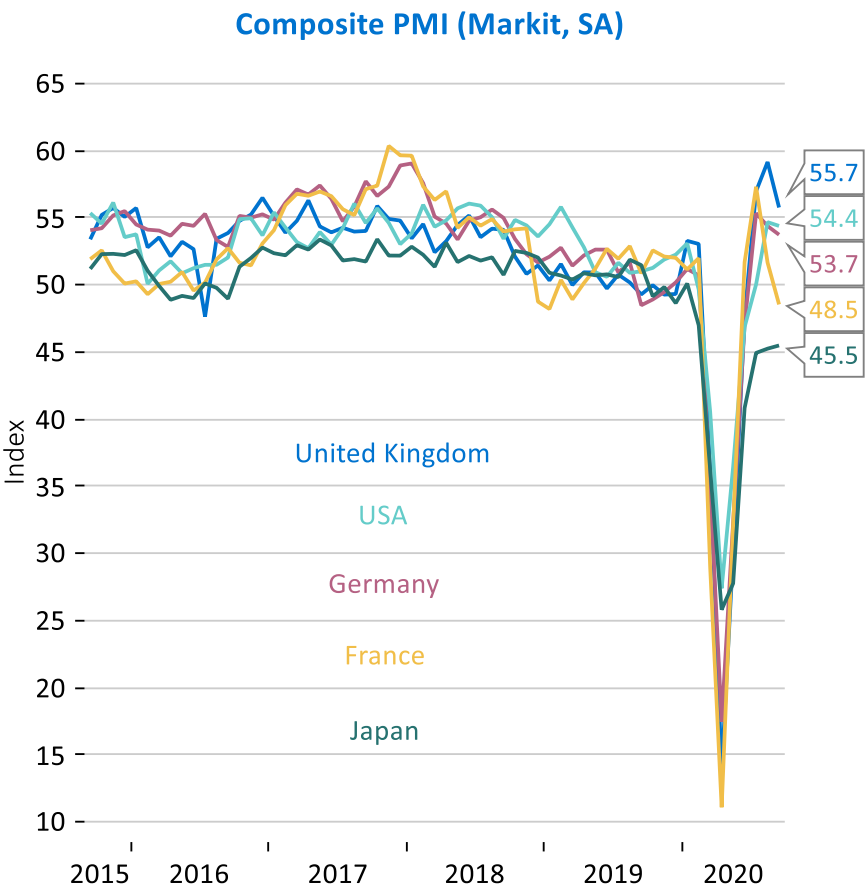
COVID-19 Government Response Tracker



Global Business Sentiment



Source: Macrobond, 25.09.20



Source: Macrobond, 25.09.20



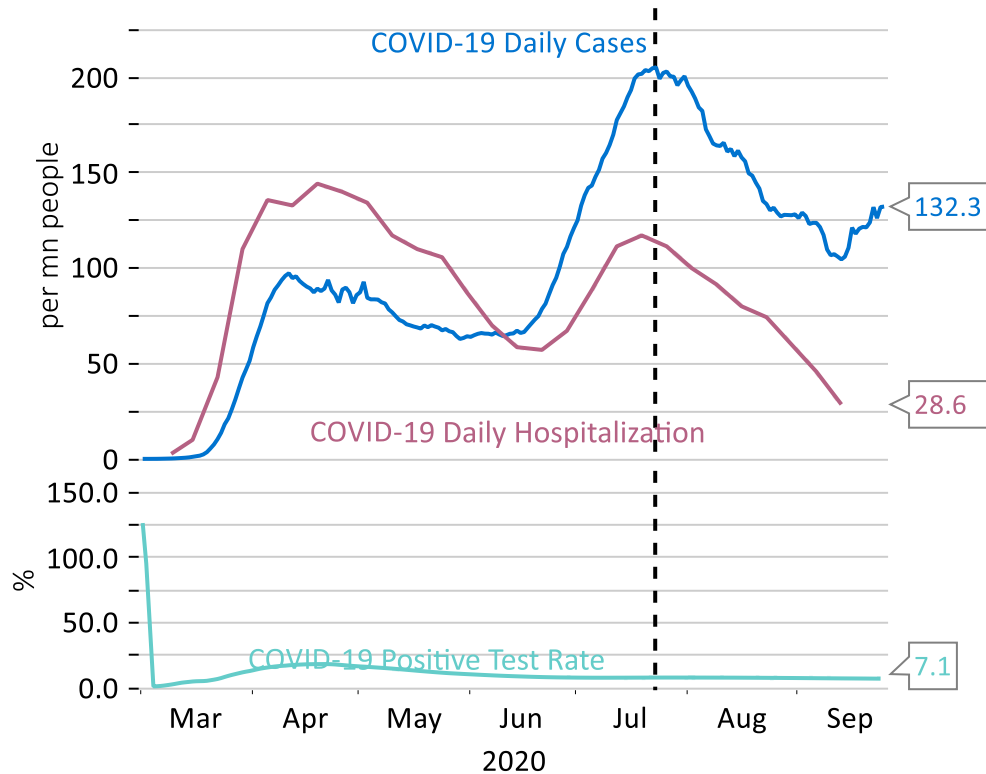
# US COVID19

Cases have probably peaked - helping retail sales recover



## US COVID19 Data

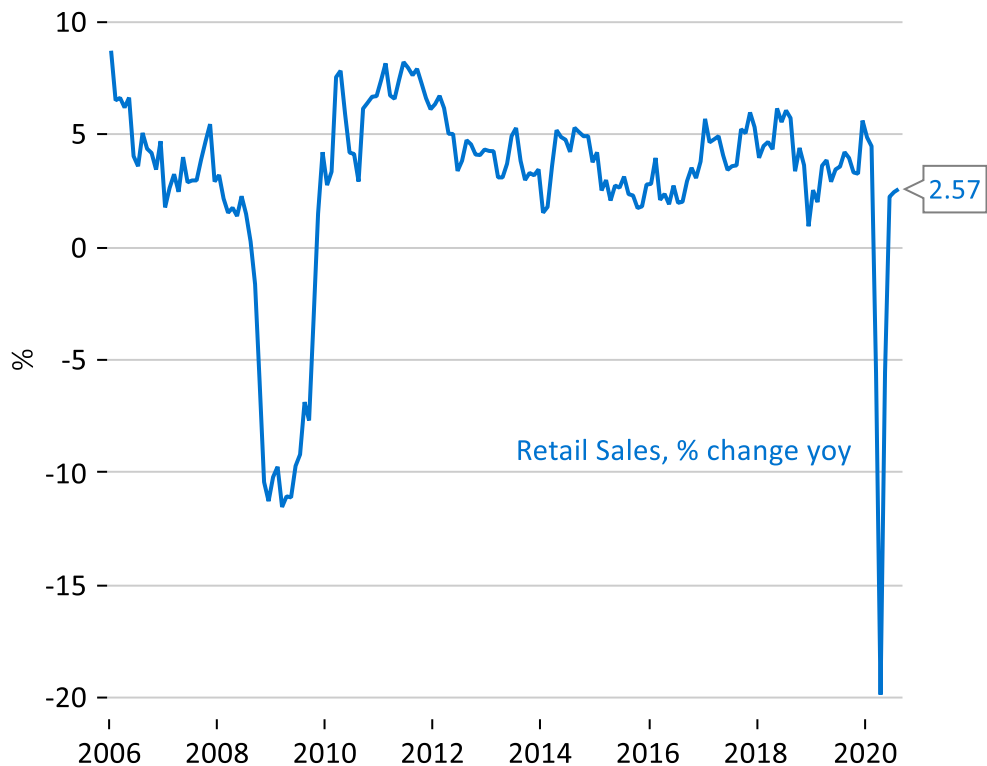
US COVID19 Cases, Hospitalisations and Tests



Source: Macrobond, 25.09.20

## US retail sales recover above levels a year ago

US Retail Sales



Source: Macrobond, 25.09.20

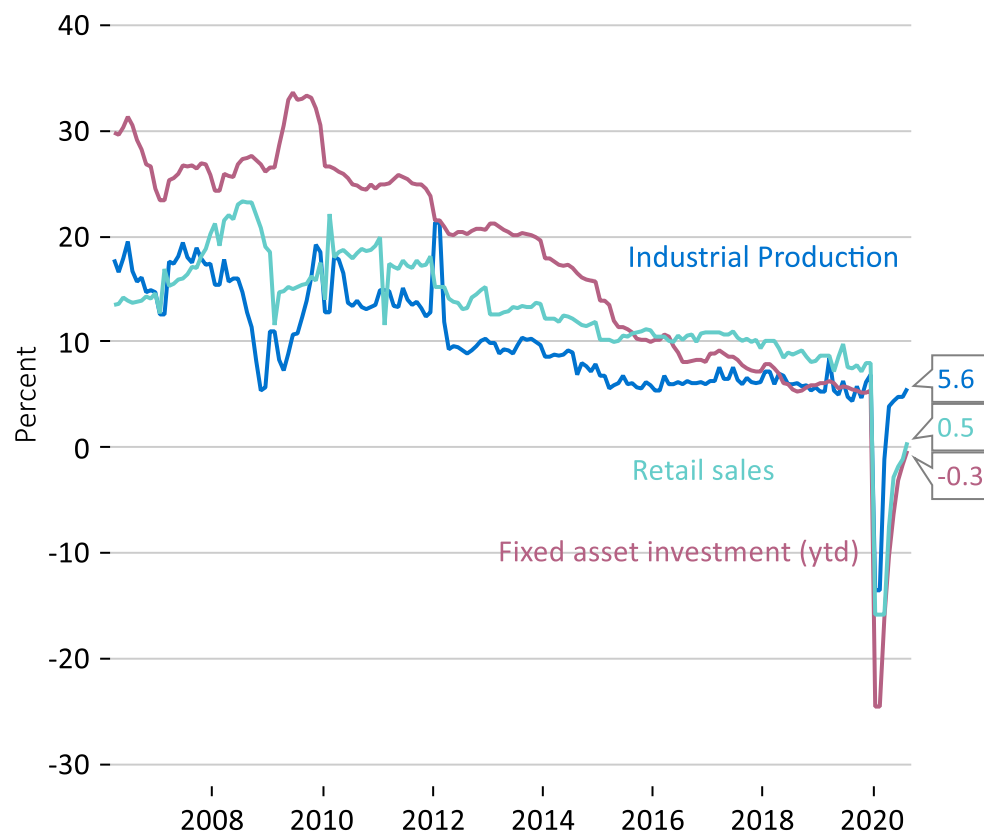


# China:

Activity is normalising, led by infrastructure & exports - consumption still lagging



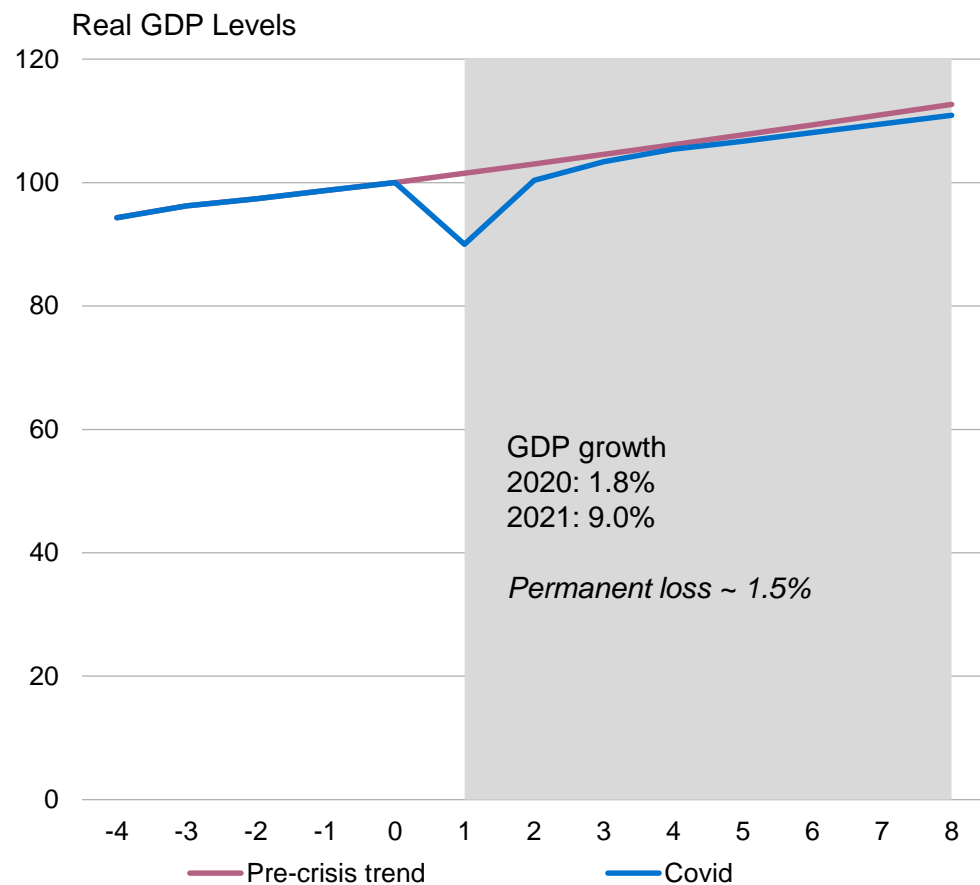
Economy rebounding – consumption still slow



Source: Macrobond, 25.09.20



Economy returning to pre-covid levels faster than expected



Source: S&P Analysis, Sept 2020



# Net zero by 2060?

Xi joins the party



**“China will scale up its Intended Nationally Determined Contributions by adopting more vigorous policies and measures. We aim to have CO2 emissions peak before 2030 and achieve carbon neutrality before 2060”.**

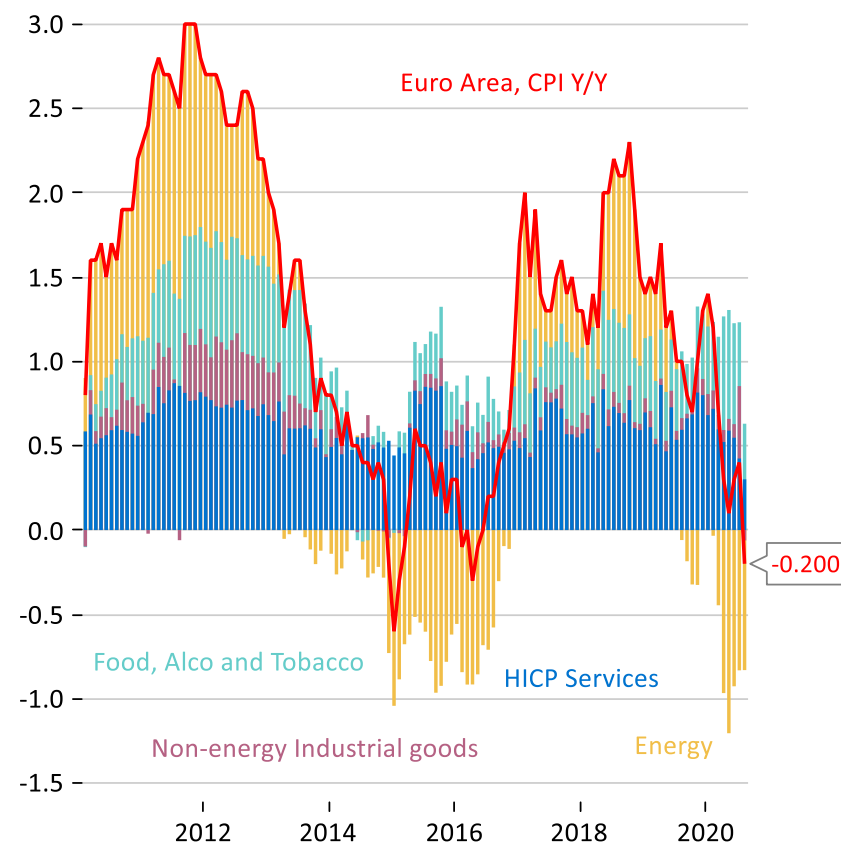
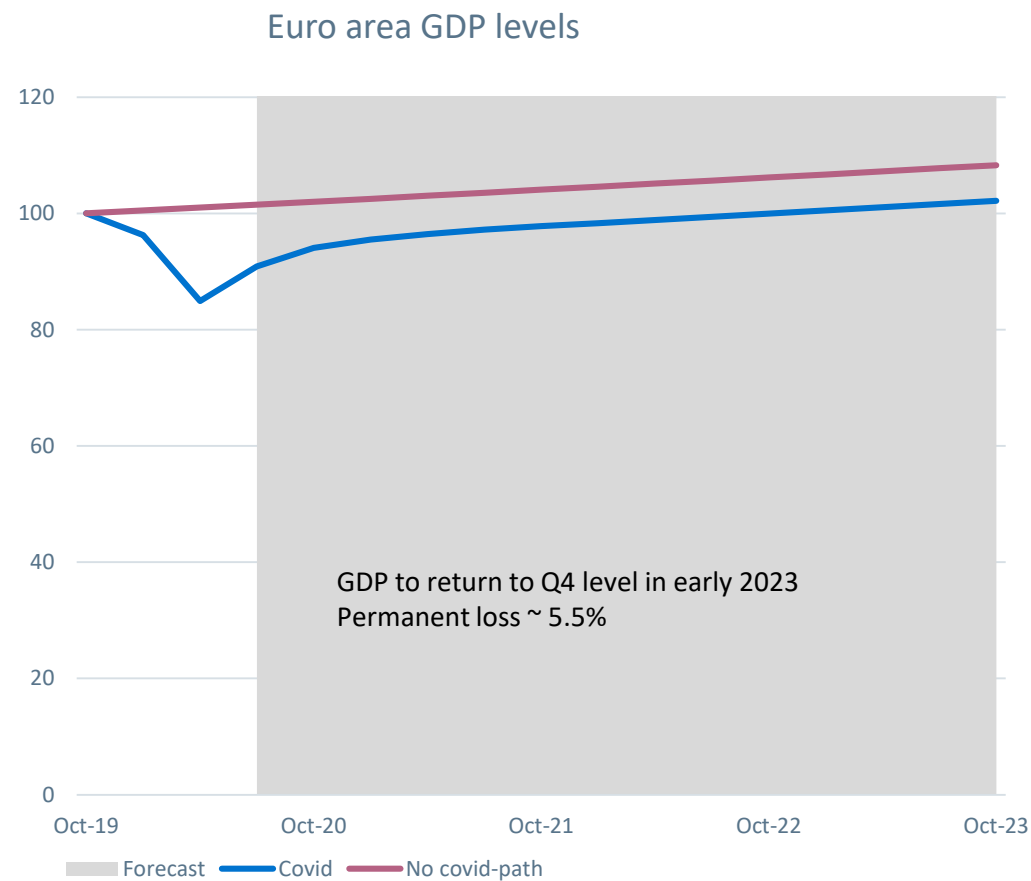


