

# Global Equity Income: When Quality Counts

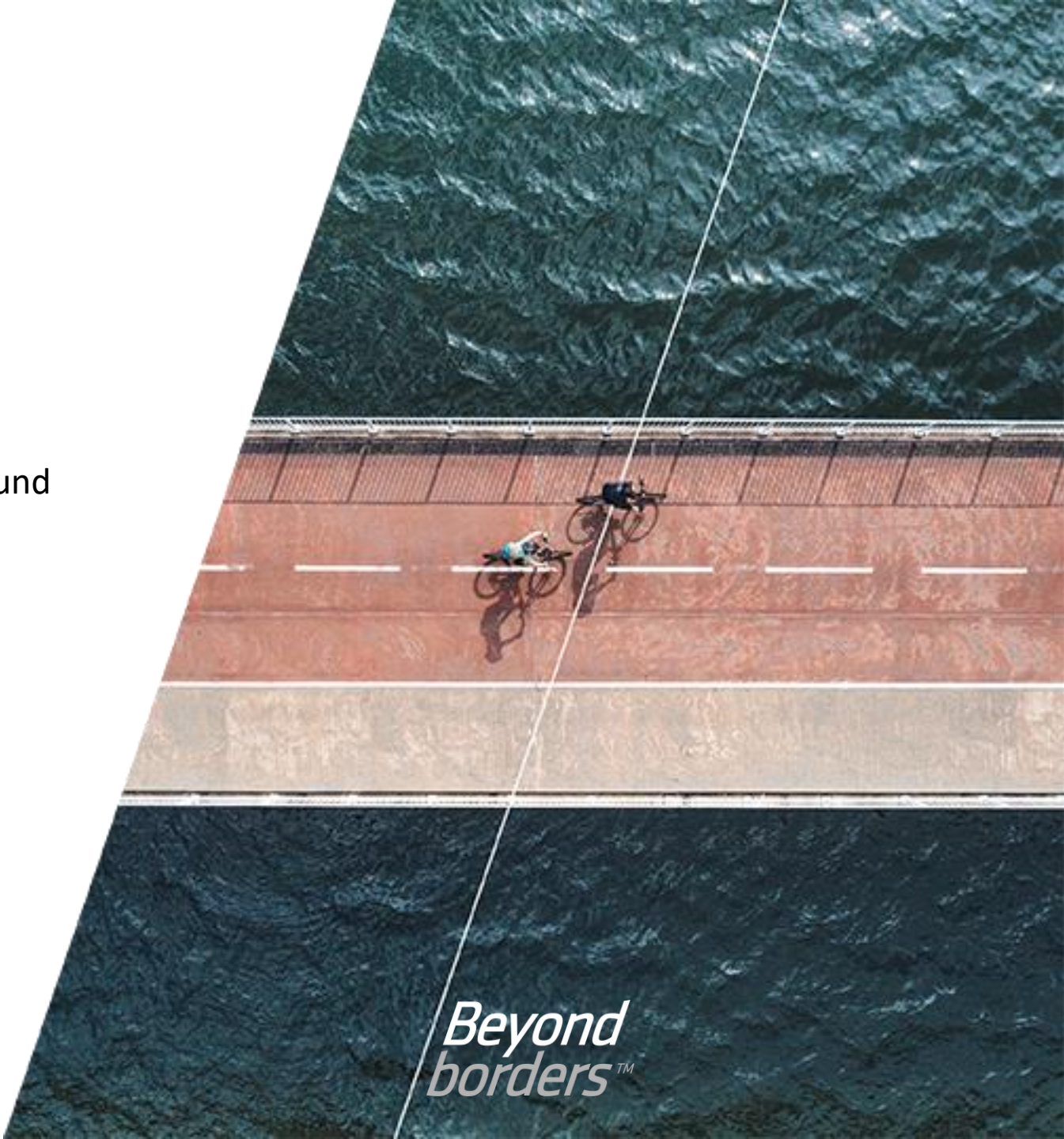
Mark Peden– Co-manager, Aegon Global Equity Income Fund

September 2022



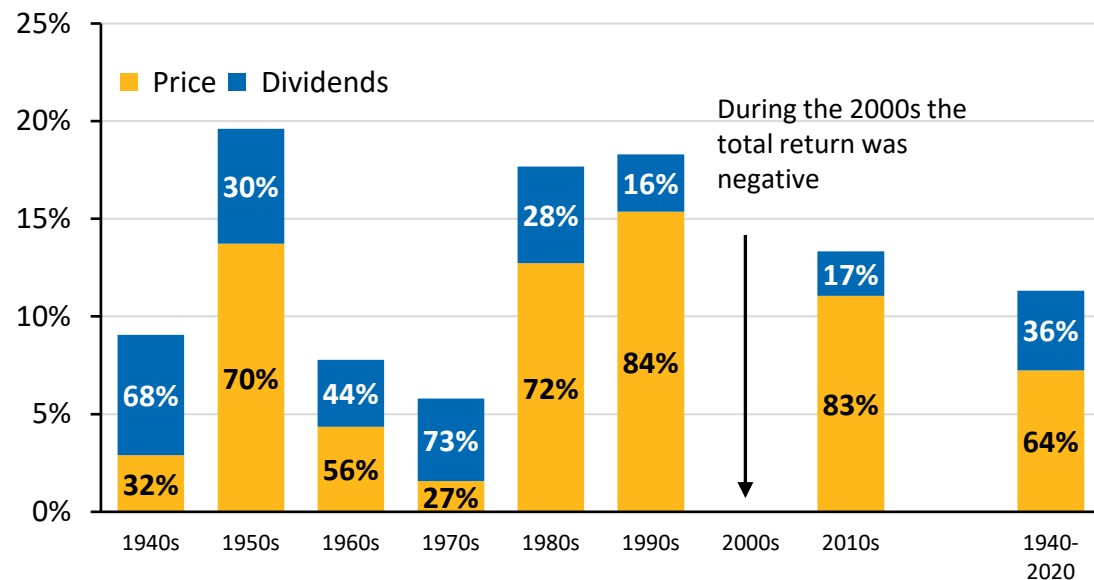
For professional / qualified investors.  
This is a marketing communication.

