

For Financial Advisors Only



Goodbody Asset Management

# Goodbody Dividend Income Fund Suite

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Multi-asset | Real return focus

Real Returns

Goodbody Asset Management is passionate about delivering strong investment performance for our customers. We believe outperformance comes from adhering to a structured and transparent investment process.

This is centred around our **three** core investment pillars.

## Consistency

One investment approach across all strategies.

## Conviction

Concentrated equity portfolios of between 35 to 45 companies.

## Compounding

Focus on the long-term with low stock turnover.

Real returns with reduced volatility

# Why consider the Goodbody Dividend Income Fund Suite?

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The Goodbody Dividend Income Fund Suite is a range of three funds that offers investors targeted exposure to a mix of diversified asset classes.

A portfolio of 35 - 45 quality global dividend paying companies provides the 'engine' for real returns throughout the investment cycle within the Fund Suite. Additional asset classes are used to manage risk and provide diversification.

The Funds are designed to meet a variety of investor goals and can be used on a stand-alone basis or as building blocks to form part of an overall investment solution.

## ■ Multi-asset with target returns

The Funds invest in high quality dividend paying equities which act as the engine of real returns for investors. Other assets, such as cash, fixed income and exchange traded funds are used to provide diversification and reduce volatility within the Fund Suite.

## ■ Active asset allocation

The Investment Team employs an asset allocation framework to tactically adjust exposure to equities throughout the investment cycle.

## ■ Risk management strategy

Gives additional protection against downside risks. This strategy helps to reduce volatility and smooth the returns journey for investors.

Range of similar funds

# What is the Goodbody Dividend Income Fund Suite?

There are three funds currently within the Goodbody Dividend Income Fund Suite.

- **The Goodbody Dividend Income 3 Fund (GDI 3)**
- **The Goodbody Dividend Income 4 Fund (GDI 4)**
- **The Goodbody Dividend Income 6 Fund (GDI 6)**

The aim of the Fund Suite is to provide investors with the option to either dial up or dial down exposure to risk within a range of similar funds.

There is a strong emphasis upon consistency across the range of funds. For example, the equity holdings in GDI 3 and GDI 4 mirror the companies in the pure dividend income Fund (GDI 6). In addition, the asset allocation tilts within GDI 3 and GDI 4 will also be similar.

## Fund Suite: Strategic equity exposures

	<b>GDI 3</b>	<b>GDI 4</b>	<b>GDI 6</b>
<b>Equity base (%)</b>	40%	70%	100%
<b>Equity range (%)</b>	+/-15%	+/-15%	-15%
<b>Options strategy to reduce volatility</b>	Yes	Yes	No
<b>Other assets</b>	Cash Deposits, Government Bonds, Corporate Bonds, Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITS), Other	Cash Deposits, Government Bonds, Corporate Bonds, Exchange Traded Funds (ETFs), Real Estate Investment Trusts (REITS), Other	Cash Deposits
<b>Benchmark</b>	Cash +3% p.a. over 5 years	Cash +4% p.a. over 5 years	MSCI World Index
<b>Target ESMA risk rating</b>	3	4	6

# Why invest in dividend paying companies?

## Dividends form an important component of total returns over the medium to long-term

Re-investing dividend income provides a significant contribution to stock market returns over the medium to long-term. For example, \$1,000 invested in the S&P 500 over the 20 years to the end of December 2015, would have generated a return of \$3,319. However, by re-investing the dividends each year, the return would have yielded \$4,816 or 45% more.

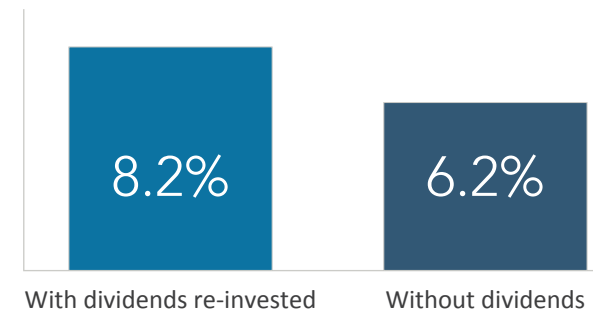
## Dividends can form an attractive source of income

With the European Central Bank (ECB) holding official interest rates at record low levels, and many banks now charging customers to hold cash deposits, dividend paying companies can represent an attractive source of income.