# Euro area:

Moderating GDP shock to -8.2% 2020 growth but deflationary trends still worrying

 **GDP Growth: -8.2% in 2020, and 5.7% in 2021**

 **Eurozone CPI**



Source: Macrobond, 25.09.20

Source: S&P Analysis, Sept 2020



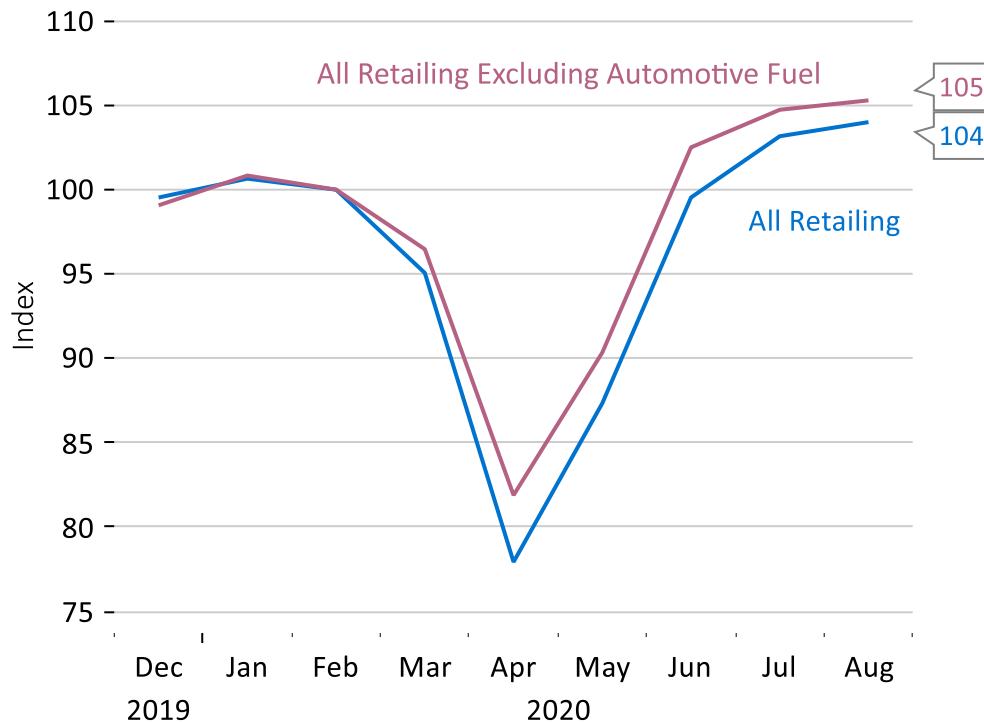
# UK:

Consumers have led the recovery, but labour market lags suggest it may not be sustainable



## Retail sales has recovered

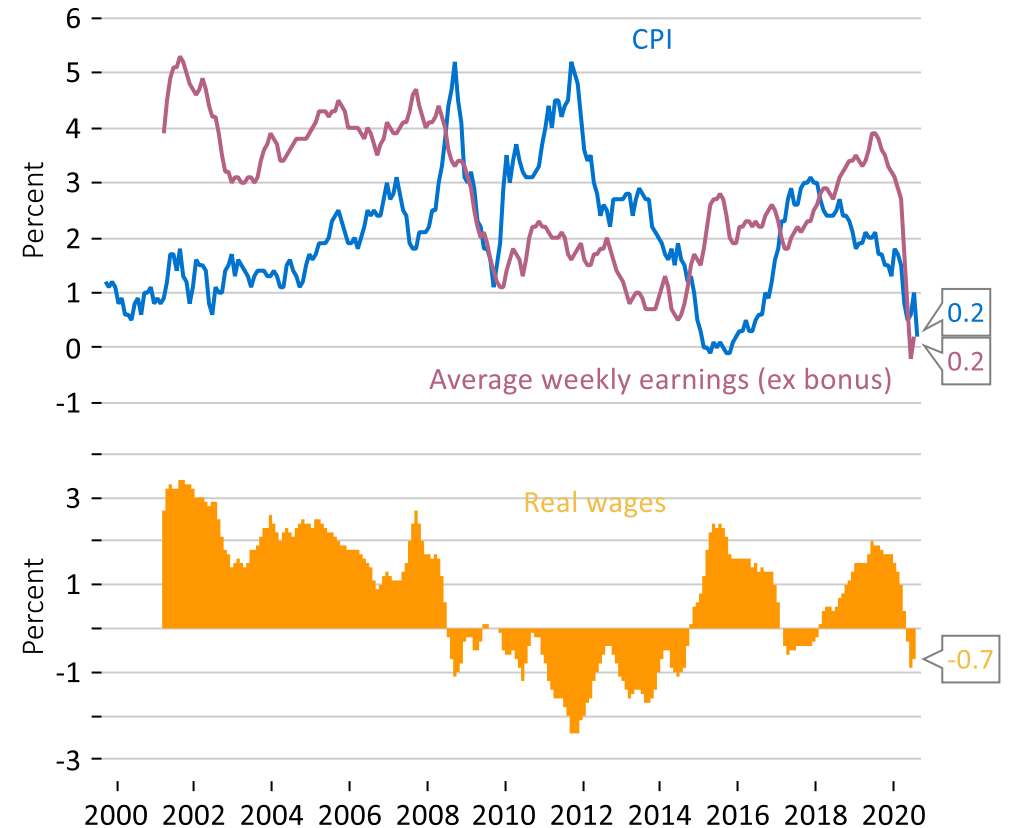
United Kingdom, Domestic Trade, Retail Trade, Constant Prices, SA, Index



Source: Macrobond, 25.09.20



## Real wages negative



Source: Macrobond, 25.09.20



# UK:

Outlook clouded by investment uncertainties, and political risk related to Brexit



## Brexit uncertainties

**Chart A Investment plans have been revised in response to the pandemic.**

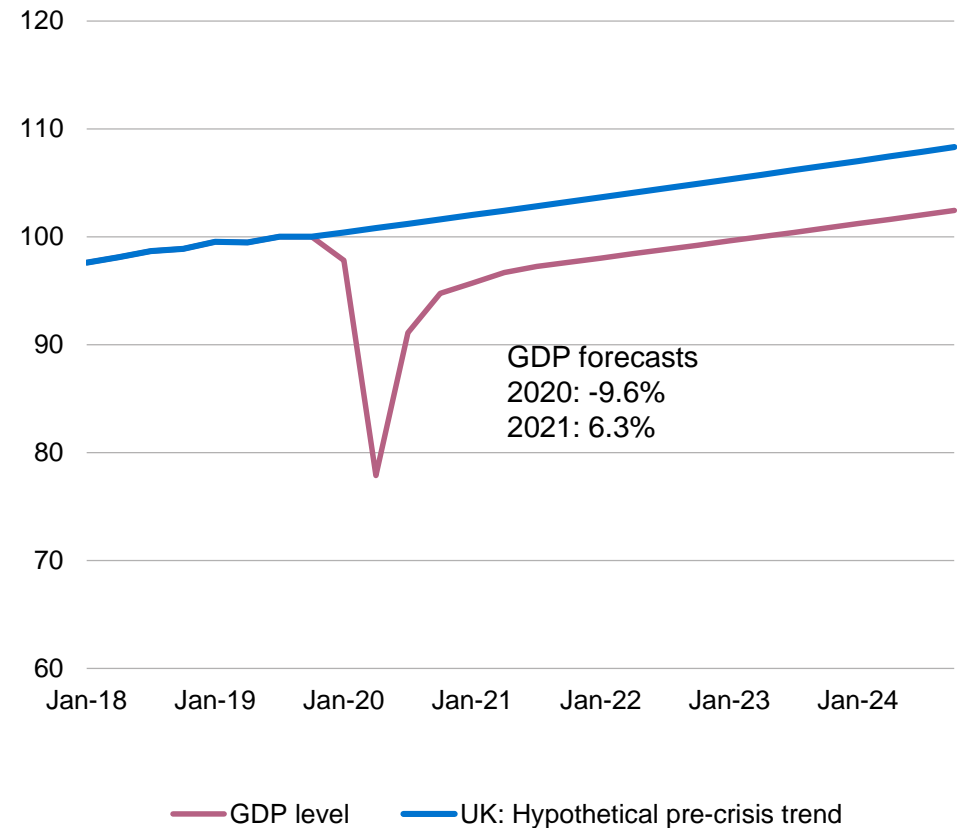
Investment intentions over the next 12 months



Source: BOE Monetary Policy Report 2020



## GDP Growth



Source: S&P Analysis, Sept 2020



# 02

## Political Challenges



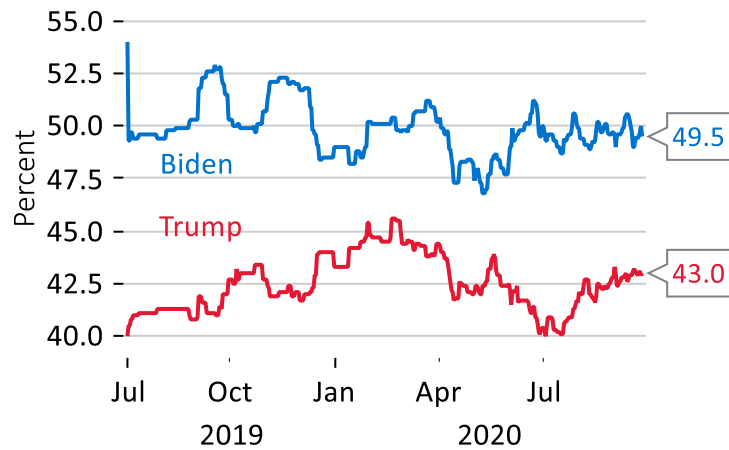
# 1. US Electoral Polls

Biden lead still looks firm

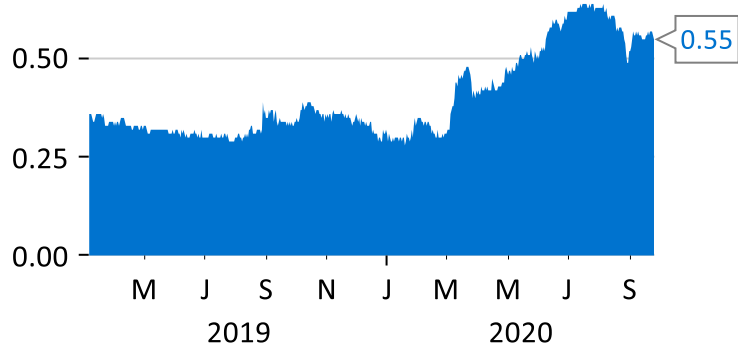


US political polls in key 'battleground' states – Trump (Republican red) v Biden (Democrat blue)

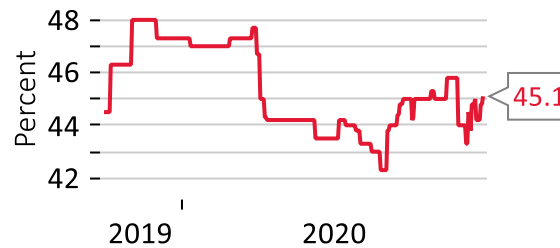
## US National Polls, Trump vs Biden (RCP)



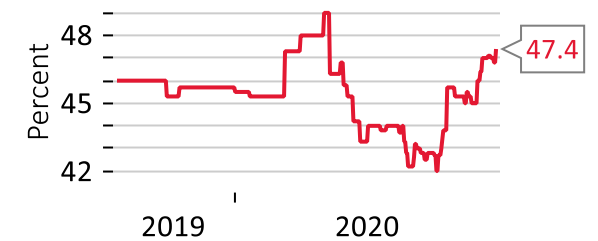
## US Political Polls - Who Will Control the Senate After 2020, Democratic (PredictIt)



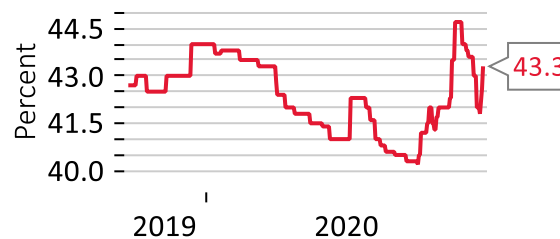
## Arizona



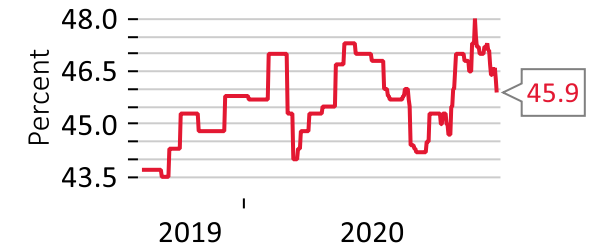
## Florida



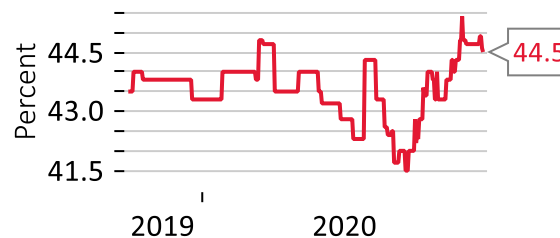
## Michigan



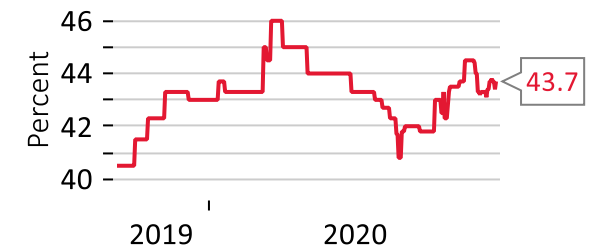
## North Carolina



## Pennsylvania



## Wisconsin




Sc Source: Macrobond, 25.09.20

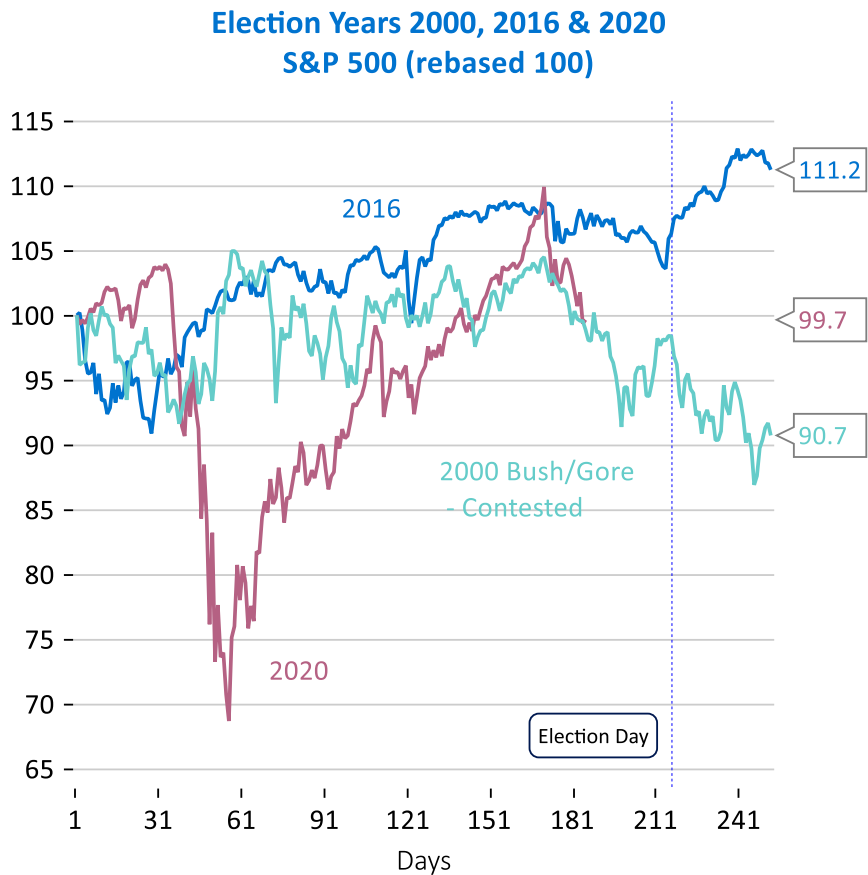


# US Elections:

Contested election hurts US equities & the dollar

 Dip into last 60 days to election day matches 2016

Dates for presidential postal vote count by state



Source: Macrobond, 25.09.20

## Mail-in Counts

Some battleground states cannot start counting ballots until Election Day, possibly making those critical states slower to report presidential election results. But many states can prepare early and mail-in ballots for counting—and even officially count them—ahead of Nov. 3.

- Can count before Election Day
- Can count before polls close on Election Day
- Count after polls close on Election Day



Note: In all states, no results are released until after polls close. \*Counties with populations of 100,000 or more

Source: state election offices; Associated Press

Source: Wall Street Journal, Sept 2020

Note the 2000 market sell off and extended volatility after the contested election result in Florida (settled after 1m by US Supreme Court)

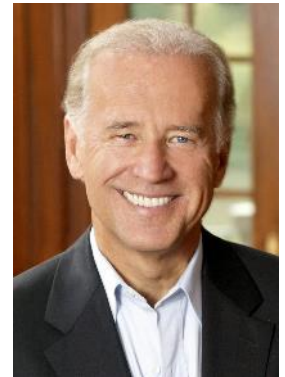


# US Election 2020

If Biden wins in November...

- Polls and pundits are now showing a Biden victory, with a possible sweep of Senate and House
- In terms of taxes:
  - Corporate taxes expected to rise from 21 to 28%
  - Minimum taxes for domestic and foreign income
  - Highly progressive personal taxes especially on top 1 percent of earners
- In terms of policies:
  - Infrastructure will be the Biden 'Big idea' and a \$2.0 trillion plan focused on renewable energy and clean technology including EV charging infrastructure
  - Expect Pharma to be impacted with legislation that will allow Medicare to directly negotiate drug prices
  - A likely roll back of Trump era energy deregulation via executive orders no fracking on federal land and strengthen the clean air act
  - Immediately rejoin Paris and target a carbon free power sector by 2035
  - Engage with Europe, Canada and Mexico to contain China - will likely be equally protectionist
  - A strong antitrust push (esp. tech) – esp. if Elizabeth Warren has a key position in his administration.