*Beyond  
borders™*

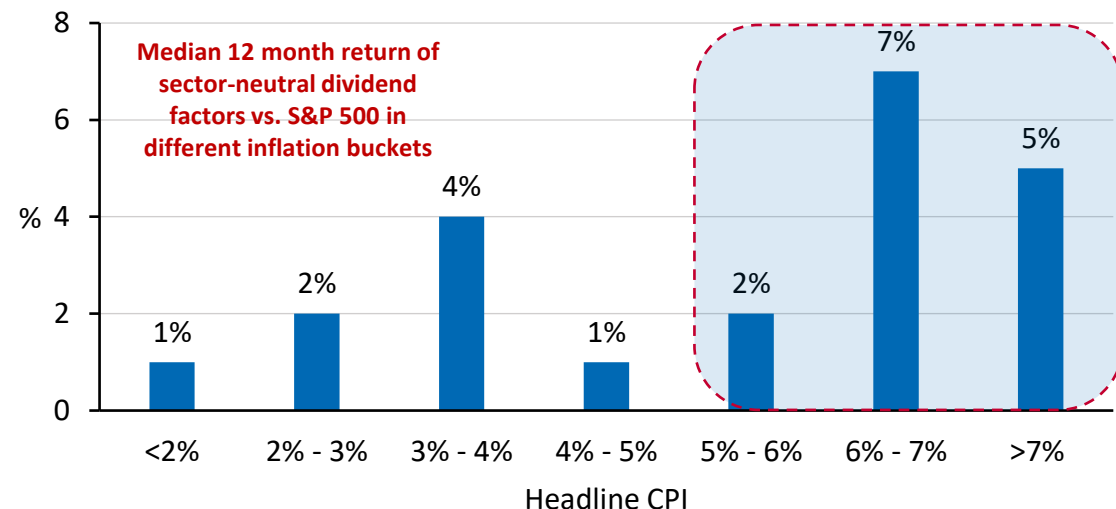


# Dividends: A vital component of total returns

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**

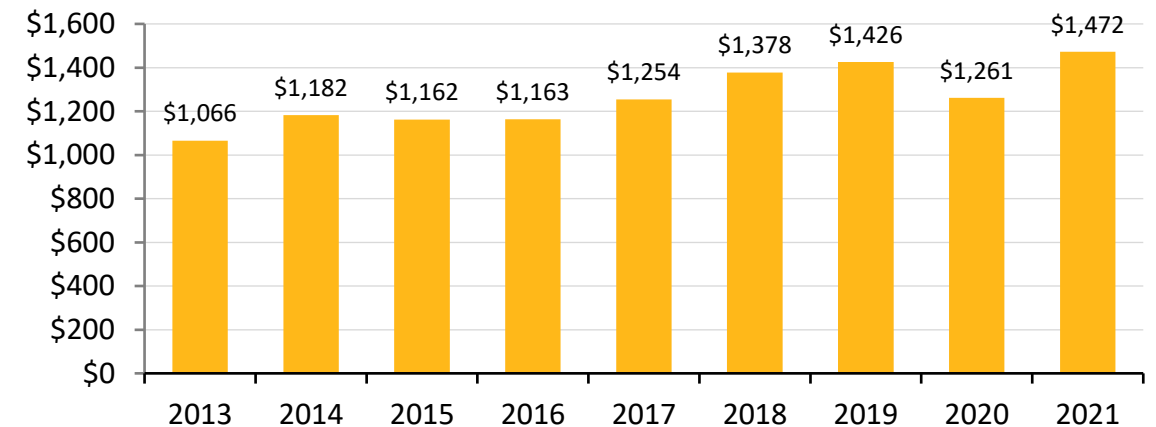
Past performance is not a guide to future performance. Outcomes, including the payment of income, are not guaranteed.

Source: Bloomberg, Kepler Cheuvreux for illustrative purposes.