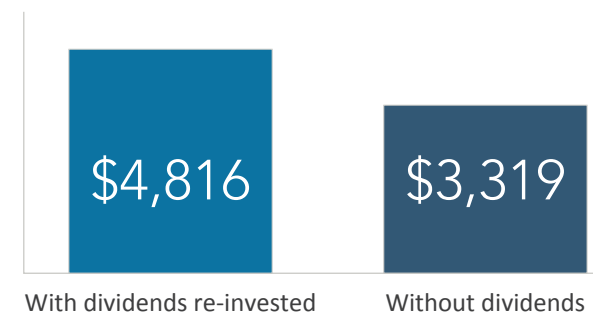
## Dividends can often impose financial discipline on company management

Knowing that investors are expecting regular dividend payments often imposes greater financial prudence upon management teams.

Annual return of the S&P 500  
from 29-12-1995 to 31-12-2015



Value of \$1,000 investment in the S&P 500  
from 29-12-1995 to 31-12-2015



Source: Bloomberg.

**Warning: Past performance is not a reliable guide to future performance.**

Disciplined and consistent investment approach

# How we choose companies for the Fund Suite?

## Goodbody A.I.M.

**Our proprietary investment process.** It provides a single investment 'lens' for considering all equity investment opportunities. This ensures complete uniformity of process across all of our strategies. It is a structured and transparent, three stage investment approach focused on fundamental, company level research.

### Aggregate

#### Global universe

- + 6500 companies in the MSCI World All Cap Index.
- Each company assigned return, growth and value scores.

### Intel

- Each company ranked based on a composite score.
- Refine output and focus on investment candidates in the upper deciles of the screen.

### Management

#### Stock selection

- Rigorous fundamental company level research.
- 35 - 45 high conviction holdings per fund.
- Portfolio construction with an emphasis on risk management.

**Aggregate** We aggregate fundamental financial data for a global universe of companies. We focus on three key factors - growth, the returns on capital employed by the company and company valuations. Each company within the universe is ascribed proprietary scores based on these three factors.

**Intel** This data is used to construct composite scores for all of the companies. We then rank and filter all of the companies within our investment screen. The ranking process breaks down the investment universe into deciles, with companies in decile number 1 the most potentially attractive to the Investment Team. This helps to create a focused subset of global companies with financial characteristics that match the core elements of our investment philosophy i.e. shareholder returns are driven by the ability of a company to generate returns on its capital base and to grow its business.

**Management** The Investment Team then perform rigorous and robust bottom up, fundamental research on the companies in this subset to identify the most attractive investment propositions.

This detailed analysis includes the evaluation of industry structure, company specific competitive strategy, key growth drivers, business risks and valuation. A key component of the research process is engagement with company management.

Finally, we construct a focused global portfolio of 35 - 45 companies from the results to get the right balance of risk and return. Importantly, risk management is embedded throughout the entire investment process encompassing both individual stock selection and portfolio construction.

Focused selection criteria

# What makes our Dividend Income Fund Suite different?

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## We manage by conviction

Goodbody Dividend Income Funds contain up to 45 companies at any one time. Our investment process and fundamental analysis are strong enough to allow us to concentrate only on companies that we expect to significantly outperform over time. Risk management is key. We diversify according to sectoral and geographic exposures.

## We focus on premium dividend growth rates

The companies we select have progressive dividend pay-out policies that should continue to generate shareholder returns over the medium-term. So we target a dividend yield 25% higher than the global equity market yield and expect dividends from these companies to grow by at least double digits each year.

## We invest in a broader universe

Many dividend income funds focus exclusively on large cap companies. But large caps are often mature and, therefore, have poor dividend growth rates. We look for opportunities to invest in medium-sized companies that offer reasonable dividend yields and are likely to grow their dividends faster. Up to 20% of the companies within the Goodbody Dividend Funds can be classified as 'mid cap' companies.



Target dividend yield  
25% higher than the market



Up to 45 companies in the funds

## Asset allocation framework




# How we actively manage the exposure to equities?

In response to any changes in market conditions, we want to be agile enough to take advantage of opportunities or to protect against loss of capital when volatility increases. As a result, this strategy employs an asset allocation framework to establish equity exposure (particularly within GDI 3 and GDI 4) which is pre-defined (equity exposure of 40% and 70% respectively). The Investment Team can adjust these allocations by tactically moving + or - 15% around the strategic equity allocation.

This dynamic asset allocation framework assesses asset factors as priced by the market. The framework reviews 10 key factors that provide insight into the potential future direction of equity markets. These factors include commodity prices, currencies, credit spreads, market sentiment indicators, and technical indicators. The aim of the framework is to help determine the allocation to growth assets. The other assets within the Funds are viewed as wealth preservation assets, in that the returns from these assets are likely to be lower but should also be less volatile than equities.