Source: Committee for a Responsible Federal Budget, joe Biden.com, August 2020



Joe Biden  
Presumptive Democratic  
nominee for the 2020  
presidential election



Kamala Harris  
Presumptive Vice  
President Nominee for  
the 2020 presidential  
election

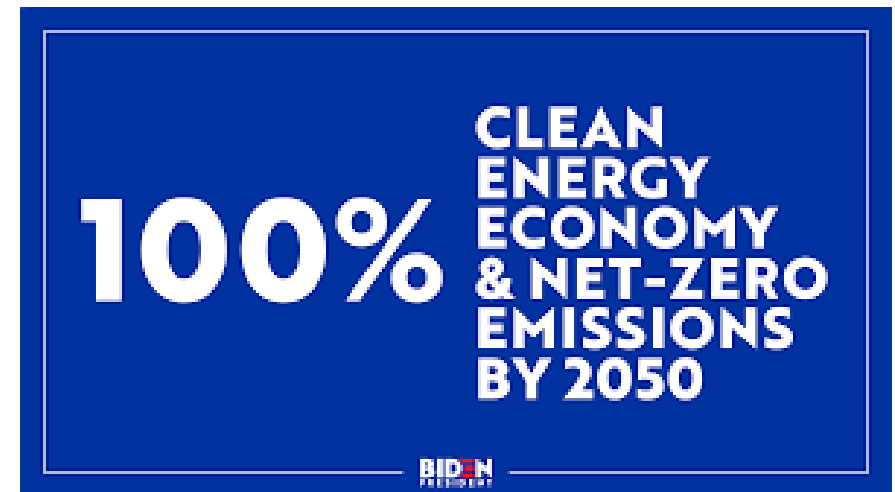


# Are the stars aligning...?

55% of global emissions potentially captured



US...if Biden wins



China



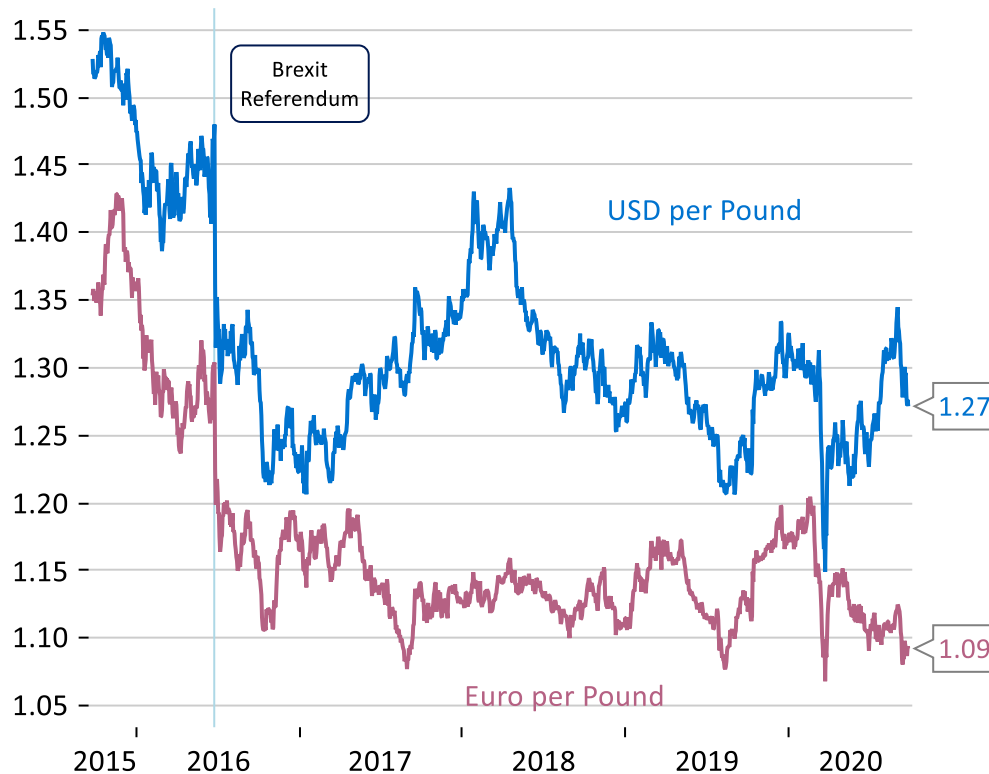


## 2. As expected Brexit Negotiations continue to the wire...



### Sterling rallies vs. Dollar - at lows vs. Euro

#### Sterling



Source: Macrobond, 25.09.20

**Expansive trade deal.** An expansive deal was always possible...

#### The Fundamental problem:

- EU will not grant this access to a such a large and important trading partner without confidence the UK won't diverge from EU rules
- UK won't sign up to the EU's rules in all these areas as it would greatly hamper their ability to intervene in the UK economy and to sign meaningful trade deals with other countries

**No deal still less likely ?** Both sides largely want the same thing - A deal with no tariffs, quotas, and minimal non-tariff restrictions. Many non-trade areas where they have found or can find common ground, like security, aviation etc.

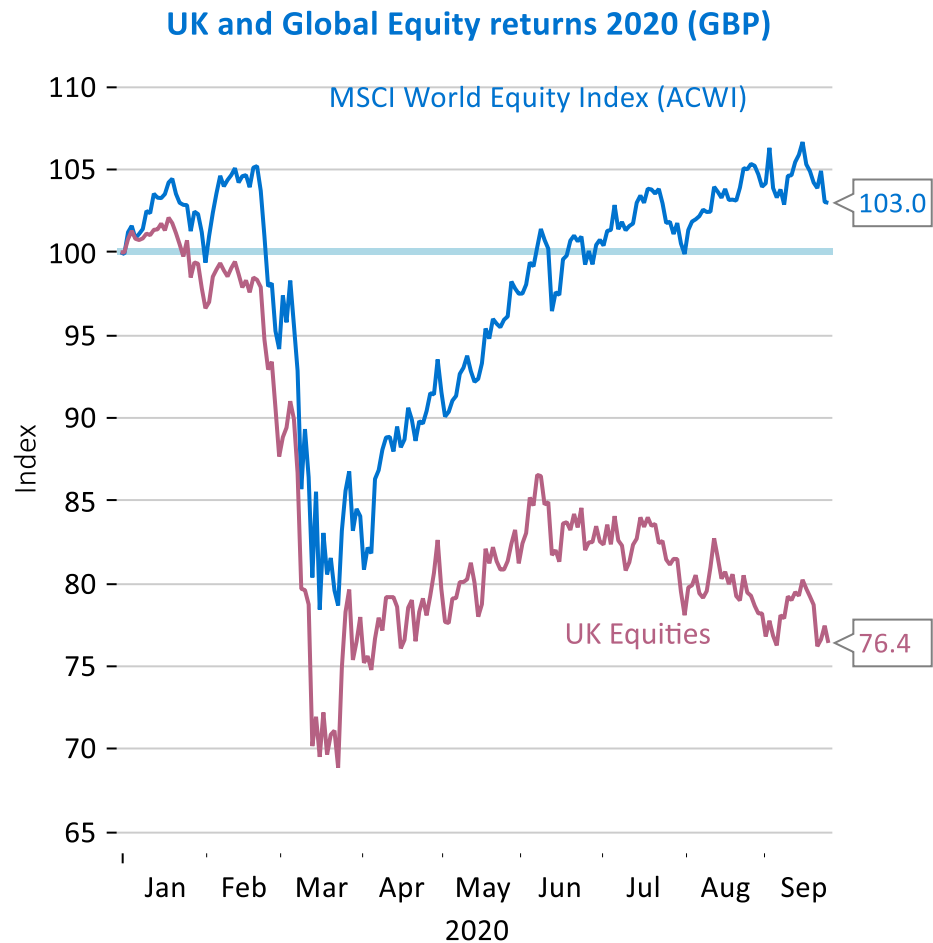
As a result an agreement of some kind is still likely.



# Underperformance of UK assets extraordinary

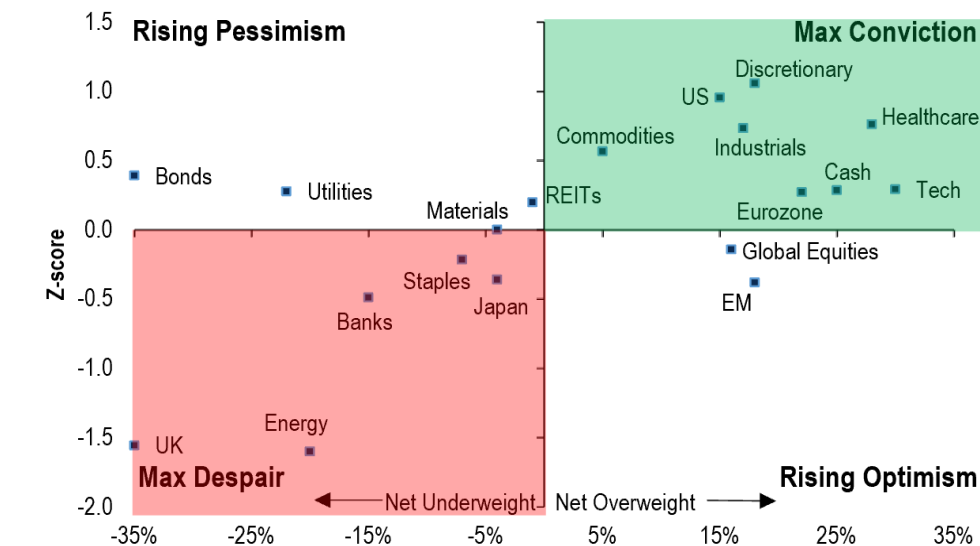
 **Market structure & Brexit = sharp UK under-performance**

 **Bank of America Merrill Lynch Fund Manager Survey**



Source: Macrobond, 25.09.20

**Chart 1: UK, energy, banks contrarian longs; US tech, healthcare, discretionary contrarian shorts**



Source: BofA Global Fund Manager Survey

Bank of America Fund Manager Survey September 2020



# 03

**Market outlook**

**Risk assets continue to rally**



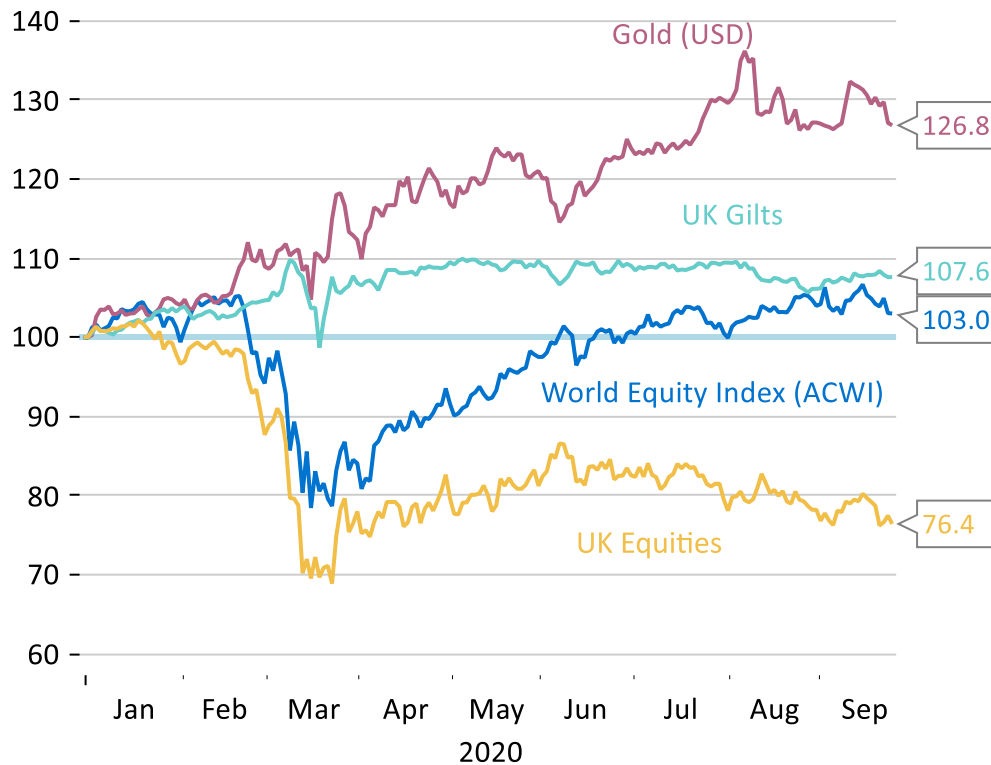
# Markets 2020:

Gold leads a global rally as volatility falls – UK equities continue to lag



Equities reverses COVID losses for a Sterling Investor

Global Asset Class Returns 2020 (GBP)

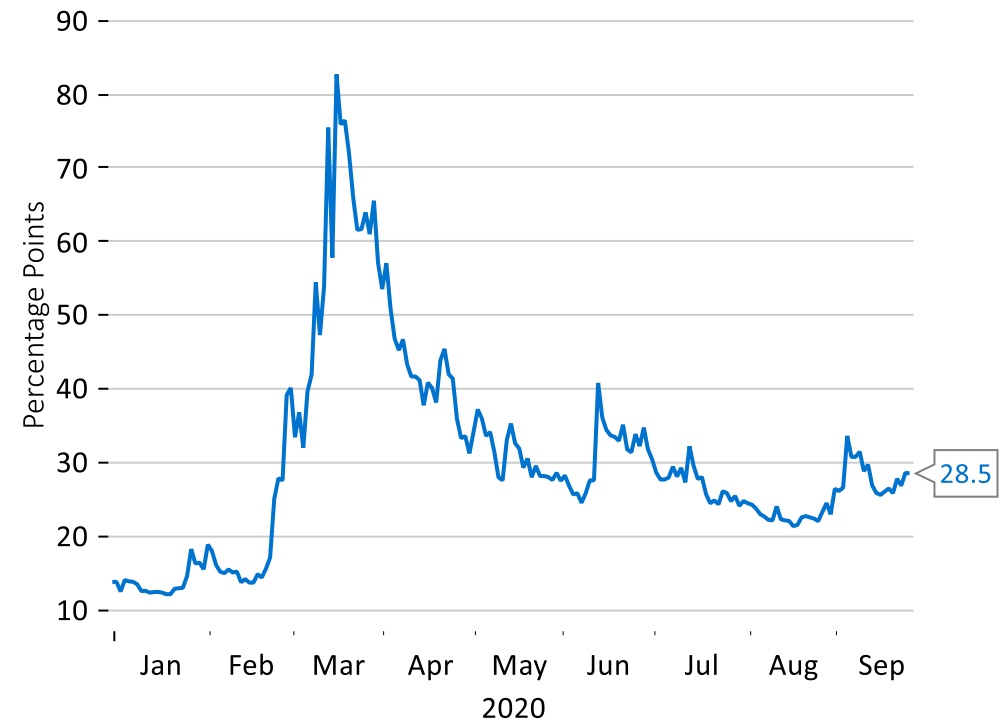


Source: Macrobond, 25.09.20



Volatility continues to decline

US Equity Volatility Index (VIX)  
2020 to date



Source: Macrobond, 25.09.20



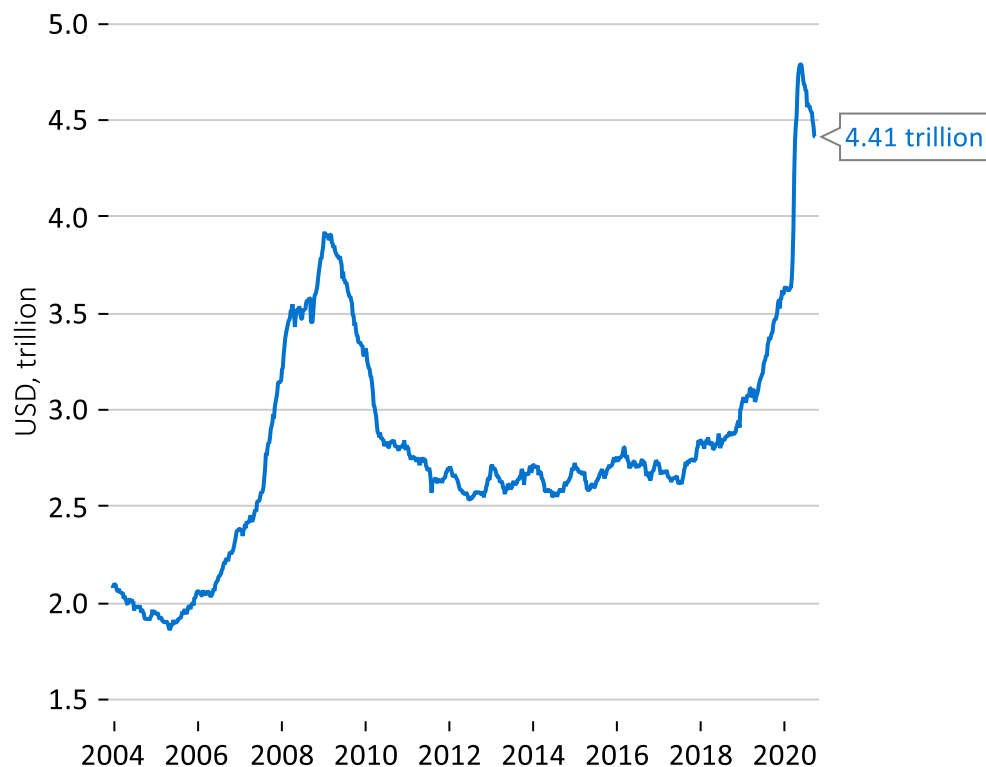
# Challenge 1:

Growth stock and 'Fang+' leadership supported by retail investors – how stable is this?



Retail investors are major buyers of US Fangs

US Total Money Market Fund Assets, USD

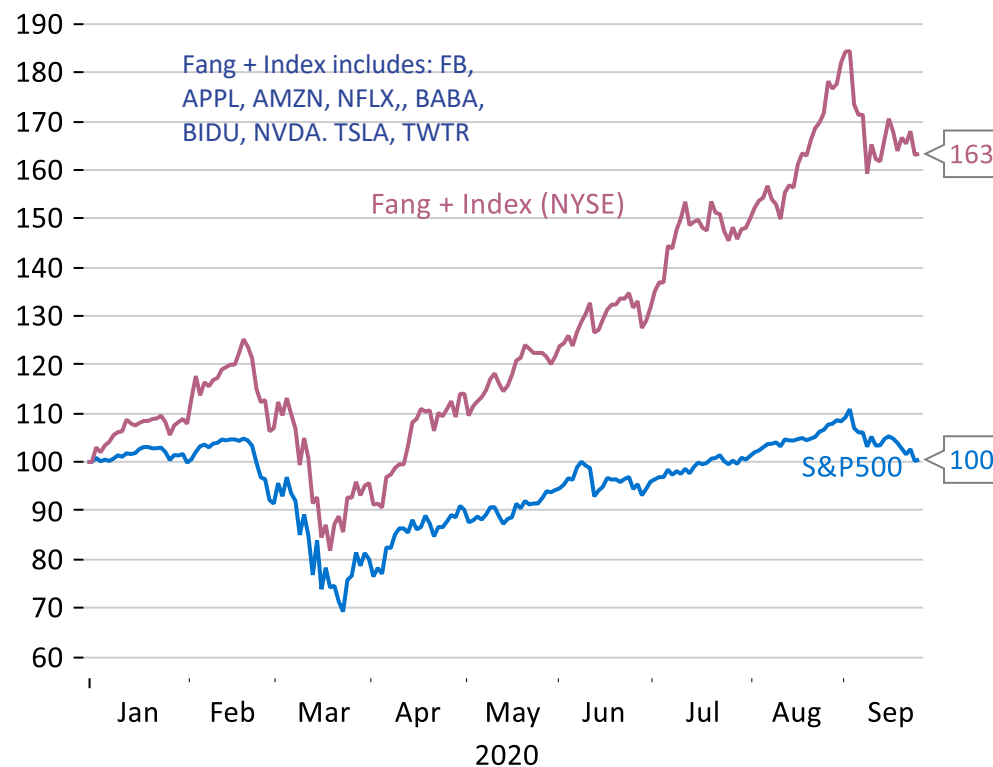


Source: Macrobond, 25.09.20



Fangs surge on strong earnings & post COVID economy

US S&P500 Indices



Source: Macrobond, 25.09.20



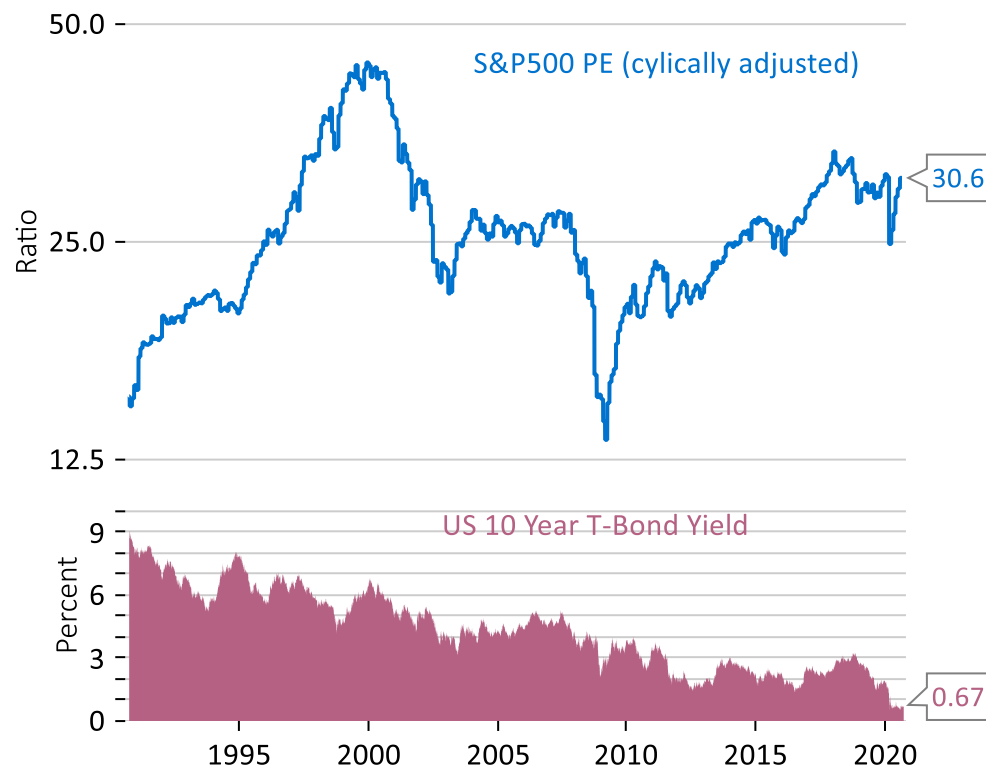
# Challenge 2:

