

# Goodbody Asset Management

Consistency

Conviction

Compounding

## Investing in a Uniquely Uncertain Environment

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June 2020

# Important Information

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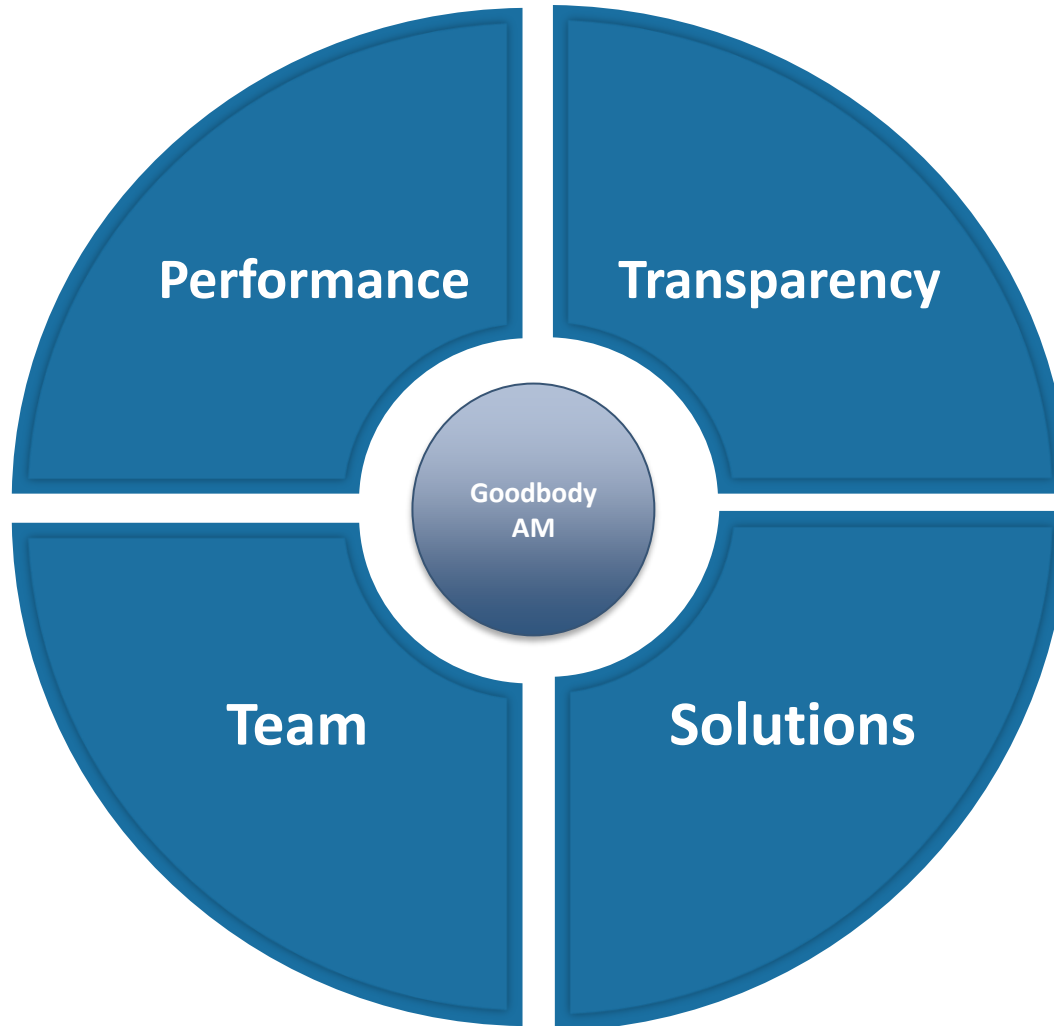
- This presentation is not intended to constitute investment advice.
- This presentation talks about the Goodbody Funds in general terms. It is not intended to constitute a personalised recommendation to you, nor does it take into account your investment objectives or risk appetite.
- You may wish to obtain independent financial advice before investing.
- Each Fund carries a different Risk Rating based on the ESMA risk rating methodology.