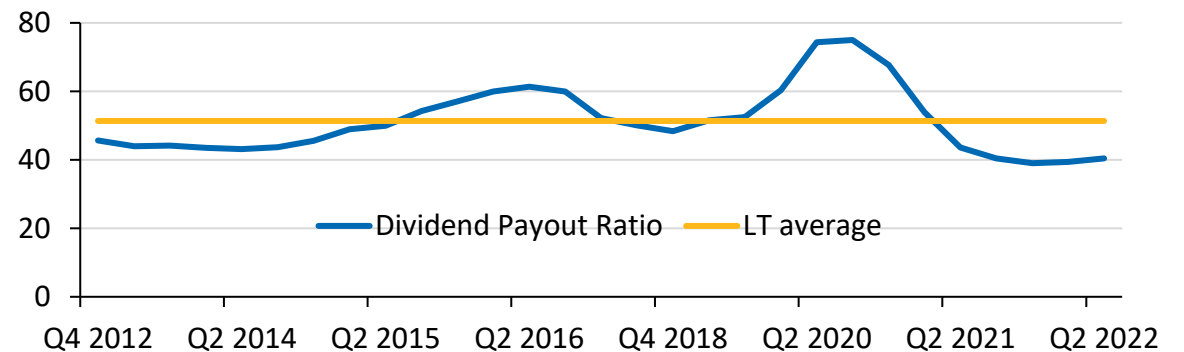
# Global dividends hit record levels

- 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>



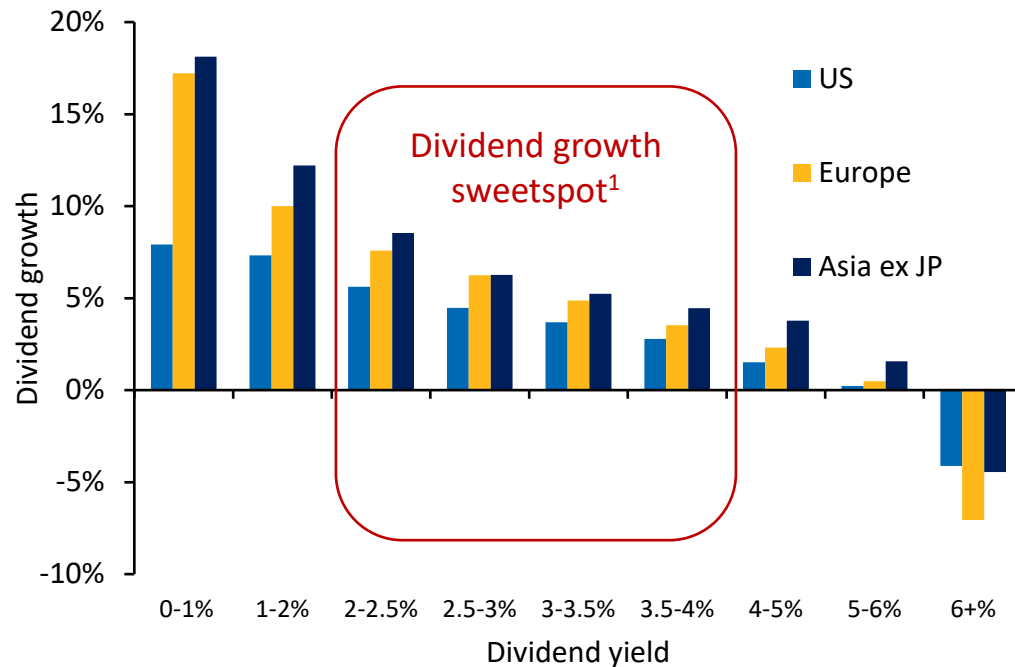
MSCI ACWI Dividend Payout ratio<sup>2</sup>



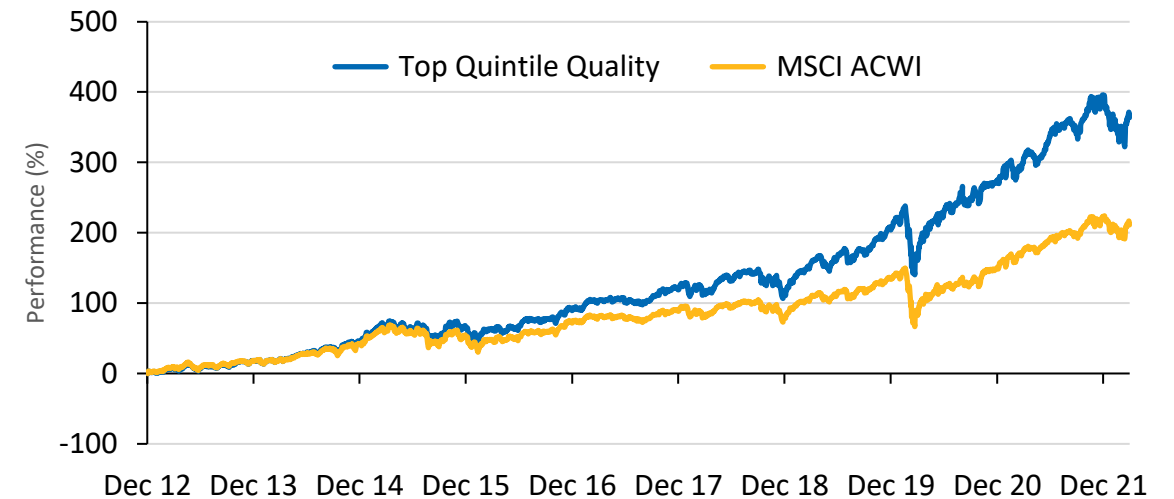
<sup>1</sup>Source: Janus Henderson Global Dividend Index Report, Edition 34, May 2022. <sup>2</sup>Source: Bloomberg as at 30 June 2022.

# 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.

<b>Portfolio</b>	<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>
<b>Target</b>	<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>
<b>Distinctive Features</b>	<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