Risk assets are inflated by super-low bond yields and interest rates



Money market funds may be leaking into equities

## US Equity Valuation and Bond Yields

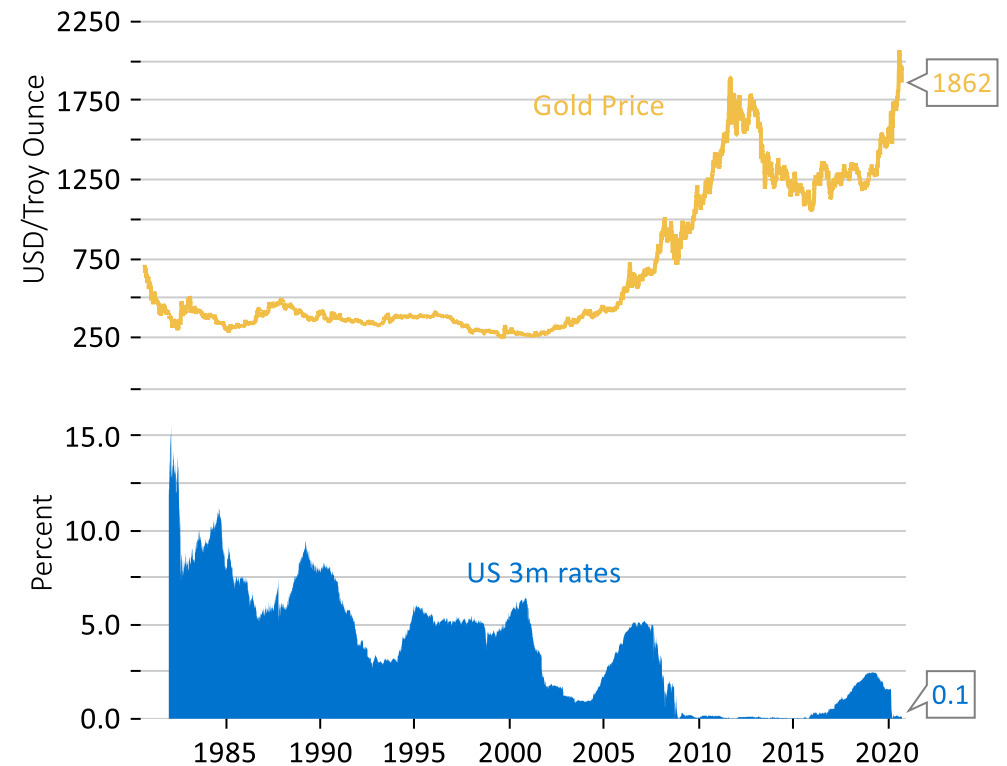


Source: Macrobond, 25.09.20



Equities still look very 'cheap' Vs. Bonds

## Gold price and US 3 month rates



Source: Macrobond, 25.09.20

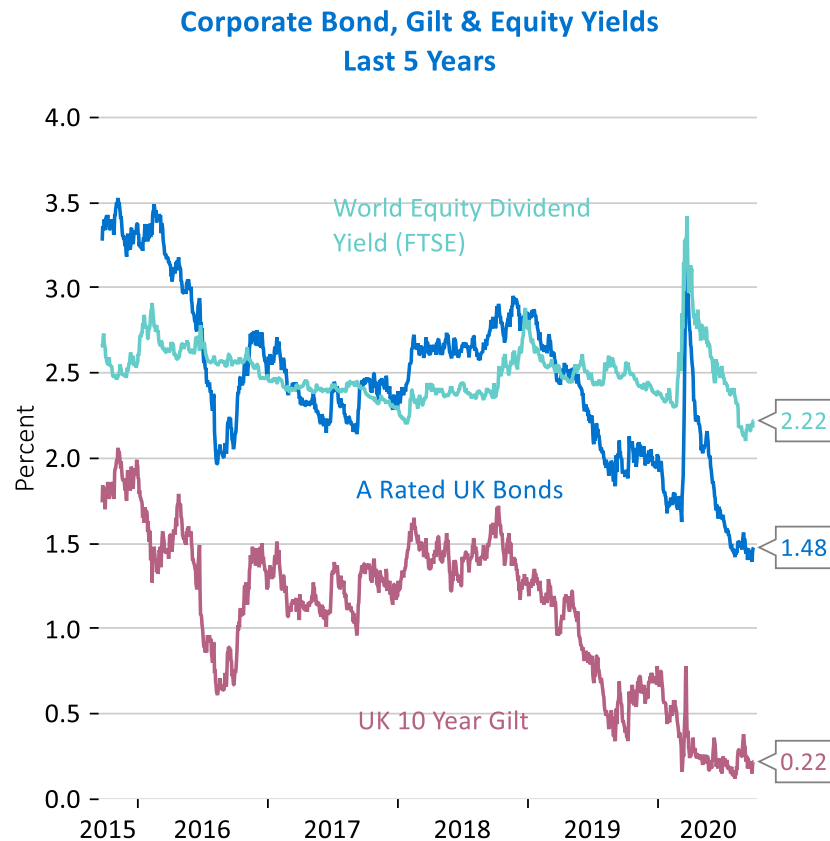


# Challenge 3: Income under pressure

Truly sustainable dividend growth highly prized



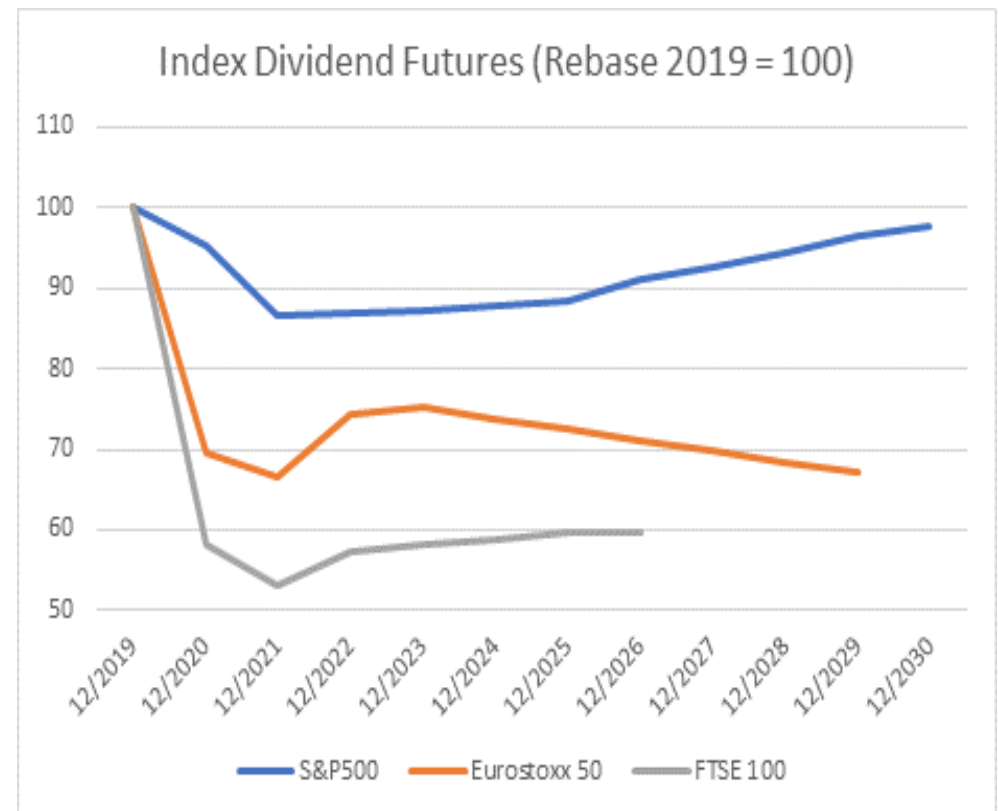
Yield compression continues...



Source: Macrobond



Global dividends more resilient than UK/Europe



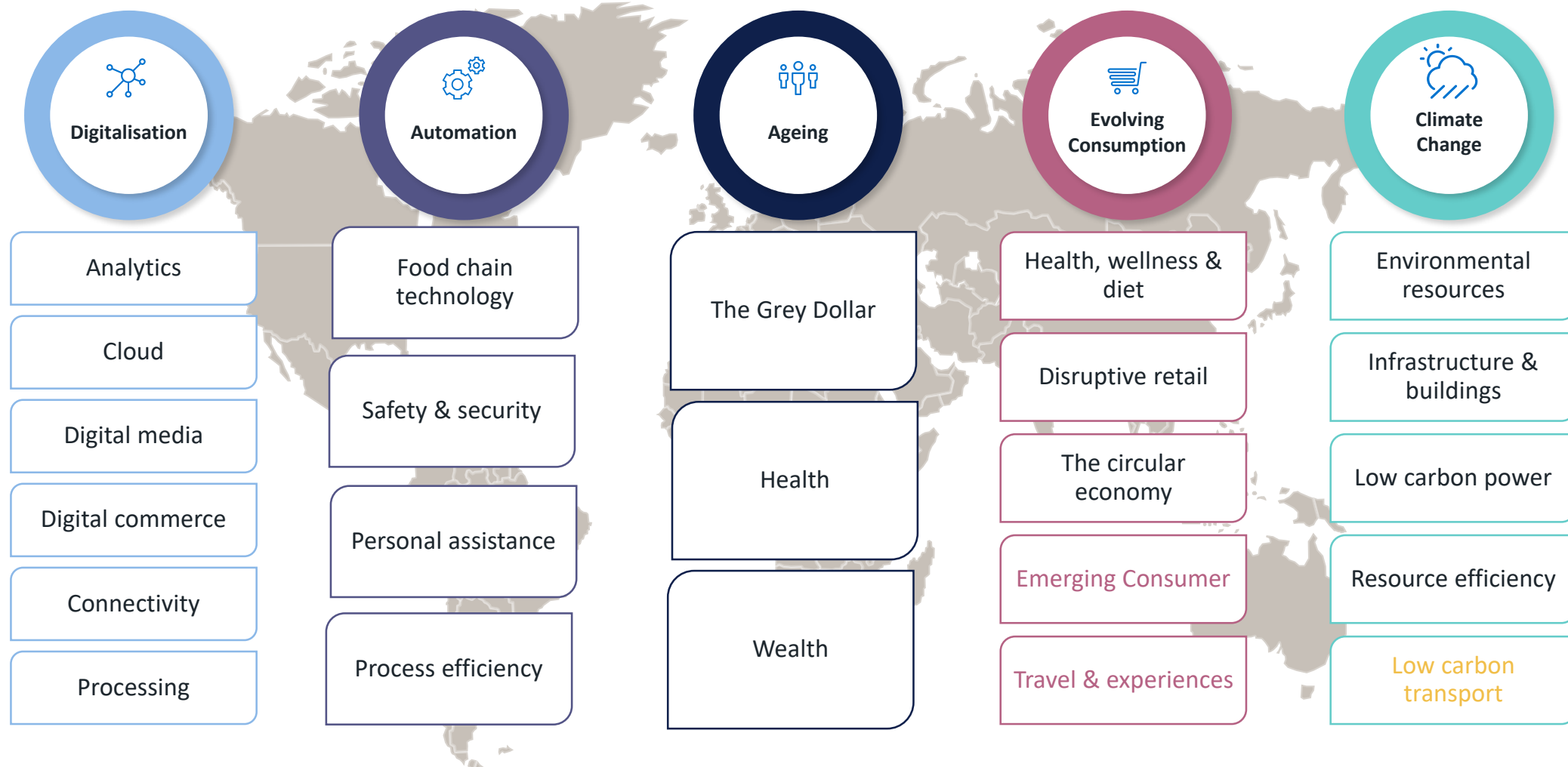
Source: Bloomberg/Sarasin, August 2020

August 2020



# Five secular mega-themes remain resilient long-term

20-30 sub-themes – some emphasis may change



Red type – Under review/Source Sarasin & Partners



# Economic damage severe but a global recovery has begun

Fiscal and monetary policy the most expansionary in post-war history



Global strategy update August 2020

<b>Bonds</b>	<b>Neutral – Corporate yields attractive with central bank support</b> <ul style="list-style-type: none"><li>• UW Gilts – interest rates suppressed, yield curve management likely</li><li>• OW investment grade credit – attractive yield premium plus central bank support</li><li>• Caution High Yield and EM debt</li></ul>
<b>Equities</b>	<b>Neutral – Earnings yield attractive, gradual improvement in earnings &amp; dividend visibility</b> <ul style="list-style-type: none"><li>• OW Global equities – thematic earnings still robust</li><li>• Neutral UK equities – valuations attractive, discount still likely on UK assets</li><li>• UW EM equities. Extent of economic and social damage from COVID-19 under estimated</li></ul>
<b>Alternatives</b>	<b>Overweight – Long-term inflation plus returns attractive</b> <ul style="list-style-type: none"><li>• Neutral Other Alternatives– infrastructure and renewables</li><li>• OW Uncorrelated Alternatives - Gold to hedge against unprecedented policy stimulus &amp; debt</li></ul>
<b>Cash</b>	<b>Underweight – zero or negative yield in all markets</b> <ul style="list-style-type: none"><li>• No currency preference</li></ul>
<b>Risks</b>	<b>Current:</b> Resurgence in virus in H2 2020, emerging world economic crisis, no-deal Brexit <b>Longer-term:</b> Damage to global trade linkages, balance sheet impairment for corporates and households, long-term rise in government debt, COVID19 damage to most vulnerable in society



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# The death of dividends is greatly exaggerated

Autumn 2020

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# Sarasin & Partners

## Your fund managers on the Sarasin Global Higher Dividend fund



**Neil Denman – Fund Manager**

Neil is a portfolio manager for the global equity income strategies. Within the global equity team he co manages Sarasin's Institutional mandates and retail funds. Previous to this Neil was Global Emerging Market Income & Growth Fund Manager at Polar Capital. Neil has also held positions within AXA Framlington, Hexam Capital Partners and Baring Asset Management. Neil started his career in 2001 after completing his degree at the University of Leeds.



**Guy Monson – CIO & Fund Manager**

Guy joined Sarasin in 1984. He became manager of Sarasin's Flagship GlobalSar range in 1988 and pioneered the use of thematic investments in global equity portfolios with the 1996 launch of Sarasin Global Thematic Equity. Guy is portfolio manager focusing on global equities. He co-manages Sarasin's global equity income strategies for institutional and retail clients. Guy writes regularly in the press and appears on Bloomberg & CNBC. He is a Fellow of LMH Oxford & sits on the London School of Economics 'Ideas' advisory board.



**Alex Hunter, Fund Manager**

Alex has been with Sarasin since 2007. Prior to joining Sarasin, Alex spent four years at US hedge fund Arnhold and S. Bleichroeder based in both New York and London. From 1996 to 2003 Alex worked at Morgan Stanley as a sell-side equity analyst covering the capital goods sector and subsequently the aerospace sector. Whilst at Morgan Stanley, Alex qualified as a Chartered Financial Analyst (CFA, 1999). Alex is a Fellow of the Institute of Chartered Accountants in England and Wales and holds a BA in Economics and Statistics from the University of Exeter.