Risk rating

1	2	3	4	5	6	7
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# Goodbody Asset Management

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# Fund Performance

As at 19/06/2020	% YTD	% off High	% 1YR	% Since Inception
Goodbody Dividend Income 3	2.9	-0.9	5.5	21.6
Goodbody Dividend Income 4	4.6	-0.7	8.8	35.2
Goodbody Dividend Income 6	-2.8	-9.6	4.2	55.5
Goodbody Global Leaders	4.6	-6.0	15.0	87.8
MSCI World Index	-5.2	-11.7	4.3	46.9
Goodbody Smaller Companies	-0.9	-8.7	11.4	79.4
MSCI World SMID Index	-10.1	-14.5	-1.5	36.9

Source: New Ireland Fund Centre, \* 04/03/2016 to 22/06/2020. The date of the prices shown is the date on which the prices were calculated using close of market prices on the previous working day. Equity Index data sourced from Bloomberg, TR, Euro. Cash = 3mth Euribor.

Warning: Past performance should not be taken as an indication or guarantee of future performance

# Strong Performance vs. Peers

Fund	Peer Group	YTD	1 Years	3 Years
GDI 3	ESMA 3 - Multi Asset	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>
GDI 4	ESMA 4 - Multi Asset	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
GDI 6	Dividend Equity	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Smaller Companies	SMID Cap Equity	2 <sup>nd</sup>	1 <sup>st</sup>	1 <sup>st</sup>
Global Leaders	Large Cap Equity	1 <sup>st</sup>	1 <sup>st</sup>	1 <sup>st</sup>

**Source:** Longboat Analytics. Performance to 19/06/2020. Performance is gross of annual management charges. \*See appendix for peer group fund listings.

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# Local Presence, Global Excellence

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CITYWIRE  
**SELECTOR**



Rated in the top 7.5% of Fund managers tracked by Citywire across 41 countries over the last three years.



Top 10% of Funds in each category achieve a 5 star rating: GDI 3, GDI 4 and Smaller Companies Fund (UCITS).

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# Where to from here?

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# Outlook

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- Uncertainty around the outlook has seldom been higher.
- A unique global recession has been met by previously unthinkable Central Bank intervention – both in speed AND magnitude.
- **BUT...**The rapid rebound in risk assets appears disconnected from underlying fundamentals.
- Be **Selective**, focus on **Quality** and where possible utilise **Downside Protection** to smooth the investment journey.



# Rally – Crash - Rebound



Source: Bloomberg

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# Global Lockdown = Global Recession

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**MARKETS****BUSINESS****INVESTING****TECH****POLITICS****CNBC TV**

**ECONOMY**

## The U.S. entered a recession in February, according to the official economic arbiter

PUBLISHED MON, JUN 8 2020•1:02 PM EDT | UPDATED MON, JUN 8 2020•3:38 PM EDT

**KEY POINTS**

- The National Bureau of Economic Research, which determines recessions, said the U.S. peaked in February.
- That brought to an end a 128-month expansion, the longest in post-World War II history.
- The bureau cited the “unprecedented magnitude of the decline in employment and production, and its broad reach across the entire economy.”