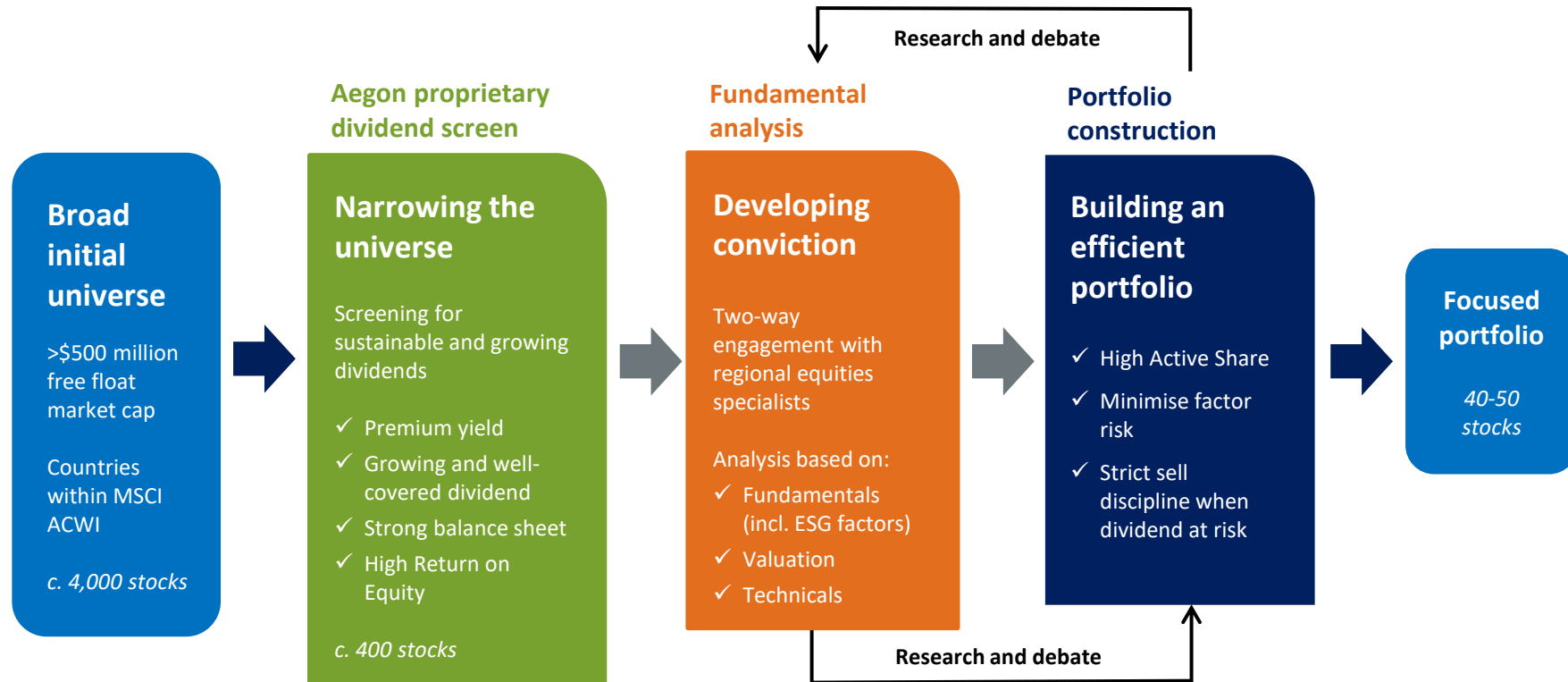


**Robin Black**  
Support Manager  
27 years' experience



**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



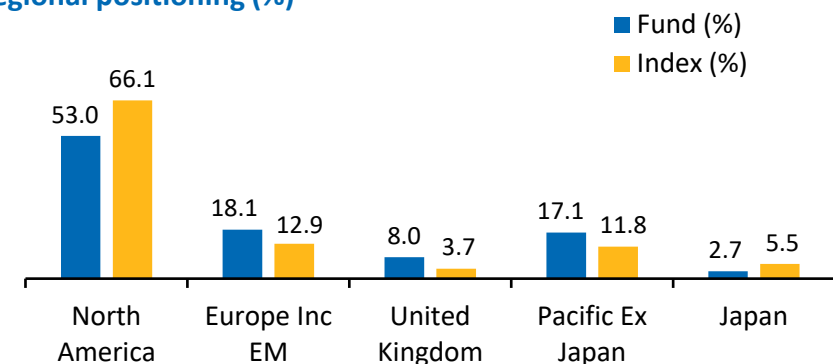
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# A differentiated approach to income investing

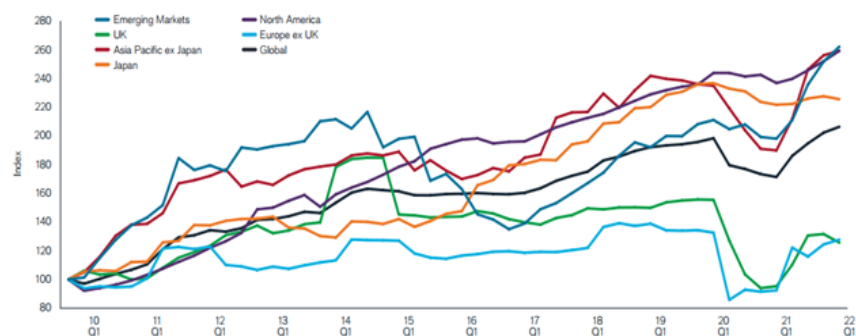
## A truly global proposition

Past performance does not predict future returns

### Regional positioning (%)



JANUS HENDERSON GLOBAL DIVIDEND INDEX BY REGION



### Top 10 holdings

### Weight (%)

Microsoft Corporation	6.8
PepsiCo, Inc.	3.9
Nestle S.A.	3.7
AstraZeneca PLC	3.6
Broadcom Inc.	3.4
NextEra Energy, Inc.	3.4
Zurich Insurance Group Ltd	3.3
Eaton Corp. Plc	3.2
DBS Group Holdings Ltd	3.1
Watsco, Inc.	3.0
<b>Total</b>	<b>37.4</b>

Number of holdings	48
Historic Yield* (C Inc USD)	3.05%

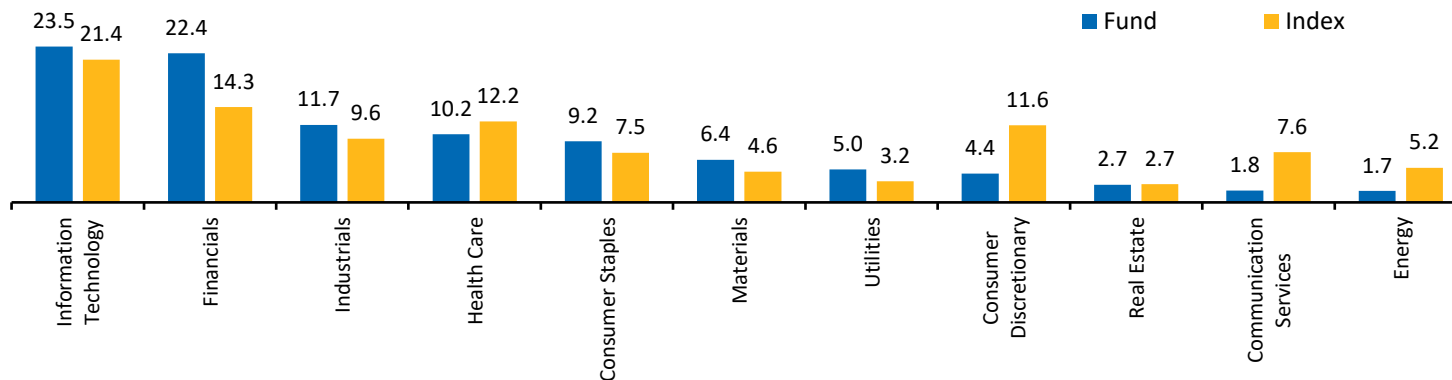
- Top 10 holdings go beyond traditional ‘compounders’
- Strong exposure to Asia-Pacific’s dividend growth story
- Underweight US and Japan – two of the lowest yielding developed markets

Source: FactSet. Data as at 31 August 2022. Index: MSCI All Country World GBP. Where ADRs are used regional allocations reflect country of incorporation of underlying company. Source for JHGD chart: 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).