# Global Higher Dividend

Strong risk adjusted performance, solid sustainability criteria and consistent high income

## Sarasin Global Higher Dividend

Benchmark	MSCI World Index
Yield target	MSCI World +50%
Active money	+80%
Sector constraints	Unconstrained
Regional constraints	Unconstrained
Number of stocks	30 - 50
Max. stock holding	5%
Derivatives	Selective, opportunistic
AUM	GBP 464.2m*
Launch date	June 2006
Vehicles	**SMA, OEIC
Fund Options	Unhedged and GBP hedged

**We achieve our objective by investing in the shares of high quality, growing companies from across the world.**

Source: Sarasin & Partners. \*Assets as at 30.06.2020, including Sterling Hedged fund. \*\*Separately managed accounts, Open-ended investment company

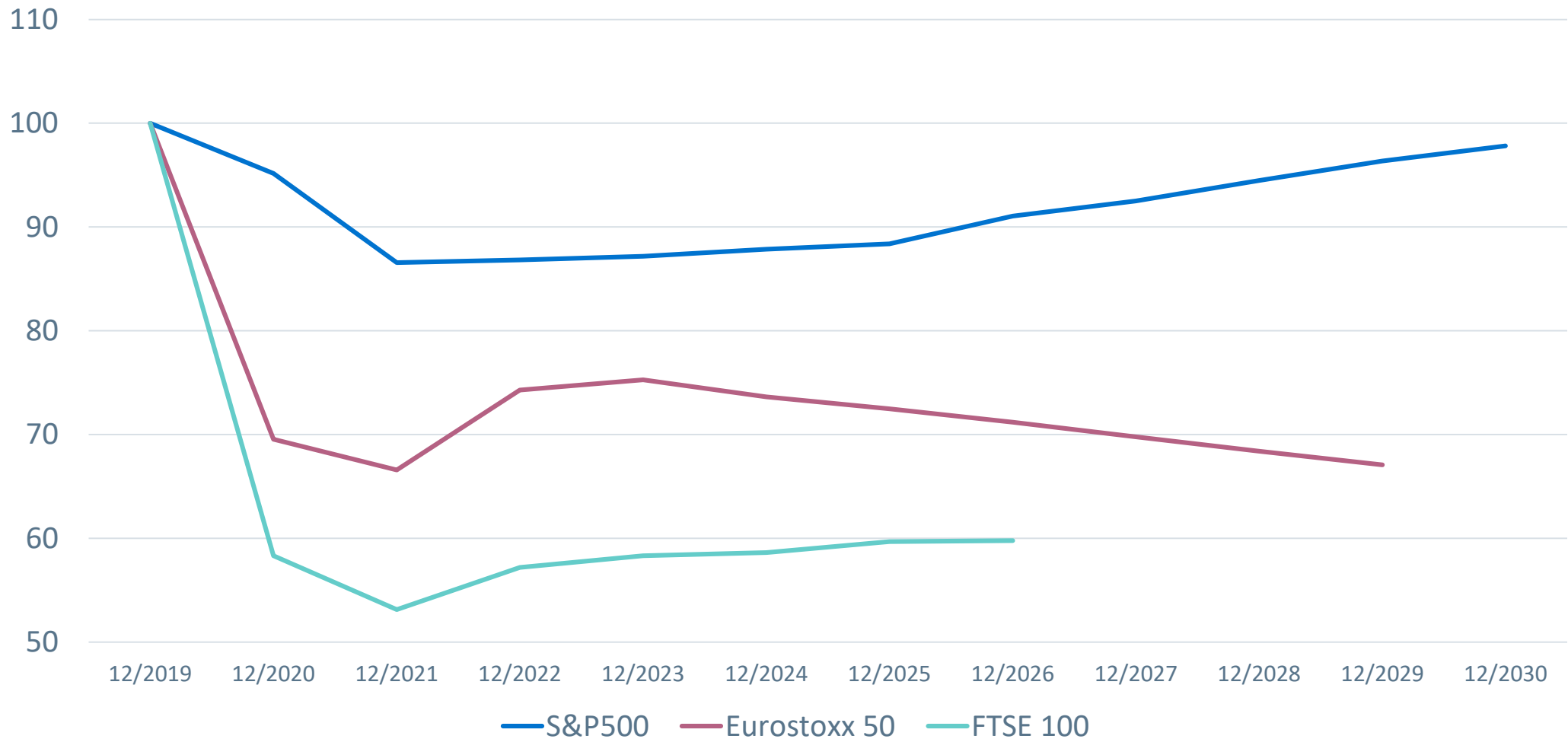


# The Death of Dividends is Greatly Exaggerated

European and UK dividends step change in total market dividends



Index Dividend Futures (Rebased FY 2019=100)





# Thematic approach

Idea generation

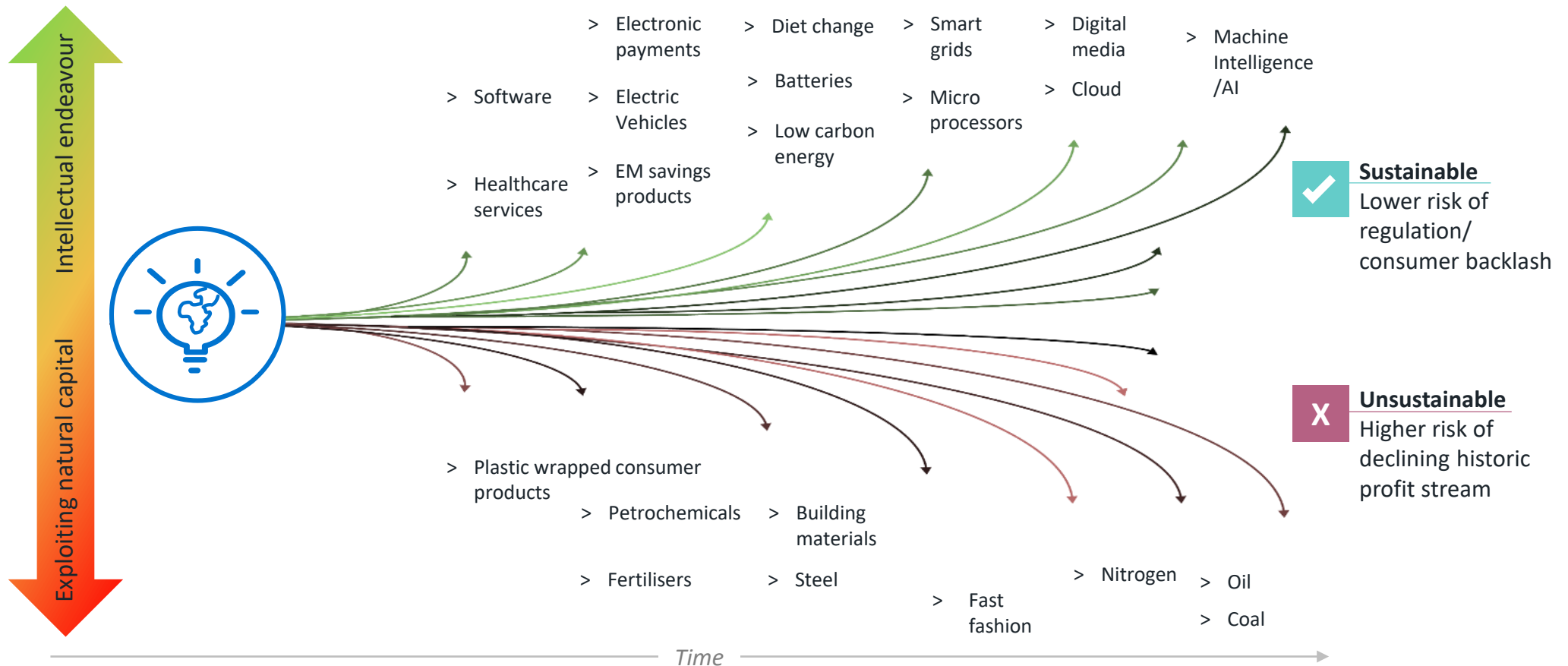
Stock Selection

Portfolio construction

Our Thematic strategy identifies many positive and sustainable trends



Sarasin forecasts – growth trends



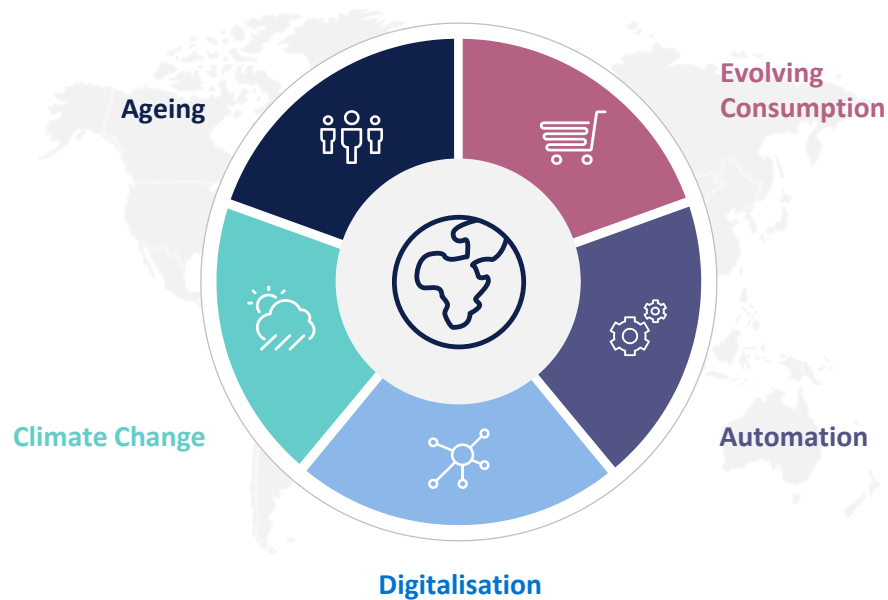
Source: Sarasin & Partners, 2020. chart is illustrative



# Thematic & Stewardship

Our Investment Philosophy supports dividend growth

Thematic = Capital growth



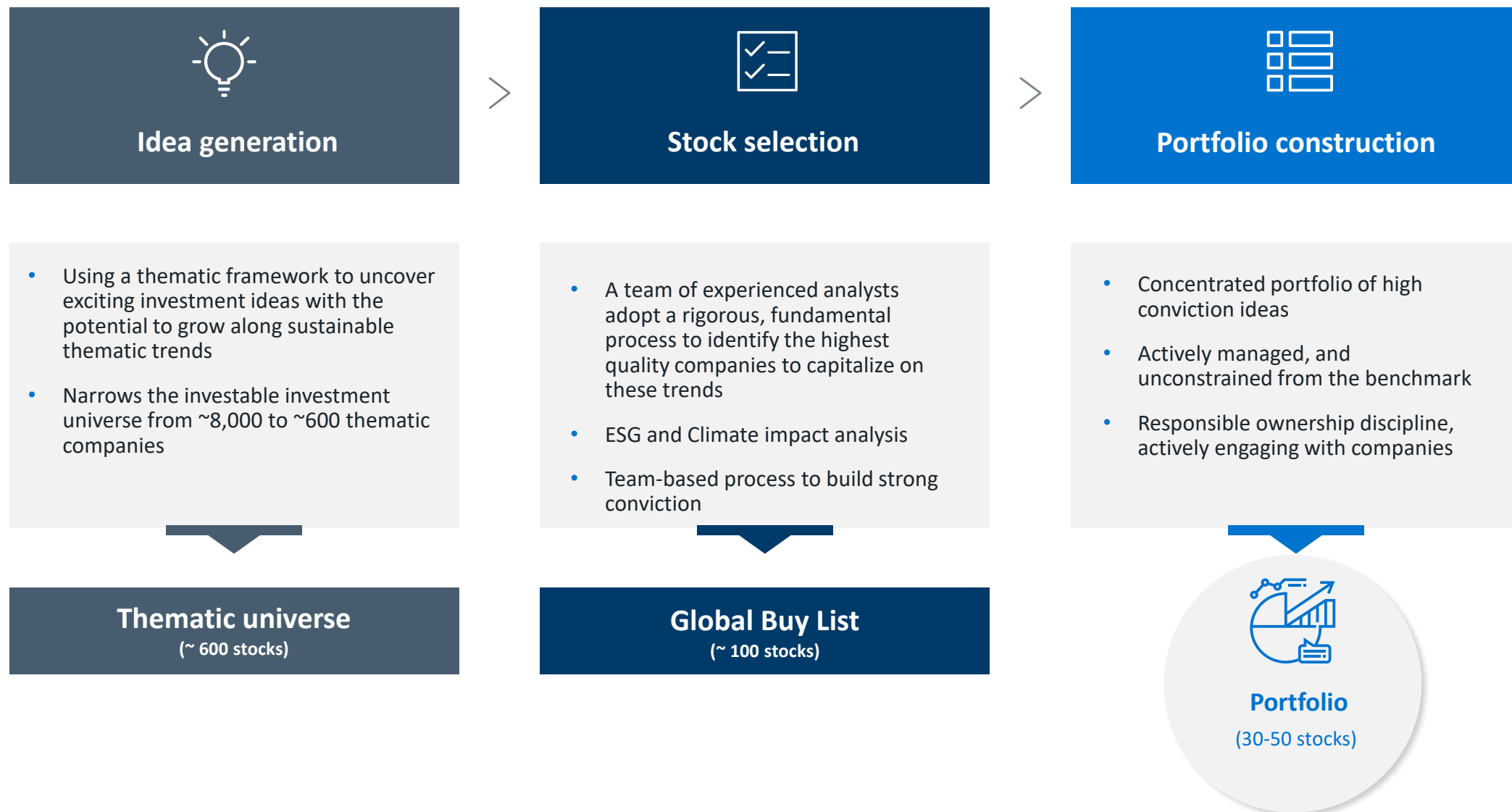
Stewardship = Capital protection





# Global Thematic investment process

Supporting sustainable income generation and growth



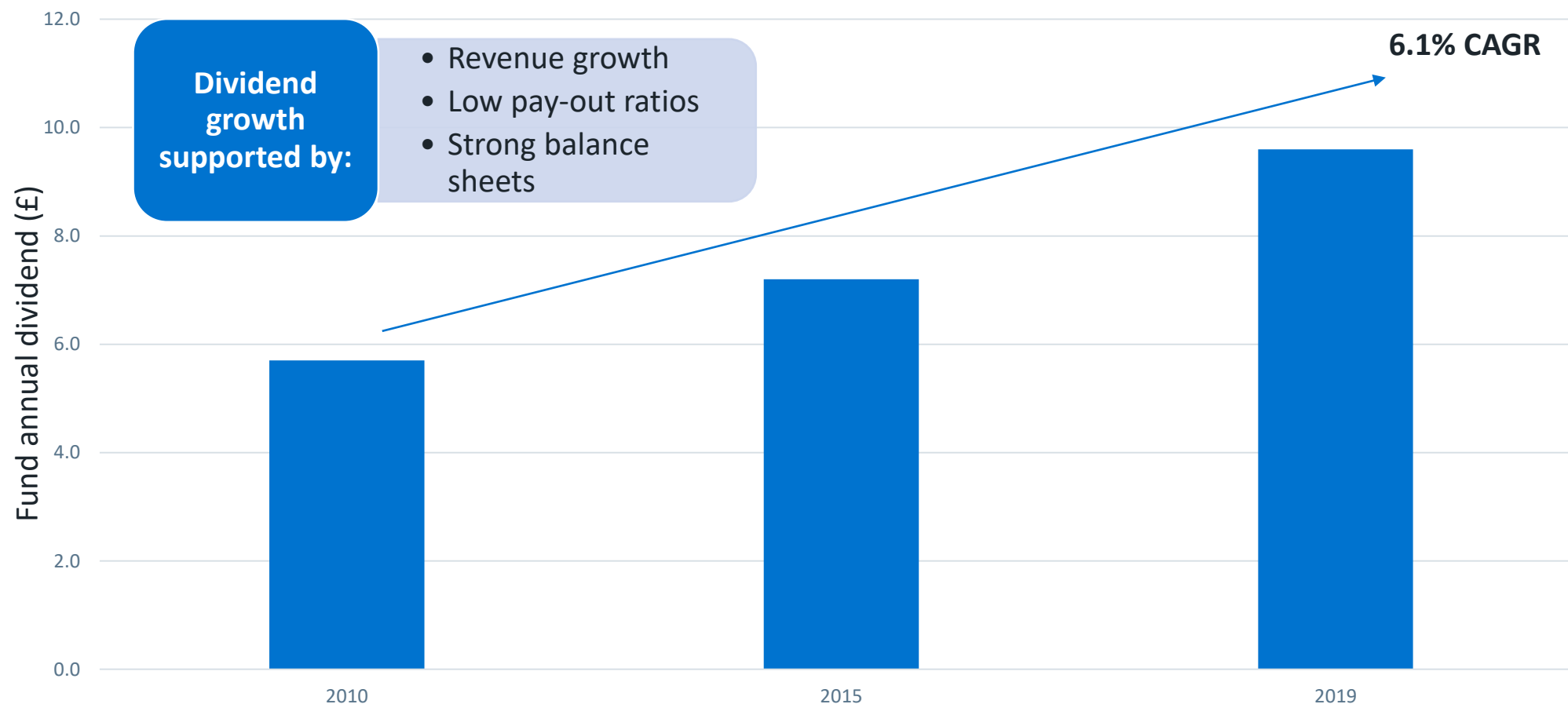


# Support dividend growth

Dividend growth is core to the portfolio



We look to grow the dividend across the economic cycle



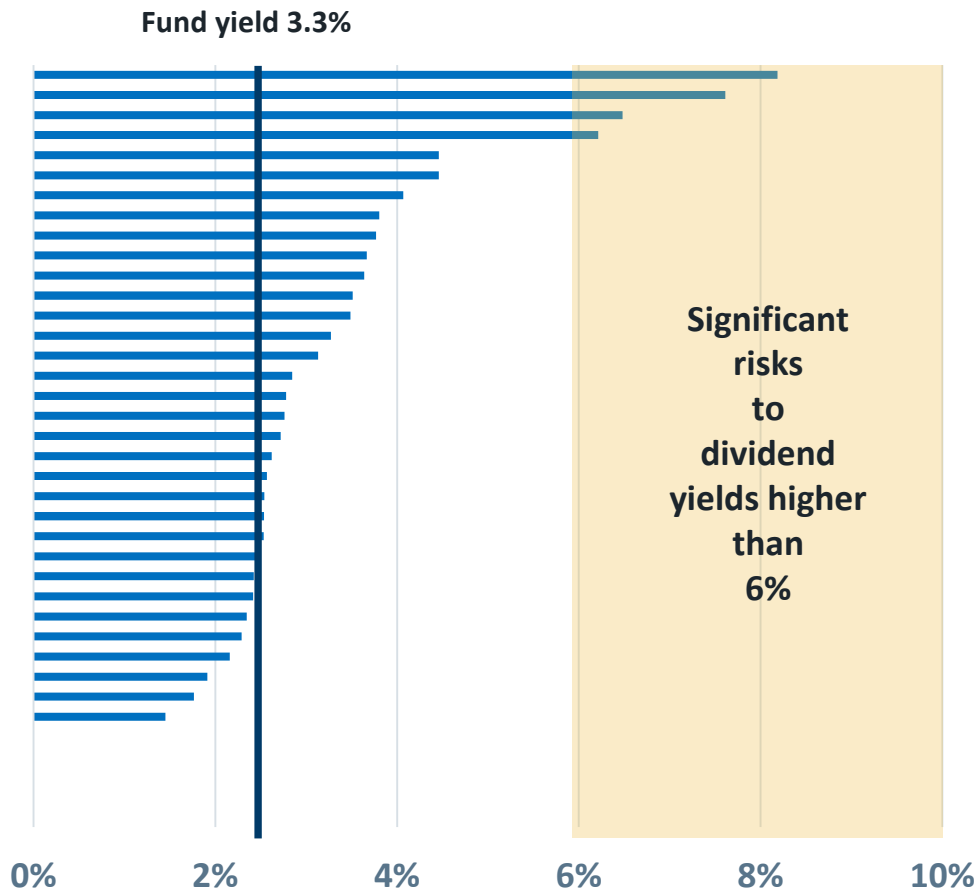
Source: Sarasin & Partners as at 31.12.19 in GBP. Annual dividend distribution in pence. Dividends payments are net of withholding tax (13%)  
**Past performance is not a guide to future returns and may not be repeated.**



# Actively managed portfolio

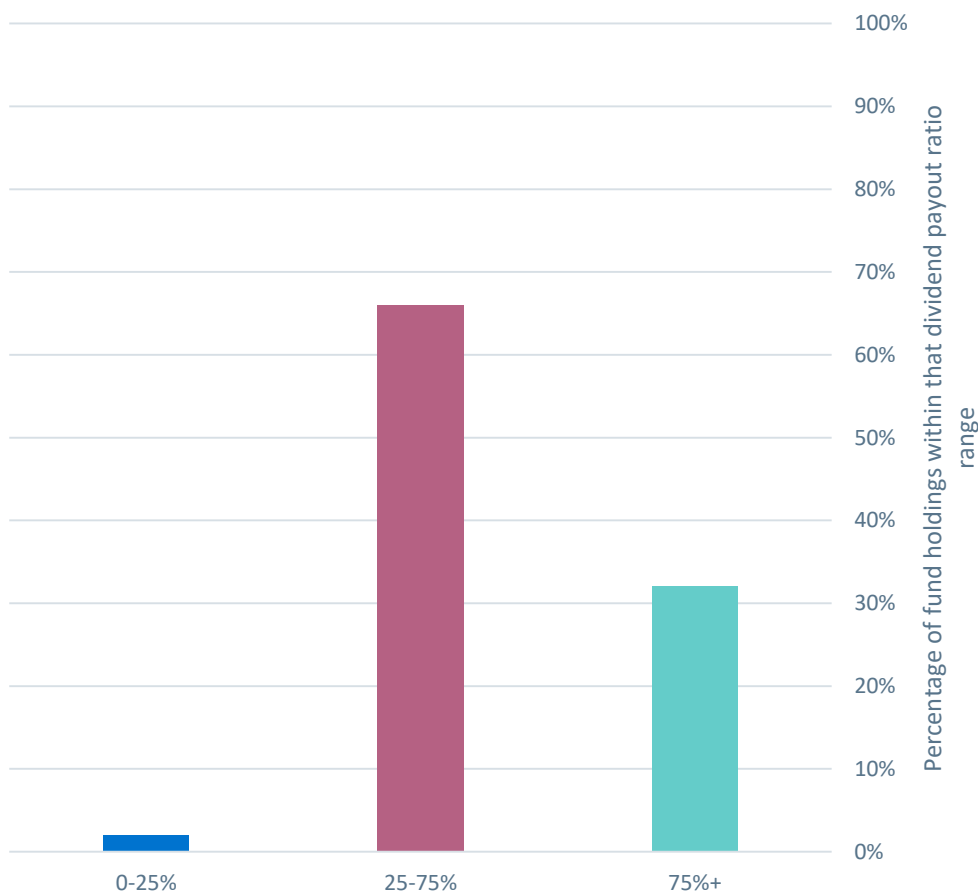
34 companies, 93% active share

 Dividend yield of holdings



Source: Sarasin & Partners, 30.06.2020

 Dividend payout ratio's allow for growth



Source: Sarasin & Partners, 30.06.2020



# Schneider

## Automation [Cyclical Franchise]



### Schneider's productivity-enhancing product range



Source: Schneider Electric, 2019



#### Investment thesis:

Schneider has transformed itself largely through M&A, into the provider of generic Internet of Things & productivity enhancement solutions. Its asset light business model ensures it has the best in class speeds to market for innovation and technology.