The other assets within GDI 3 and GDI 4 Funds will include cash, Government Bonds, Corporate Bonds, Exchange Traded Funds and may also include other investments such as Real Estate Investment Trusts. Within the cash and bond investments, there is likely to be a significant exposure to Euro denominated assets thereby reducing foreign exchange risk within the Funds.

The **asset allocation framework** reviews the changes of the key market factors and this helps the Investment Team make an assessment of the appropriate equity allocation.

Tactical asset allocation dashboard	
Asset factors	Examples of readings and assessments vs key levels/trend
Global equity performance and valuation	Equity market sentiment 
Global equity earnings revision ratio	Global earnings revisions 
Fixed income spreads	
Fixed income yields	Global Economic Surprise Index 
Credit default swaps	
Volatility indices	Global equity market sentiment
Global equity market sentiment	
Macroeconomic Surprise Index	Currency
Currency	
Commodity prices	■ Negative ■ Neutral ■ Positive



## Risk management overlay

# How we further reduce volatility in the Fund suite?

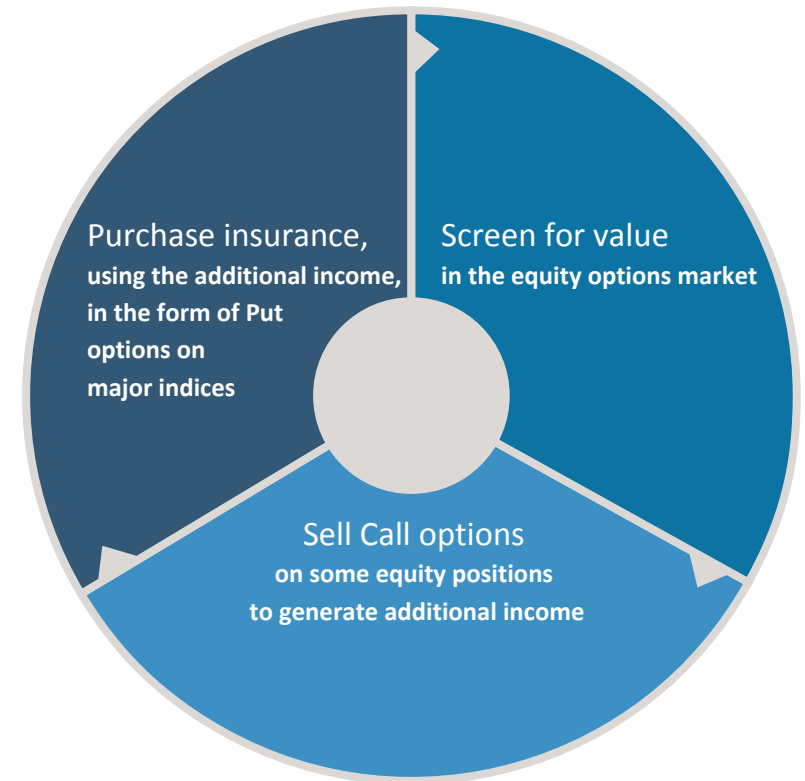
The asset allocation framework forms a core part of managing risk within the Funds. The equity allocations within GDI 3 and GDI 4 also incorporate a risk management overlay which aims to further reduce volatility.

The strategy entails generating additional income for the Funds and then using this additional income to purchase 'insurance' which will help to partially offset losses if global equity markets experience significant declines.

The Investment Management Team looks to sell Call options on some of the equities within the Fund. All Call options sold are 'covered' which means the Fund owns the underlying security. The income generated by selling the Call options is then used to purchase downside protection in the form of Put options on some of the major equity indices (e.g. S&P 500, Eurostoxx 50 and FTSE100).

When global equity market rise, the value of the Put options typically fall, but if global equity markets decline, then the value of the Put options may rise. The implementation of this strategy effectively helps to reduce the volatility within the equity allocations and smooth the returns journey for investors.

### Risk management cycle



Consistency, conviction and compounding

# Why Goodbody Asset Management?

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- A domestic, **boutique investment manager** that is dedicated to serving and supporting the local retail market.
- A clearly **articulated investment philosophy** that permeates our investment process.
- An experienced team with a **strong track record** of delivering investment performance.
- Goodbody, which is **over 140 years old**, is one of the leading financial services companies in Ireland. Goodbody is owned by FEXCO and Goodbody staff. FEXCO is Ireland's most successful multinational finance and business solutions provider, with operations in 28 countries worldwide.

## Contact us today

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**Warning: Dividend Income is not guaranteed and may rise or fall in value.**

**Warning: The value of your investment may go down as well as up.**

**Warning: This fund may be affected by changes in currency exchange rates.**

**Warning: If you invest in this fund you may lose some or all of the money you invest.**

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