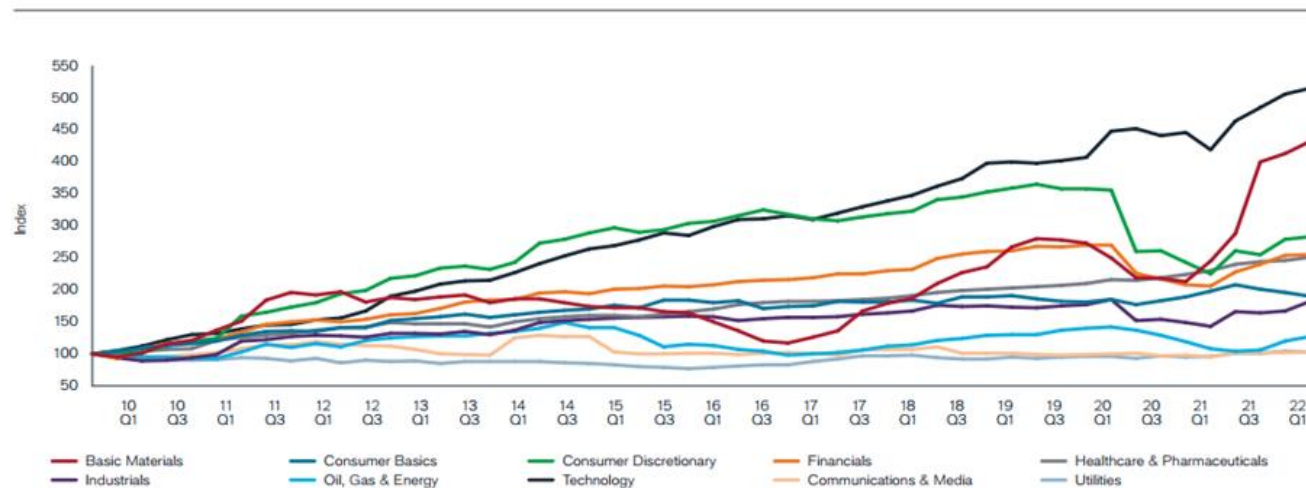
# A differentiated approach to income investing

## 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

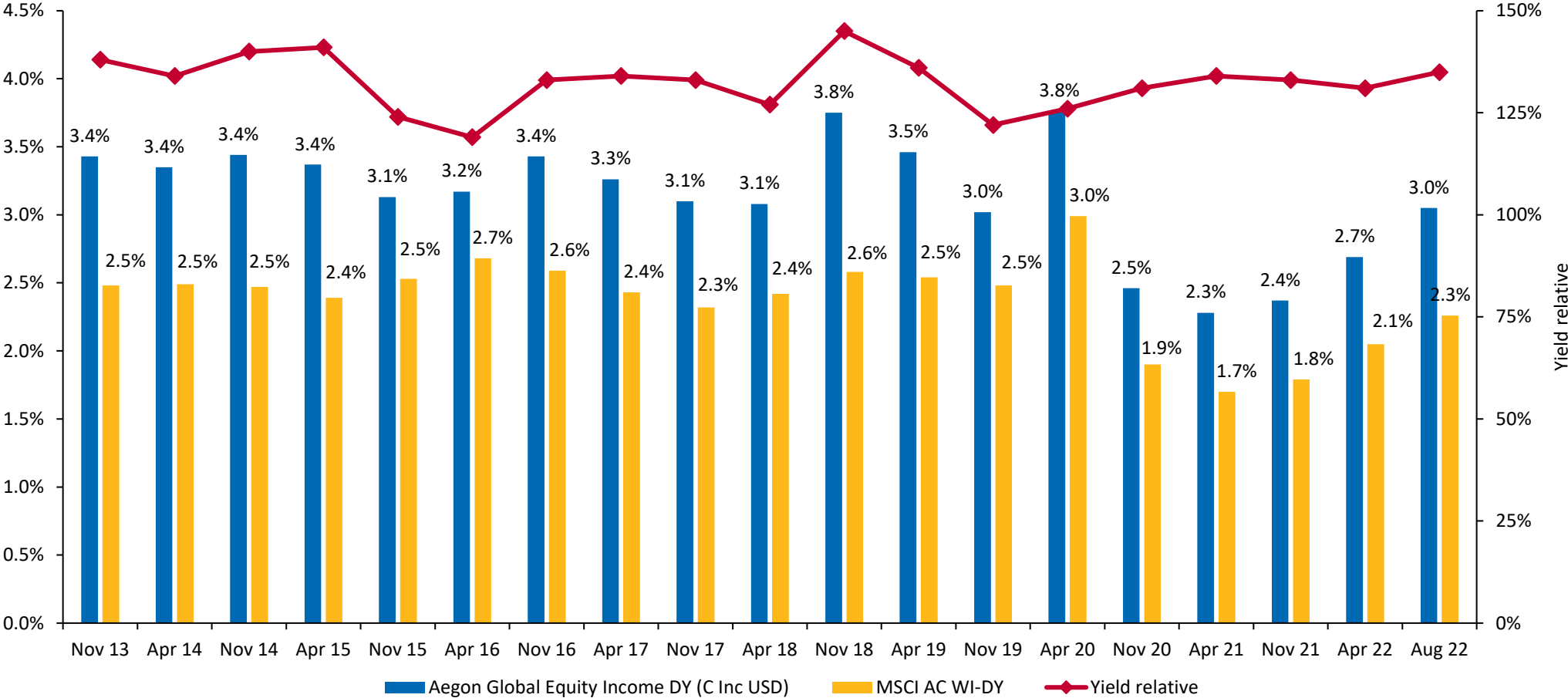


Source: Citi Investment Research, FactSet. Data as at 31 August 2022. Index: MSCI All Country World GBP.  
 Source for JHGDI chart: Janus Henderson Global Dividend Index Report, Edition 34, May 2022.