#### Company description:

Schneider Electric is an architect, assembler and service provider of components, systems and software that service power and automation requirements for a diverse array of industrial clients

#### Stewardship

Schneider's products and services are targeting improved efficiency, increased health and safety and better productivity of their customers products and services.

#### Engagement

We would like to have management re-introduce returns on investment as a performance goal.

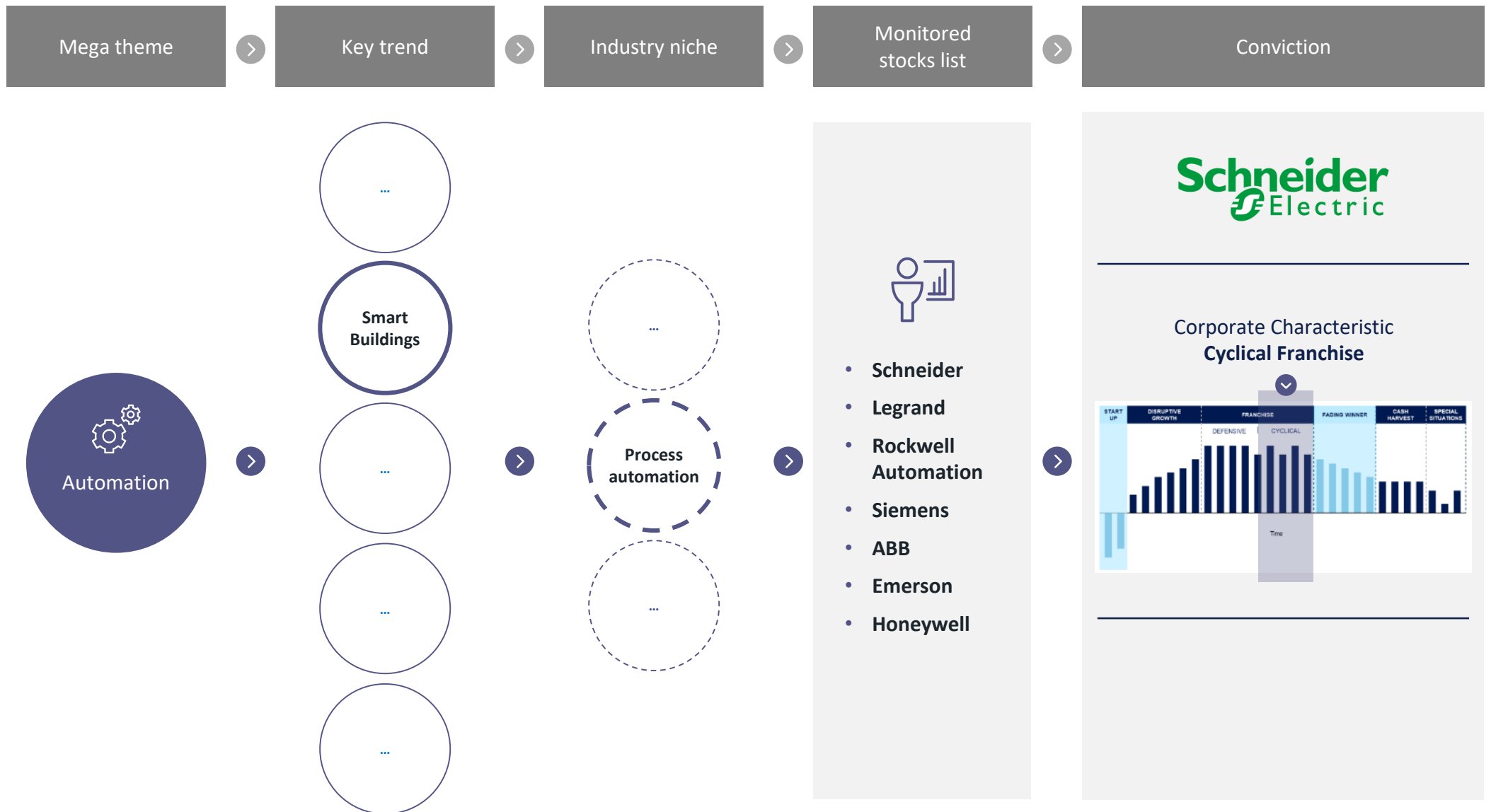
#### Factors supportive of the investment case

- **Long-term growth opportunity:** The group is well positioned to benefit from thematic growth arising from efficiency within urbanisation, digitisation and energy conservation.
- **Industry structure:** The market place is fragmented and competitive but Schneider's asset light model is a positive differentiation.
- **Other factors:** Schneider has the greatest exposure to faster growing regions versus its peers with some 35% of sales generated in Asia.



# Stock selection

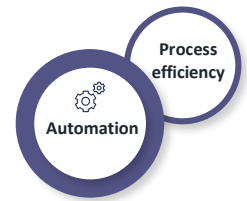
## Worked example – Schneider



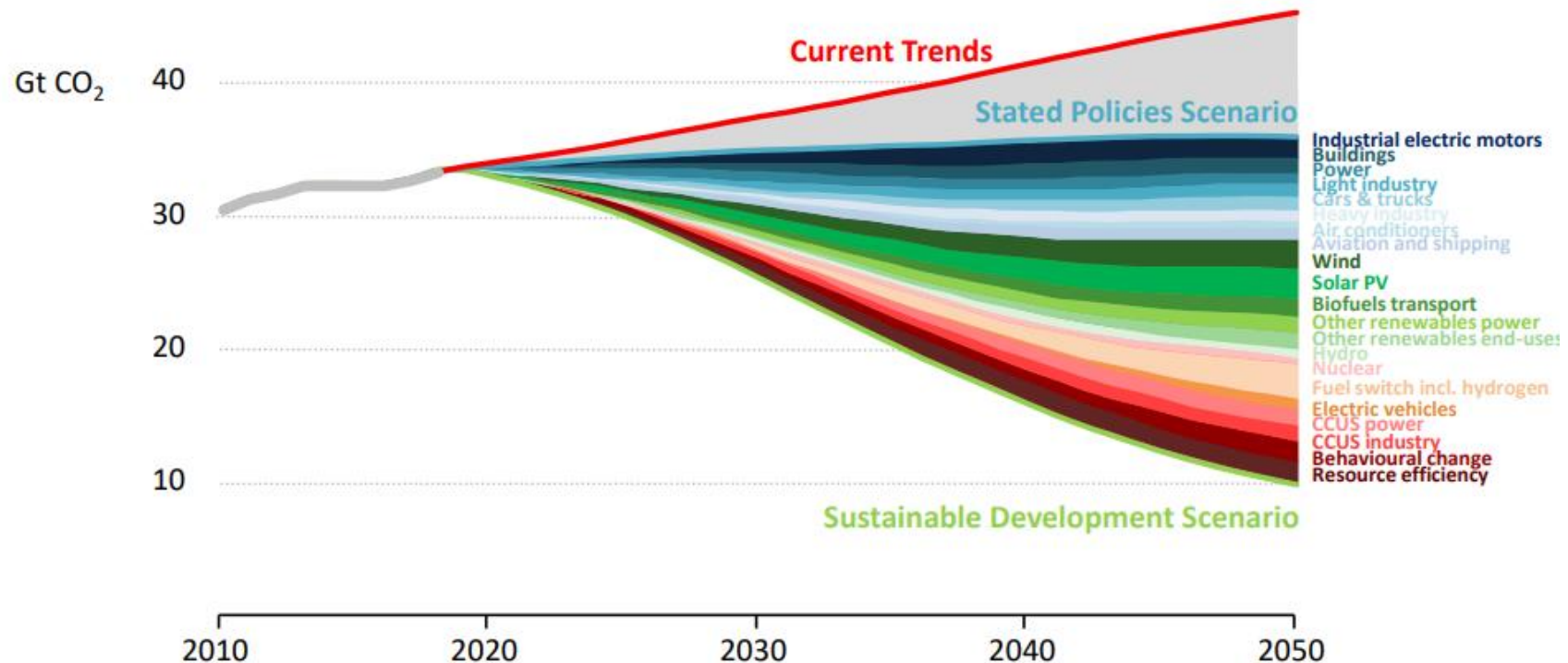


# Stock Ideas - Schneider

Schneider is in our automation theme but with strong climate change optionality



 Efficiency and deployment of renewables are key to hitting decarbonisation targets



Source: IEA SDS, Forbes, February 2020



Schneider provides low voltage products and systems; Medium voltage distribution systems; Grid automation; Solar & energy storage solutions; Critical power & cooling services; Energy management software; Building automation & control



Their own accomplishments and goals in carbon footprint, product lifecycle and use of renewable power could be improved upon.  
Reporting of chemical use is very limited - more disclosure required.  
Underwhelming goals for reducing transportation emissions given this is largely a distribution operation.

E

S

G

CLIMATE CHANGE



CIRCULAR ECONOMY



LAND



AIR



WATER



SUPPLIERS



EMPLOYEES



CUSTOMERS



BRIBERY & CORRUPTION



COHESIVE SOCIETY



BOARD STRUCTURE



OWNERSHIP RIGHTS



REPORTING & CONTROLS



EXECUTIVE REMUNERATION



BUSINESS ETHICS

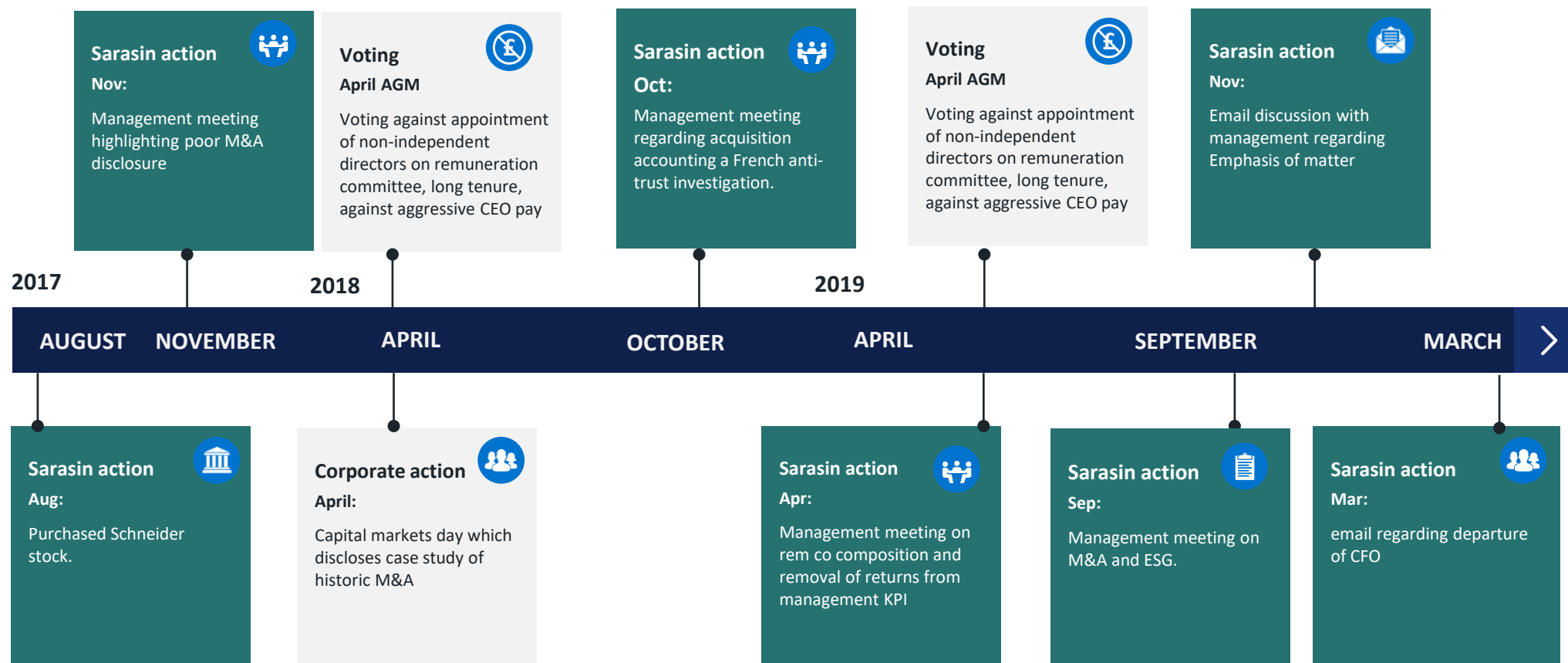


The auditors report an "Emphasis of Matter" around revenue recognition, and the inclusion of a non-independent director on the audit committee are concerns. Audit tenure a concern



Overall ESG score





## Goal:

We would like to gain comfort over revenue recognition and other accounting risks identified by the auditor. Better overall board structure



## Impacts to date:

- Capital markets day (April 2018)
- 2019 meeting on ESG
- Ongoing dialogue

Source: Bloomberg, Schneider Electric share price from August 2017 to March 2020

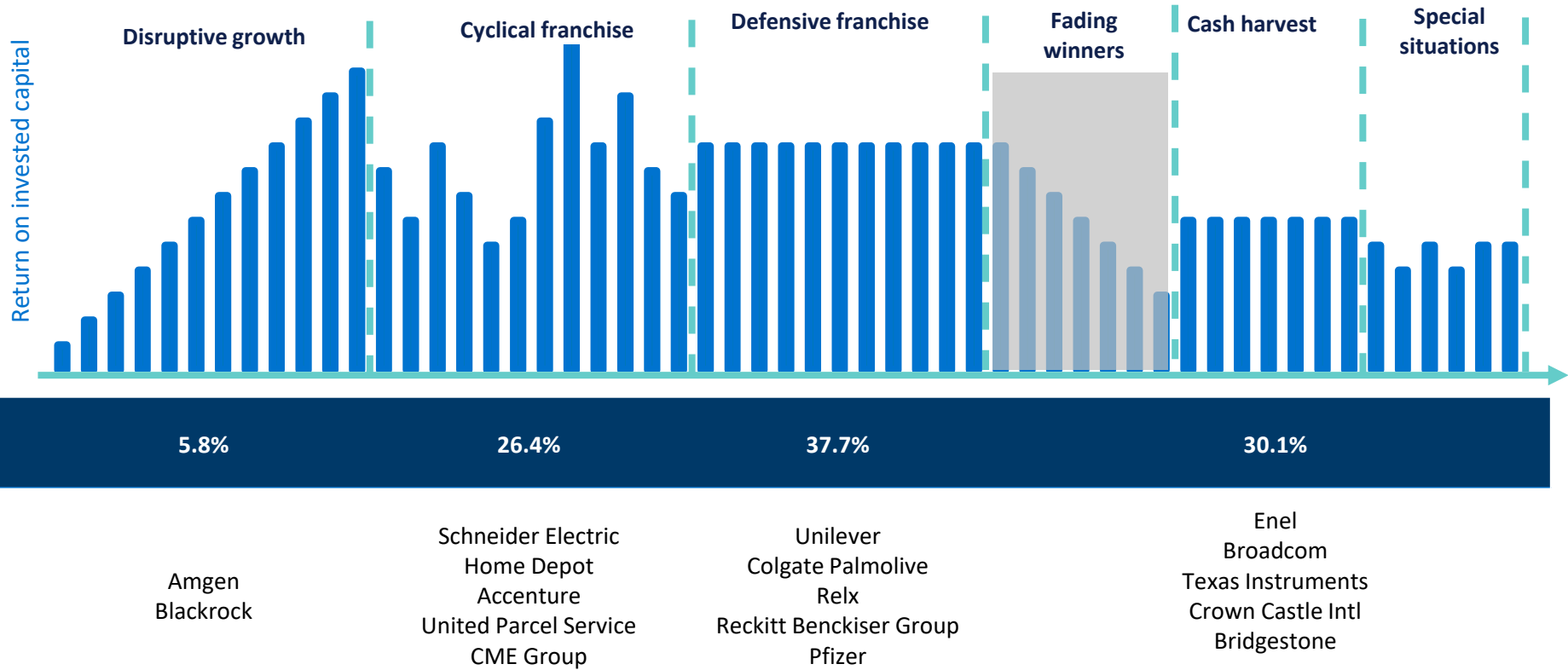


# Portfolio construction

## Diversification by Corporate Characteristics – Avoid ‘FADING WINNERS’

### Life cycle of a company

These characteristics assist us in stock selection, building investment cases and constructing an unconstrained portfolio suitable for all stock market environments



Source: Sarasin & Partners – Chart is illustrative

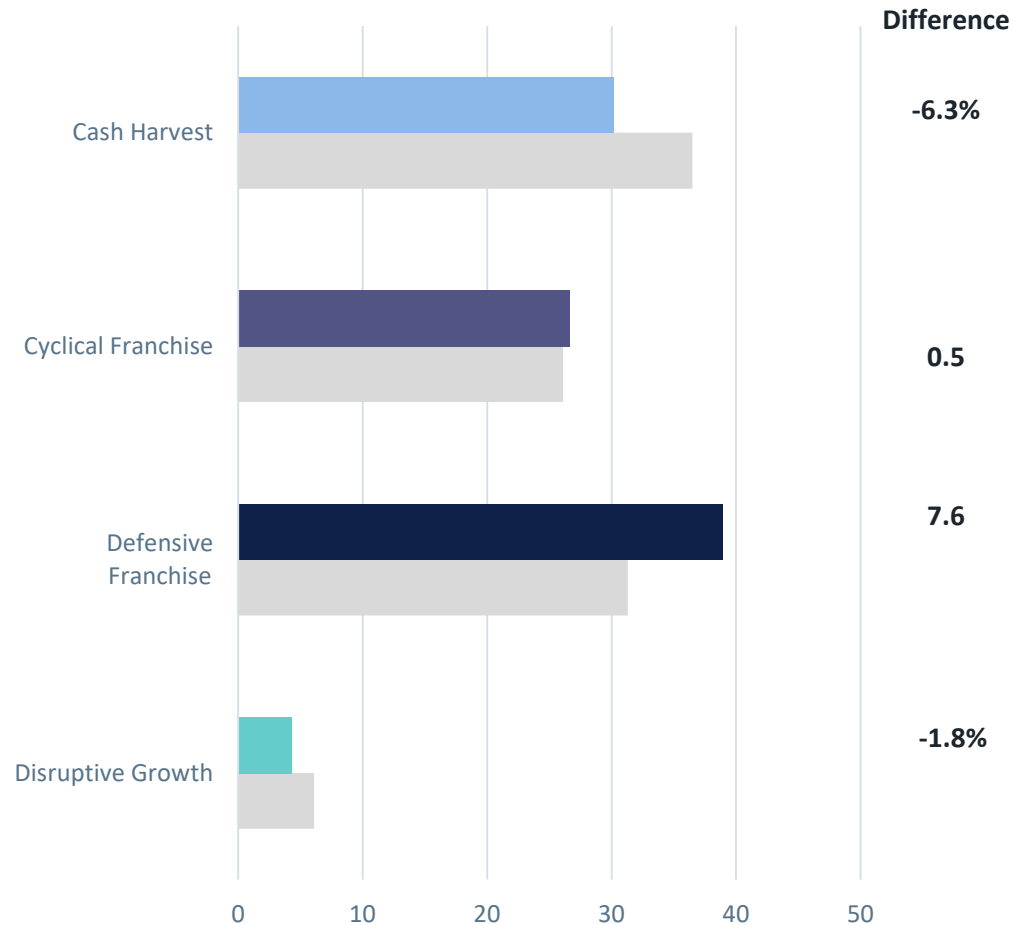


# Sarasin Global Higher Dividend

A balance of corporate characteristics



## Corporate Characteristics



January 2020 Position



## Stock examples

Corporate Characteristics	Stock Example
Cash Harvest	Broadcom Enel Texas Instruments
Defensive Franchise	Colgate Unilever Reckitt Benckiser
Cyclical Franchise	United Parcel Service CME Group Schneider
Disruptive Growth	Amgen Blackrock

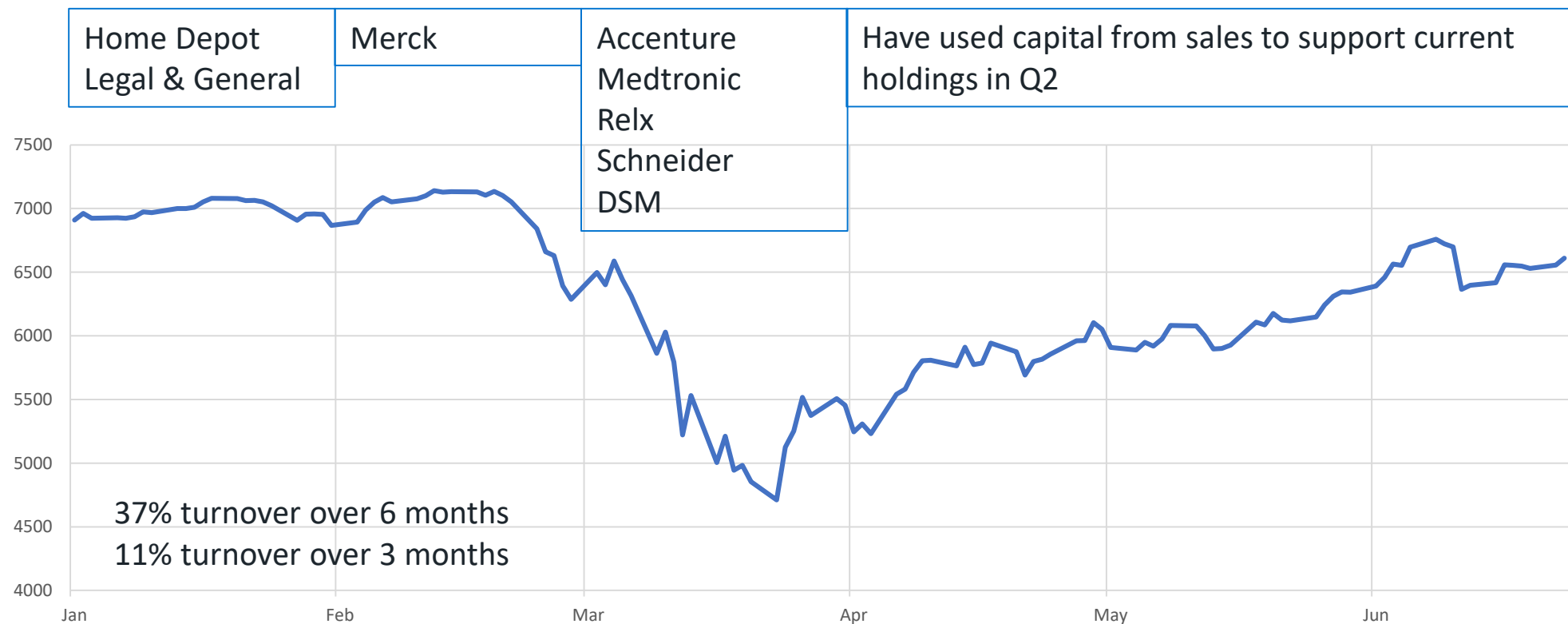
Source: Sarasin & Partners as at 30.06.2020



# GHD Transactions during 2020 transposed on MSCI World Chart

Enhance thematics and move on from dividend cuts

BUY



SELL

Admiral Cinemark	Carnival Shell Wells Fargo	Simon Property Scentre Group UTX	DS Smith* M&G Lloyds* Weyerhaeuser*	Swiss Re	Accenture covered call on 1/3 <sup>rd</sup> of position
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\* dividend cut

30<sup>th</sup> June 2020

Sarasin & Partners | 28 September 2020



# Dividend Forecasting

We have always had detailed models for income forecasting

Q	M	Month	Ticker	Name	Comment - by team about data	PX_YEST_CLOSE	Payment yield	type	Holding - from SIC	Value of Div (LC) PRE WHT	FX from LC to £	Value of Div (£) PRE WHT	Tax Jurisdiction	WHT rate	Post w tax (£)	Weight of div
1	1	January														
Added			1 jpm us equity	JPMORGAN CHASE & CO	announced & ex date passed	95.8	0.9%	Regular Cash	140,176	85,500	1.31	65,260	US	15%	55,471	0.4%
			1 bns cn equity	BANK OF NOVA SCOTIA	announced & ex date passed	55.8	1.6%	Regular Cash	200,529	171,492	1.71	100,209	CA	15%	85,177	0.7%
			1 fp fp equity	TOTAL SA	announced & ex date passed	32.9	2.0%	2nd Interim	261,879	194,318	1.18	165,012	FR	0%	165,012	1.3%
			1 enel im equity	ENEL SPA	announced & ex date passed	6.2	2.6%	Regular Cash	2,511,429	451,758	1.18	383,887	IT	1%	379,280	3.0%
			1 cl us equity	COLGATE-PALMOLIVE CO	announced	70.3	0.6%	Regular Cash	184,276	76,872	1.31	58,888	US	15%	50,055	0.4%
			1 txn us equity	TEXAS INSTRUMENTS INC	announced	116.1	0.8%	Regular Cash	143,618	145,319	1.29	112,315	US	15%	95,468	0.8%
			1 pfe us equity	PFIZER INC	announced	38.4	1.0%	Regular Cash	414,790	177,206	1.29	137,135	US	15%	116,565	0.9%
												1,022,706			947,028	
1	2	February														
Sold			1 wfc us equity	WELLS FARGO & CO	gone ex. 3 of 4.	29.1	1.8%	Regular Cash	225,447	114,978	1.29	89,314	US	15%	75,917	0.6%
Sold			1 spg us equity	SIMON PROPERTY GROUP INC	gone ex div.	66.8	3.1%	Regular Cash	95,670	200,907	1.29	156,063	US	15%	132,653	1.0%
			1 amgn us equity	AMGEN INC	announced 1 of 4	239.2	0.7%	Regular Cash	74,124	133,338	1.29	103,187	US	15%	87,709	0.7%
Sold			1 scga us equity	SCENTRE GROUP	forecast 0 growth (BDVD Forecast 1.113)	2.3	4.8%	Final	3,819,540	417,428	1.96	213,246	AU	15%	181,259	1.4%
Sold			1 rdsb in equity	ROYAL DUTCH SHELL PLC-B SHS	announced + changed to USD payment [good spot]. Changed historic	1286.4	0.0%	4th Interim	368,225	134,034	1.00	134,034	GB	0%	134,034	1.1%
Sold			1 utx us equity	UNITED TECHNOLOGIES CORP	announced prior to spin.					70,759	1.31	54,002.28	US	15%	54,000	0.4%
			1 ccl in equity	CARNIVAL PLC	announced	1095.5	0.0%	Regular Cash	254,132	99,379	1.00	99,379	GB	0%	99,379	0.8%
			1 ulvr in equity	UNILEVER PLC	announced	4102.0	0.0%	4th Interim	301,303	117,612	1.00	117,612	GB	0%	117,612	0.9%
			1 ups us equity	UNITED PARCEL SERVICE-CL B	announced	94.7	1.1%	Regular Cash	149,345	169,583	1.31	129,423	US	15%	110,010	0.9%
			1 nee us equity	NEXTERA ENERGY INC	BDVD forecast	231.1	0.6%	Regular Cash	44,176	69,534	1.24	56,071	US	15%	47,660	0.4%
												1,152,330			1,040,232	
1	3	March														
TRIM	ANNUAL		1 NOV sw equity	NOVARTIS AG-REG	announced	82.3	3.6%	Regular Cash	77,493	495,514	1.22	404,551	CH	35%	262,958	2.1%
TRIM			1 blk us equity	BLACKROCK INC	BDVD forecast	502.0	0.7%	Regular Cash	14,094	114,134	1.17	97,189	US	15%	82,611	0.7%
Suspend			1 wy us equity	WEYERHAEUSER CO	forecast 0 growth (BDVD 0 growth)	21.9	1.6%	Regular Cash	709,057	271,036	1.17	232,439	US	15%	197,573	1.6%
			1 shl au equity	SONIC HEALTHCARE LTD	BDVD forecast	27.2	1.3%	Interim	675,101	180,639	1.99	90,874	AU	15%	77,243	0.6%
			1 cme us equity	CME GROUP INC	announced	178.2	0.5%	Regular Cash	84,641	80,884	1.18	68,654	US	15%	58,356	0.5%
NEW			1 HD US Equity	HOME DEPOT INC	BDVD forecast	219.8	0.7%	Regular Cash	52,832	89,099	1.18	75,764	US	15%	64,399	0.5%
TRIM			1 ccl us equity	CROWN CASTLE INTL CORP	BDVD forecast + already announced same amt q4 19	159.4	0.8%	Regular Cash	96,453	173,398	1.24	139,696	US	15%	118,741	0.9%
NEW			1 mrk us equity	MERCK & CO. INC.	announced	79.3	0.8%	Regular Cash	114,268	77,761	1.23	63,432	US	15%	53,917	0.4%
TRIM	ANNUAL		1 rog sw equity	ROCHE HOLDING AG-GENUSSCHEIN	BDVD forecast	335.5	2.8%	Regular Cash	26,091	475,029	1.16	410,179	CH	35%	266,617	2.1%
			1 tsm us equity	TAIWAN SEMICONDUCTOR-SP ADR	announced (x5)	53.1	23.5%	Estimated	251,968	139,810	1.23	114,046	TW	21%	90,097	0.7%
			1 avgo us equity	BROADCOM INC	BDVD forecast + already paid in q4 19	271.6	1.2%	Regular Cash	64,281	233,054	1.24	187,758	US	15%	159,594	1.3%
			1 pru in equity	PRUDENTIAL PLC	BDVD forecast	1128.5	0.0%	Final	628,055	179,854	1.23	146,712	GB	0%	146,712	1.2%
NEW			1 mdt us equity	MEDTRONIC PLC	announced	97.6	0.6%	Regular Cash	109,373	65,127	1.23	53,126	IE	20%	42,500	0.3%
TRIM	ANNUAL		1 givn sw equity	GIVAUDAN-REG	announced	3233.0	1.9%	Regular Cash	2,285	363,196	1.19	304,848	CH	35%	198,151	1.6%
			2 fp fp equity	TOTAL SA	announced	32.9	2.1%	3rd Interim	261,879	196,364	1.13	173,765	FR	0%	173,765	1.4%
												2,563,034			1,993,236	

- Income forecasts have always been conservative, we have seen very few dividend cuts
- Internal rule to selling dividend yields above 6% over the past years has proven prudent



# Dividend Expectations for 2020

We now have more visibility on 2020 Income as 65% has been paid in Global Higher Dividend



Base case expects flat y/y dividend on GHD

	Half	Div Paid
H1 2020	64.9%	6.4723
H2 2020 Estimate	35.1%	3.531
FY2020 Forecast		10.056
FY 2019 p acc unit dividend		10.1

Dividend income forecasting is dependent upon:

1. prevailing exchange rates
2. withholding tax rates
3. corporate decisions
4. regulatory influences
5. Prior year withholding tax reclaims
6. Options income generated
7. The share class you are invested within

Source: Bloomberg and Sarasin. Forecast based on p acc units. No further options written in 2020 in assumption.



# Sarasin Global Higher Dividend

## Portfolio characteristics



There is significant flux in these high level figures currently

	Global Higher Dividend	MSCI World	The Fund is...
<b>Growth</b>			
Sales growth	5.69%	9.59%	Lower growth
Dividend growth 5Y	12.72%	7.86%	Strong recent income growth
Forecast dividend growth	14.74%	-5.07%	Focused on future dividend growth
<b>Margins</b>			
Net profit margin	21.69%	20.03%	Invested in higher margin businesses
<b>Returns</b>			
Return on invested capital	14.07%	13.26%	Investing in strong ROIC businesses
<b>Yield</b>			
Earnings yield	6.44%	6.39%	Cheaper
Dividend yield	3.20%	2.24%	Delivering a significant dividend yield premium
<b>Volatility</b>			
Market beta	0.77	0.97	Lower beta
Volatility 5Y	19.60	24.44	Lower volatility

Source: Style Analytics as at 30.06.2020



# Global Higher Dividend Fund by ESG Score

Many new holdings are A rated

Holdings	% Holdings	ESG score
ACCENTURE PLC-CL A	2.7	A
AMGEN INC	1.9	C
BANK OF NOVA SCOTIA	1.7	B
BLACKROCK INC	2.2	A
BRIDGESTONE CORP	2.6	C
BROADCOM INC	4.2	C
CISCO SYSTEMS INC	2.0	B
CME GROUP INC	2.9	C
COLGATE-PALMOLIVE CO	3.8	A
CREDICORP LTD (US)	1.2	B
CROWN CASTLE INTL CORP	3.1	B
ENEL SPA	3.7	B
GIVAUDAN-REG	1.9	A
HOME DEPOT INC	4.0	A
JPMORGAN CHASE & CO	2.7	C
KONINKLIJKE DSM NV	3.2	A
LEGAL & GENERAL GROUP PLC	2.5	B
MEDTRONIC PLC	3.6	B

Holdings	% Holdings	ESG score
MERCK & CO. INC.	3.6	C
NEXTERA ENERGY INC	2.5	B
NOVARTIS AG-REG	1.3	C
PFIZER INC	3.2	C
PROLOGIS INC	1.1	B
PRUDENTIAL PLC	0.8	B
RECKITT BENCKISER GROUP PLC	3.9	C
RELX PLC	3.4	B
ROCHE HOLDING AG-GENUSSCHEIN	1.8	C
SCHNEIDER ELECTRIC SE	4.1	B
SIEMENS AG-REG	1.3	C
SONIC HEALTHCARE LTD	3.3	B
TAIWAN SEMICONDUCTOR-SP ADR	3.9	B
TEXAS INSTRUMENTS INC	4.0	B
TOTAL SE	2.0	D-
UNILEVER PLC	3.9	B
UNITED PARCEL SERVICE-CL B	4.7	B
WALMART DE MEXICO SAB DE CV	2.4	B

Source: Sarasin & Partners, 30.06.20



# Sarasin Global Higher Dividend (cont...)

## Portfolio characteristics



### ESG Ratings

	Global Higher Dividend	MSCI World
<b>ESG</b>		
★ MSCI ESG climate change	AAA	AA
MSCI ESG corp gov. score	A	A
MSCI ESG environment	AA	A
★ MSCI ESG governance	A	BBB
★ MSCI ESG natural capital	AA	A
MSCI ESG social	BBB	BBB
★ MSCI ESG pollution & waste	A	BBB



ESG Fund Ratings	What it means	
AAA	Leader	The companies that the fund invests in tend to show strong and/or improving management of financially relevant environmental, social and governance issues. These companies may be more resilient to disruptions arising from ESG events.
AA		
A		
BBB	Average	The fund invests in companies that tend to show average management of ESG issues, or in a mix of companies with both above-average and below-average ESG risk management.
B		
B		
CCC	Laggard	The fund is exposed to companies that do not demonstrate adequate management of the ESG risks that they face or show worsening management of these issues. These companies may be more vulnerable to disruptions arising from ESG events.

Source: Style Analytics as at 31.03.2020

Fund ESG Quality Score	Fund ESG Rating
8.6* - 10.0	AAA
7.1 – 8.6	AA
5.7 – 7.1	A
4.3 – 5.7	BBB
2.9 – 4.3	BB
1.4 – 2.9	B
0.0 – 1.4	CCC

\*Appearance of overlap in the score ranges is due to rounding. Every possible score falls within the range of only one letter rating. The 0 to 10 scale is divided into 7 equal parts, each corresponding to a letter rating.



# Strong risk adjusted returns net performance

A higher yield than peers



## Performance & Position

	6 months	1 year	3 years	5 years
Sarasin Global Higher Dividend P Acc	-4.25	-0.45	+13.48	+57.48
IA Global Equity Income	-5.98	-1.87	+8.68	+39.24
Rank within sector	23/55	22/54	16/49	9/39
Peer group quartile	2	2	2	1

## Proven and consistent thematic income process

Performance is provided net of fees. Past performance is not a reliable guide to future performance.

Performance is calculated in GBP on the basis of net asset values (NAV) and net dividends reinvested. P share class launched 15.10.12. Performance prior to this date is for A shares. Source: Morningstar, 30.06.2020  
Sector: IA Global Equity Income. Benchmark: MSCI World. The benchmark of this fund has changed over time. Please visit [www.sarasinandpartners.com/docs/global/benchmarkhistory](http://www.sarasinandpartners.com/docs/global/benchmarkhistory) for a full history.