# Premium income with long-term capital appreciation

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

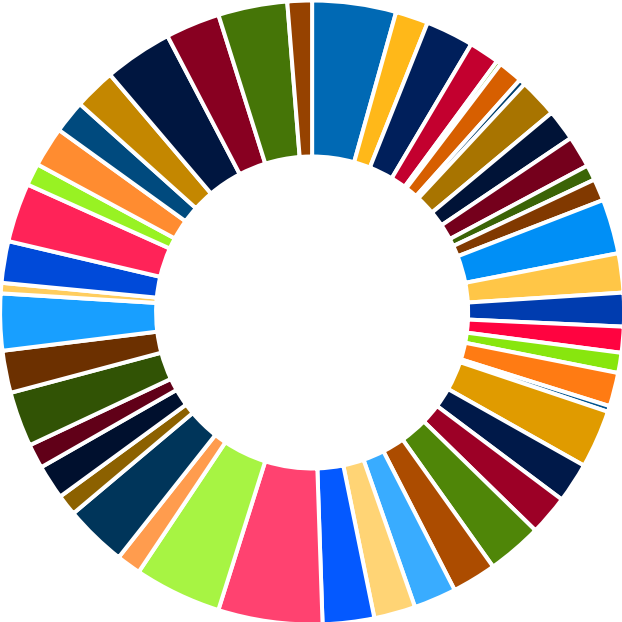
Past performance does not predict future returns.



Source: FactSet, MSCI ACWI and Aegon as at 31 August 2022

# Deconstructing the Fund's income

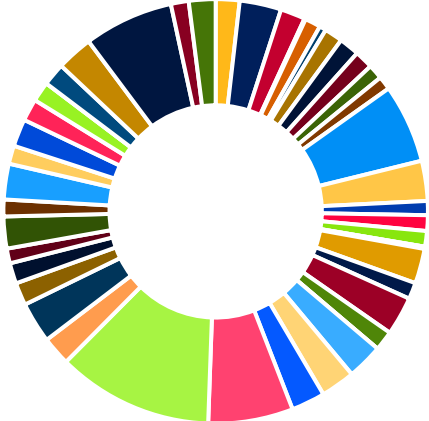
## Contribution to dividend yield



**Maximum 5.4%**  
Dividend yield is forecast NTM yield.  
Max contribution to yield of 5.4% is Zurich Insurance Group

- 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 growth



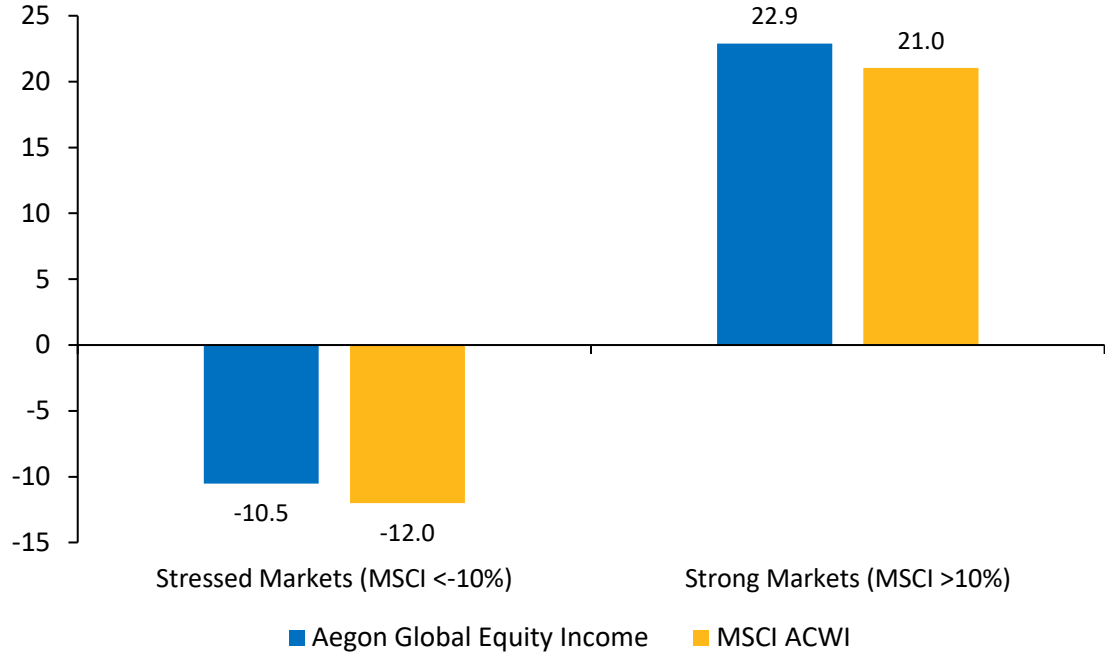
**Maximum 15.8%**  
Dividend growth is forecast NTM/LTM yield  
Max contribution to growth of 15.8% is DBS Holdings

Source: FactSet as at 31 August 2022  
Next Twelve Months (NTM), Last Twelve Months (LTM).

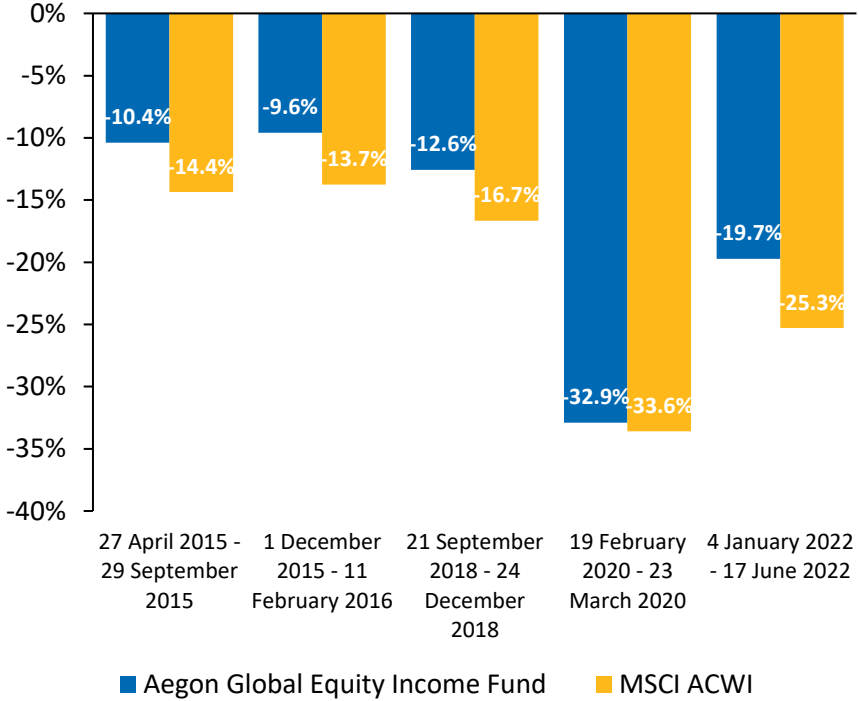
# Dampening global equities drawdown...

... while keeping up with strong markets

Average rolling 1 year performance, in USD



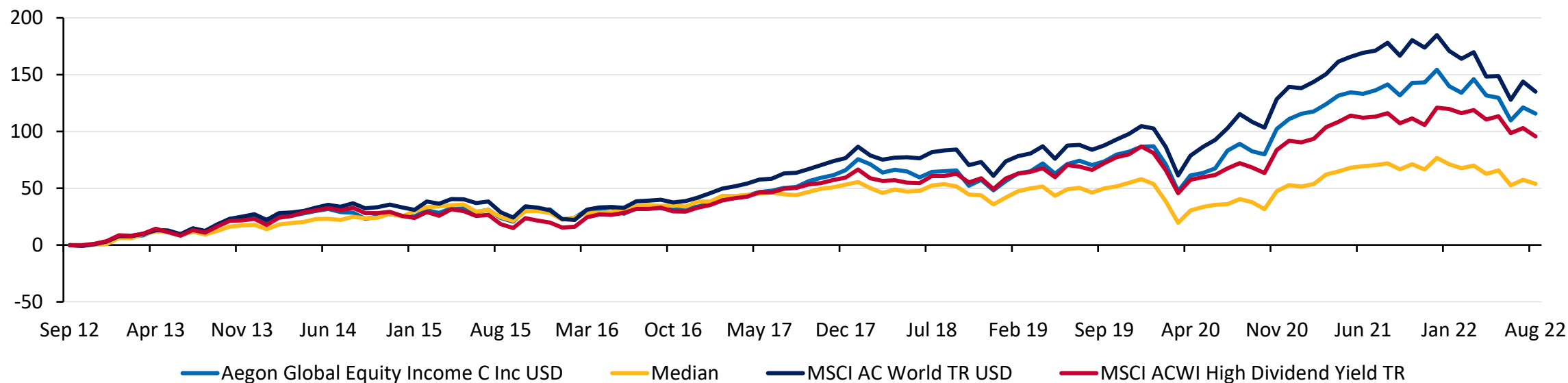
Equity downturns of more than 10%



Lhs chart as at 31 July 2022. Stressed Markets refers to 4 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 17 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. The information is for informational purposes and readers should not assume that investments in the securities identified and discussed were or will be profitable.



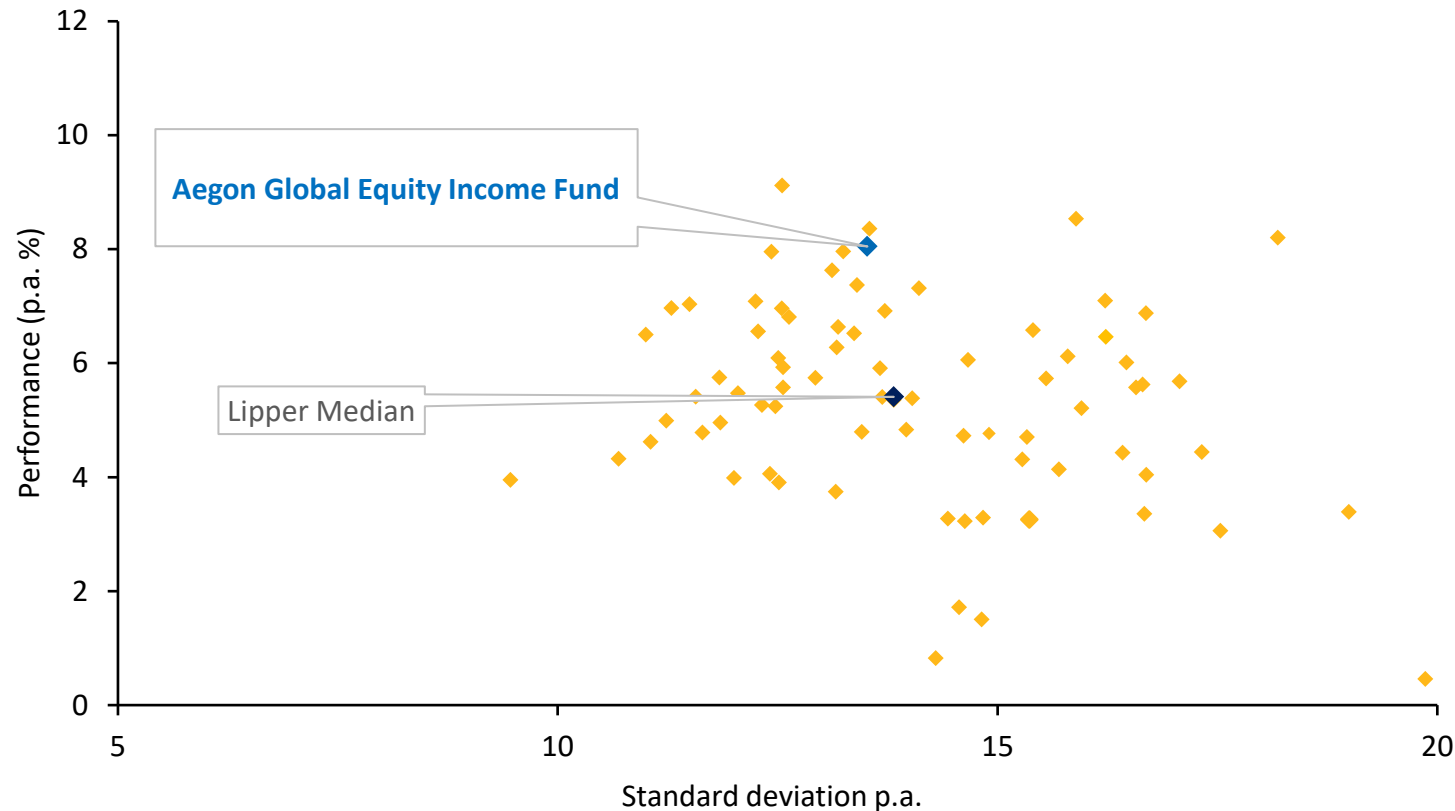
Fund rankings*	1 year	3 years	5 years	Since launch
Quartile	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Peer group	55/170	17/149	14/128	11/92