# 06

## Appendix

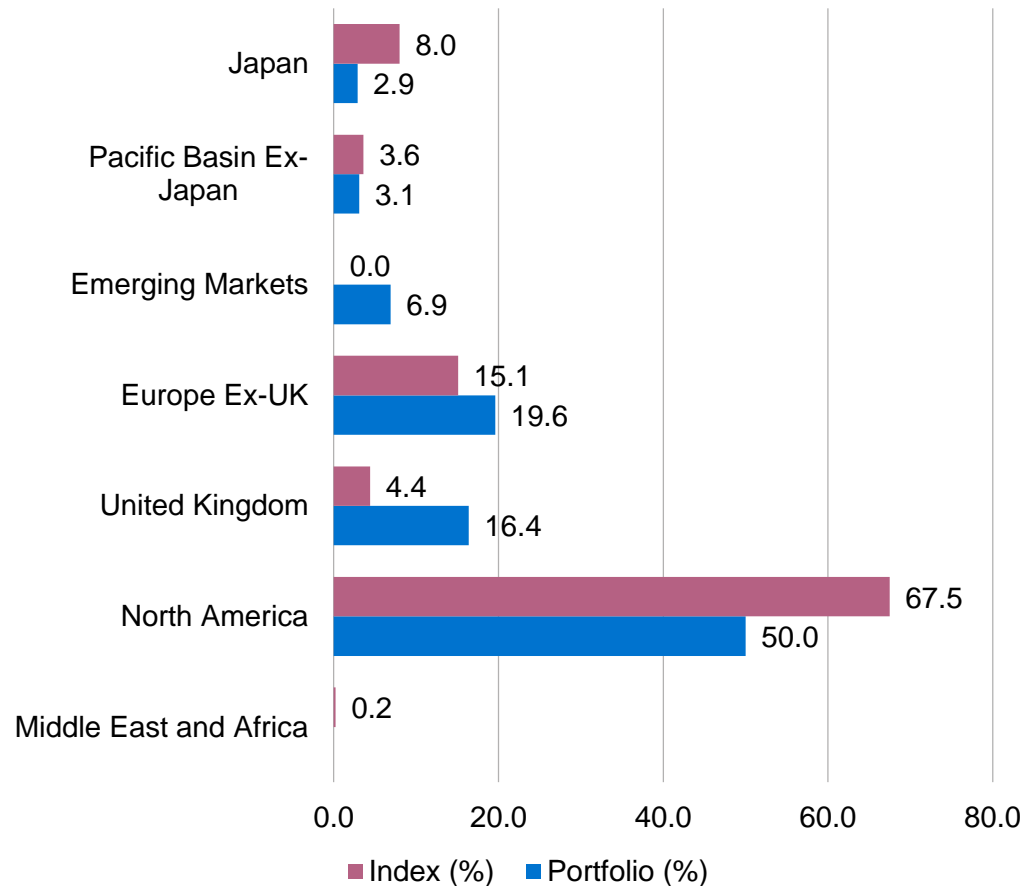


# Sarasin Global Higher Dividend

## Allocations



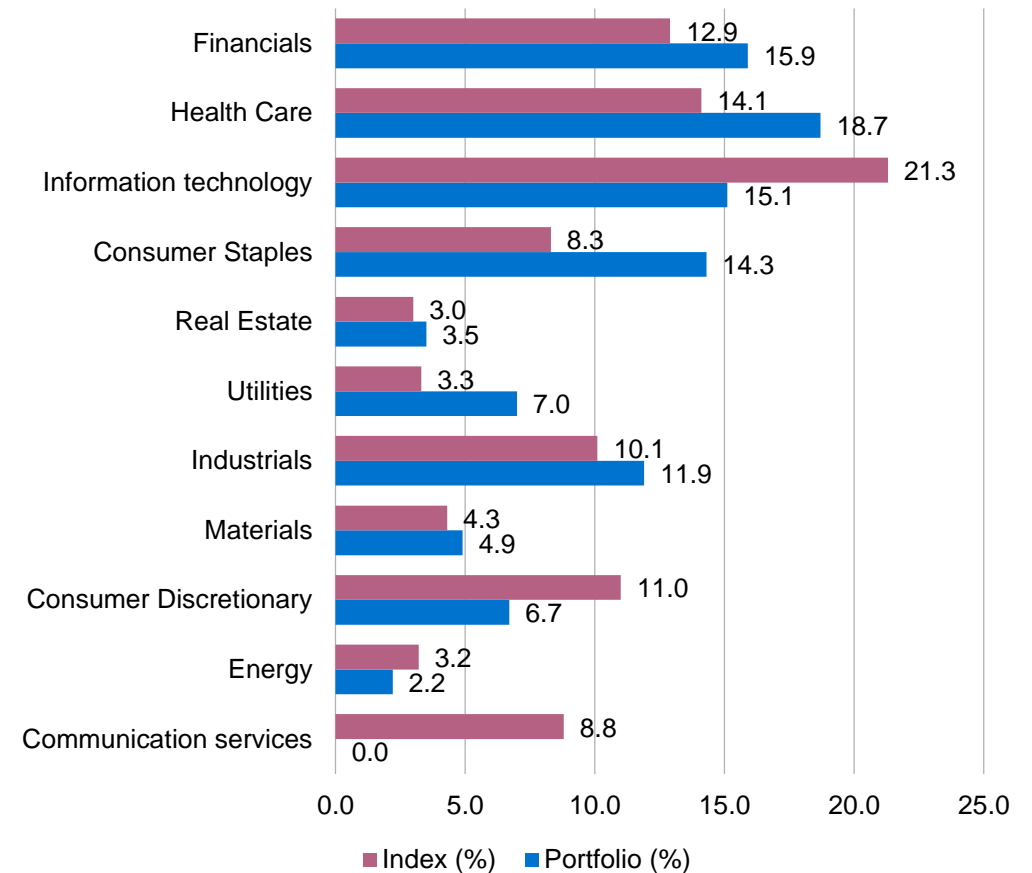
### Regional allocation



Source: Sarasin & Partners, 30.06.2020



### Industrial allocation



Source: Sarasin & Partners, 30.06.2020



# Sarasin Global Higher Dividend

## Portfolio Holdings



### Fundamental statistics

Fundamental Statistics	Portfolio	Benchmark
Number of stocks	33	1602
Dividend yield (historic)	3.29	2.26
P/E	22.01	22.02
Beta	0.92	1.00
Active Share	92.7	-

Source: Sarasin & Partners, Holt, and Bloomberg as at 30.06.2020



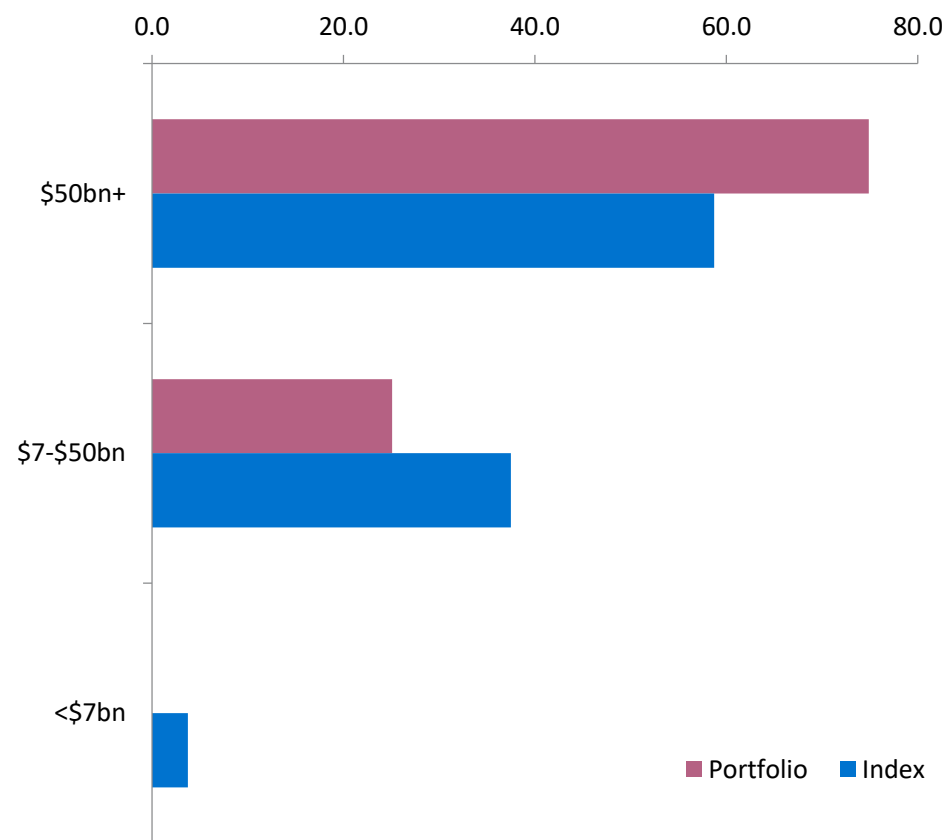
### Top 10 holdings

Top 10 Holdings	Weight	Asset Type
ENEL SPA	4.6	European Equities Ex UK
SCHNEIDER ELECTRIC SE	4.4	European Equities Ex UK
BROADCOM INC	4.3	US Equities
RECKITT BENCKISER GROUP PLC	4.0	UK Equities
TEXAS INSTRUMENTS INC	3.9	US Equities
COLGATE-PALMOLIVE CO	3.9	US Equities
UNILEVER PLC	3.8	UK Equities
RELX PLC	3.8	UK Equities
HOME DEPOT INC	3.8	US Equities
ACCENTURE PLC-CL A	3.7	US Equities

Source: Sarasin & Partners as 30.06.2020



### Market capitalisation weighting



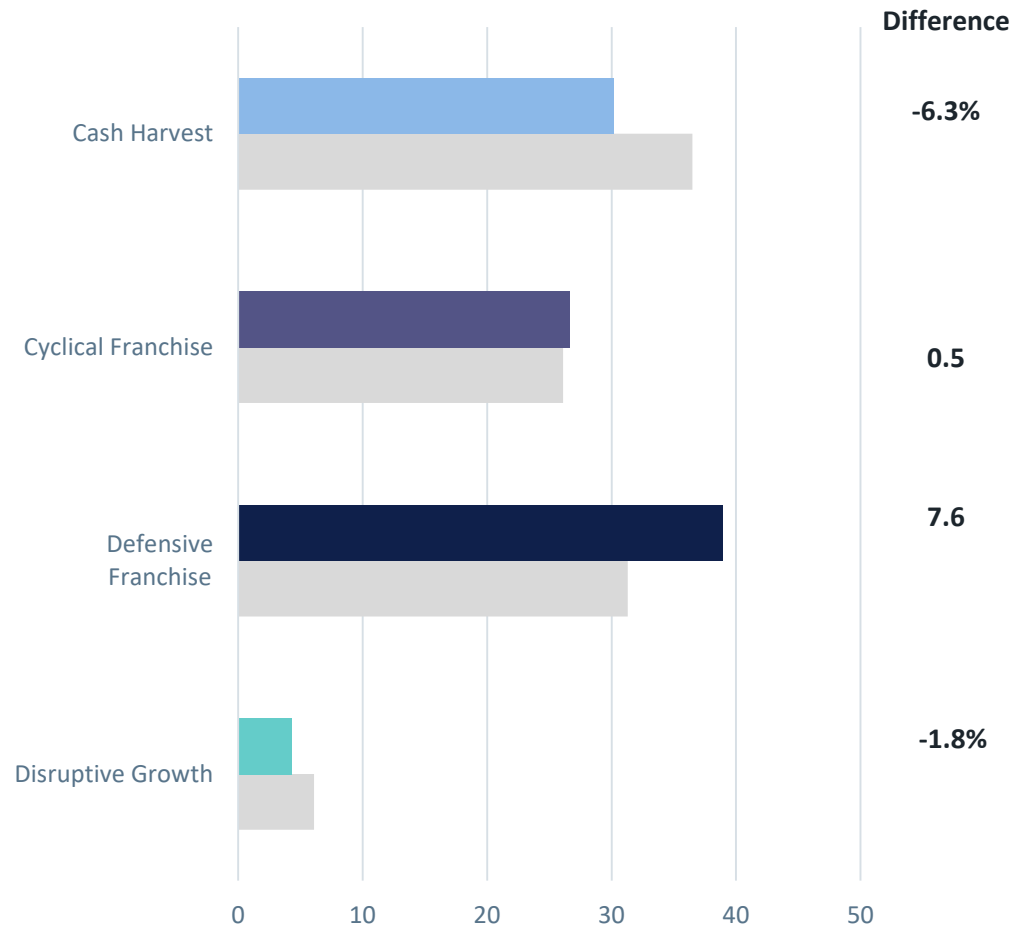
Source: Bloomberg as at 30.06.2020



# Sarasin Global Higher Dividend

A balance of corporate characteristics

## Corporate Characteristics



## Stock examples

Corporate Characteristics	Stock Example
Cash Harvest	Broadcom Enel Texas Instruments
Defensive Franchise	Colgate Unilever Reckitt Benckiser
Cyclical Franchise	United Parcel Service CME Group Schneider
Disruptive Growth	Amgen Blackrock

January 2020 Position

Source: Sarasin & Partners as at 30.06.2020



# Global Higher Dividend Fund by theme

Theme	Holding	% Holdings
Ageing	AMGEN INC	2.0
	BLACKROCK INC	2.3
	MEDTRONIC PLC	3.7
	MERCK & CO. INC.	3.5
	NOVARTIS AG-REG	1.4
	PFIZER INC	2.9
	PRUDENTIAL PLC	2.0
	ROCHE HOLDING AG-GENUSSCHEIN	1.9
	SONIC HEALTHCARE LTD	3.0
	<b>Subtotal</b>	<b>22.7</b>
Automation	CME GROUP INC	2.9
	SCHNEIDER ELECTRIC SE	4.4
	<b>Subtotal</b>	<b>7.3</b>
Climate Change	ENEL SPA	4.6
	HOME DEPOT INC	3.8
	KONINKLIJKE DSM NV	3.0
	NEXTERA ENERGY INC	2.3
	<b>Subtotal</b>	<b>13.7</b>

Theme	Holding	% Holdings
Digitalisation	ACCENTURE PLC-CL A	3.7
		0.0
	BROADCOM INC	4.3
	CROWN CASTLE INTL CORP	3.4
	RELX PLC	3.8
	TAIWAN SEMICONDUCTOR-SP ADR	3.0
	TEXAS INSTRUMENTS INC	3.9
	UNITED PARCEL SERVICE-CL B	3.5
	<b>Subtotal</b>	<b>25.7</b>
Evolving Consumption	BRIDGESTONE CORP	2.9
	COLGATE-PALMOLIVE CO	3.9
	CREDICORP LTD (US)	1.4
	GIVAUDAN-REG	1.8
	RECKITT BENCKISER GROUP PLC	4.0
	UNILEVER PLC	3.8
	WALMART DE MEXICO SAB DE CV	2.4
	<b>Subtotal</b>	<b>20.1</b>
Income Stock	BANK OF NOVA SCOTIA	1.8
	JPMORGAN CHASE & CO	2.8
	LEGAL & GENERAL GROUP PLC	2.5
	TOTAL SE	2.1
	<b>Subtotal</b>	<b>9.2</b>

**% Holdings Total = 98.7%**

Source: Sarasin & Partners, 30.06.20



# The Global Income Team



## Fund Managers



Neil Denman

18/2



Guy Monson

35/35



Alex Hunter

30/13



## UK Equities



Ben Elwes

30/13



Colm Harney

10/2



Hugo Wood

5/1



## Fixed Income



Anthony Carter

11/2



Mark van Moorsel

118/7



Artemis Vrahimis

12/3



Vincent Platjouw

17/2



## Global Thematic Equity Analysts/Portfolio Managers



Jerry Thomas

24/3



Alex Bibani

16/4



Giles Money

16/4



Jeneiv Shah

14/3



Josh Sambrook-Smith

13/6



Alex Cobbold

32/3



Rolando Rodrigues

23/10



## Stewardship Analysts



Natasha Landell-Mills

25/7



Kwai San Wong

9/4



Ben McEwen

15/3



Therese Kieve

11/1



## Strategy



Henry Boucher

36/17



Subitha Subramaniam

23/20



Niloofar Rafiei

12/5

\*(Years in industry/Years at Sarasin & Partners as at 31.03.20)





## Guy Monson

Senior Partners & Chief  
Investment Officer

### Current Responsibilities

Guy is portfolio manager focusing on global equities. He co-manages Sarasin's global equity income strategies for institutional and retail clients.



### EXPERIENCE

- Has over 30 years of investment experience and joined the company in 1984
- In 1988 he became manager of Sarasin's flagship GlobalSar family of balanced investment funds, winning awards for investment performance and risk profile
- He has pioneered the use of thematic investment in the management of global equity portfolios and today manages the Sarasin Global Opportunities fund as well as leading the firm's investment strategy
- Guy writes regularly in the international financial press and appears on Bloomberg and other financial channels
- Among other responsibilities he is a Trustee of the Invictus Games Foundation, and Chatsworth House, and is a member of the London School of Economics Ideas Board



### QUALIFICATIONS

- BA from Oxford University followed by an MA in 1990 in Politics, Philosophy and Economics





## Neil Denman

Analyst/Portfolio Manager

### Current Responsibilities

Neil is a portfolio manager for the global equity income strategies. Within the global equity team he co manages Sarasin's Institutional mandates and retail funds.



### EXPERIENCE

- Neil joined Sarasin & Partners in December 2017 from Polar Capital where he was Global Income Fund Manager. Previous to this Neil was Global Emerging Market Income & Growth Fund Manager.
- Neil also held positions with AXA Framlington, Hexam Capital Partners, Baring Asset Management and Framlington Investment Management.
- Neil started his career in 2001 after completing his degree at the University of Leeds.



### QUALIFICATIONS

- Member of the CFA Institute
- Investment Management Certificate (IMC)
- CFA Level 1
- Bsc (Hons) Environmental Biogeoscience





## Alex Hunter

Global Equity Portfolio  
Manager/Analyst

### Current Responsibilities

Alex is a portfolio manager for the Global Equity Opportunities funds, and analytically looks at the global healthcare and material sectors.



### EXPERIENCE

- Alex has been at Sarasin & Partners since 2007, working primarily with the global equity franchise and is global equity portfolio manager for the Global Equity Opportunities funds
- Prior to joining Sarasin in 2007, Alex spent 4 years at US hedge fund Arnhold and S. Bleichroeder working with global long only and alternative equity strategies based in both New York and London. From 1996 to 2003 Alex worked at Morgan Stanley as a sell-side equity analyst covering the capital goods sector and subsequently the aerospace sector. Whilst at Morgan Stanley, Alex qualified as a Chartered Financial Analyst (CFA, 1999) and from 1999 to 2003 was consistently ranked, with his team, in the top 3 by surveys such as the Institutional Investor Magazine - being top ranked both in Europe (2002) and globally (2000)



### QUALIFICATIONS

- Alex is a Fellow of the Institute of Chartered Accountants in England and Wales
- CFA – Morgan Stanley
- ACA – Coopers & Lybrand
- BA (Economics & Statistics) – Exeter University



# Important information

**This document is for investment professionals only and should not be relied upon by private investors.**

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