Source: Lipper as at 31 August 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.

# 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 31 August 2022)



- Lipper Global Equity Global Income sector includes 80 global dividend equity funds with performance record since 28 September 2012
- Aegon was the 5th best performer over the period

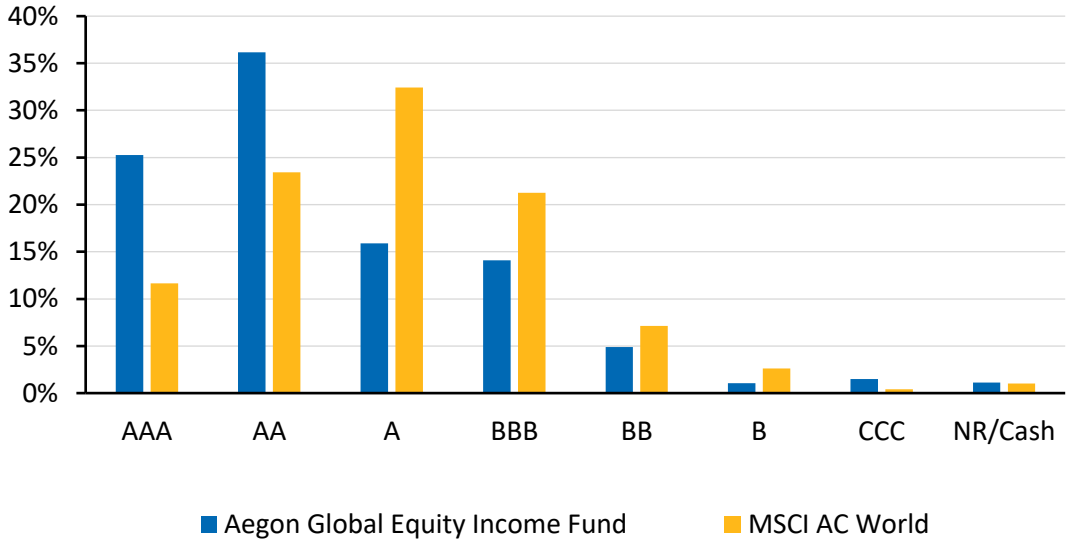
Source: Lipper as at 31 August 2022. NAV to NAV, noon prices, income reinvested, net of ongoing charges, excluding entry or exit charges. Benchmark and sector median source: Lipper. Aegon Global Equity Income Fund C (Inc) USD shares vs Lipper Global Equity Global Income sector. Volatility based on annualised 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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Investment Manager  
30 years' experience



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As at 31 August 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
<b>A Inc EUR</b>	IE00BF5SW189	KGEICAI ID	A1W8HY	✓		✓	✓		✓		✓	✓			✓		✓	
<b>B Acc USD</b>	IE00B8NWOX18	KGEIBAU ID				✓			✓	✓	✓		✓	✓	✓	✓		
<b>B Acc EUR (Hedged)</b>	IE00B8NVV808	KGEIBAE ID			✓	✓		✓	✓	✓	✓	✓	✓	✓		✓	✓	
<b>B Acc GBP</b>	IE00BF5SVX39	KGEICBA ID				✓			✓	✓	✓		✓	✓		✓		
<b>B Inc EUR</b>	IE00BF5SVY46	KMGEBIE ID			✓	✓			✓	✓	✓	✓	✓	✓	✓	✓	✓	
<b>C Inc USD</b>	IE00B8PL6278	KGEICIU ID				✓			✓	✓	✓		✓	✓	✓	✓		✓
<b>C Inc GBP</b>	IE00BF5SW304	KMGICIG ID				✓			✓		✓							
<b>S Inc EUR</b>	IE00BF2HQ058	KGEISEI ID	A2JP33	✓		✓	✓				✓							
<b>D Acc USD</b>	IE000JYW5R00	AEGEIDU ID									✓							
<b>G Acc USD</b>	IE000U1RCGR2	AEGEIXU ID									✓							
<b>X Acc USD</b>	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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Fund Charges are taken from capital, increasing distributions but constraining capital growth. Costs may increase or decrease as a result of currency and exchange rate fluctuations

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Yield for C Inc USD at 1 September 2022. Source: Aegon Asset Management UK plc.

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Expires: 31 December 2022