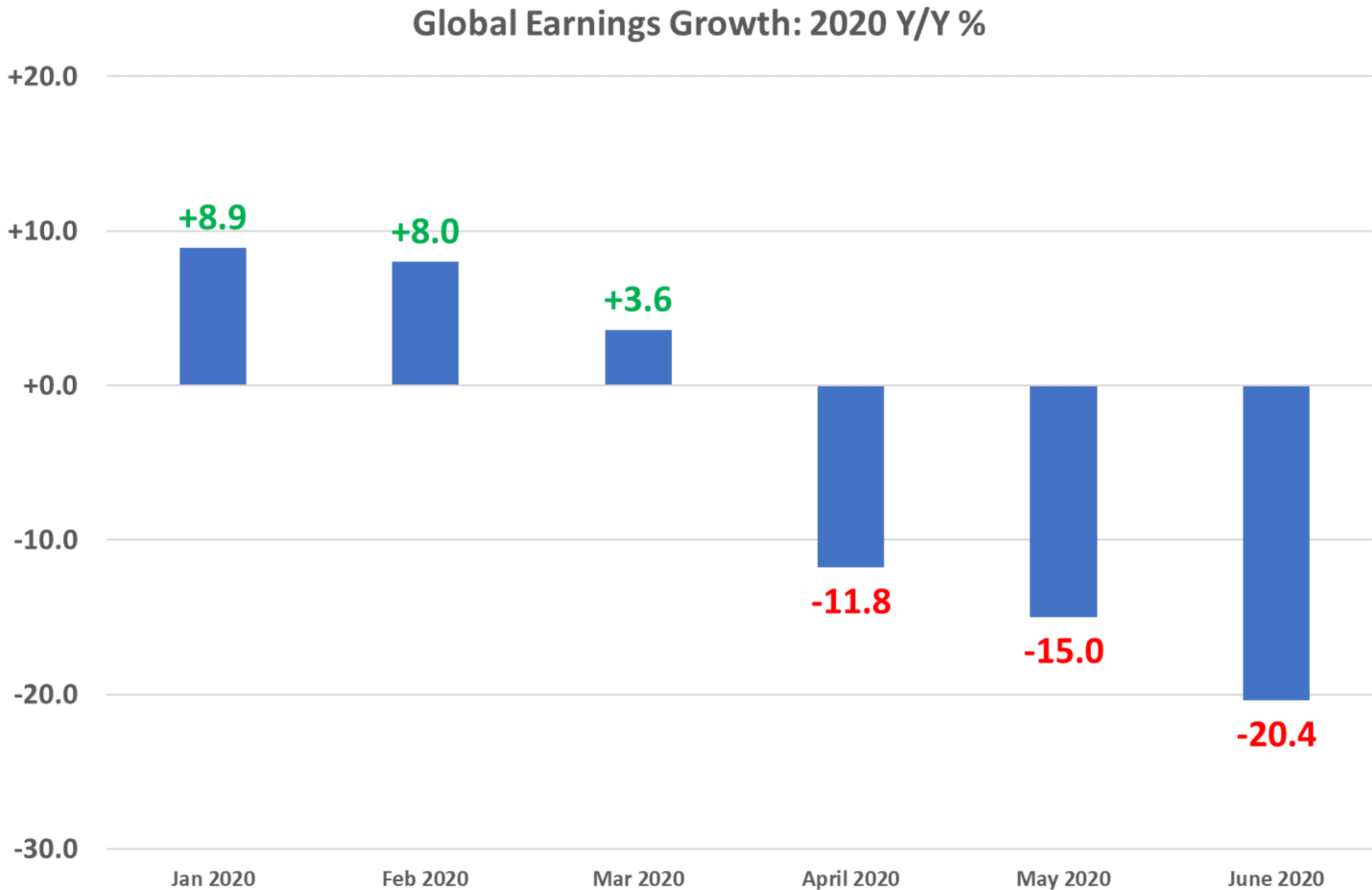
# Economic 'Sudden Stop'

Manufacturing PMI	Dec-17	Dec-18	Dec-19	Jan-20	Mar-20	May-20	Off High
US	59.1	55.0	47.8	50.9	49.1	43.1	-16.8
Eurozone	60.6	51.4	46.3	47.9	44.5	39.4	-21.2
UK	55.7	54.3	47.5	50.0	47.8	40.7	-15.0
Japan	54.0	52.6	48.4	48.8	44.8	38.4	-15.6
China	51.5	49.7	50.2	50.0	52.0	50.6	-1.4
<b>Regions &gt;50 (Expansion)</b>	<b>5/5</b>	<b>4/5</b>	<b>1/5</b>	<b>3/5</b>	<b>1/5</b>	<b>1/5</b>	
Services PMI	Dec-17	Dec-18	Dec-19	Jan-20	Mar-20	May-20	Off High
US	56.3	58.0	54.9	55.5	52.5	45.4	-13.3
Eurozone	56.6	53.7	52.8	52.5	26.4	30.5	-26.1
UK	54.2	51.2	50.0	53.9	34.5	29.0	-26.1
Japan	51.1	51.0	49.4	51.0	33.8	26.5	-25.4
China	55.0	53.8	52.5	51.8	43.0	44.4	-10.6
<b>Regions &gt;50 (Expansion)</b>	<b>5/5</b>	<b>5/5</b>	<b>4/5</b>	<b>5/5</b>	<b>1/5</b>	<b>0/5</b>	

Source: Bloomberg

Warning: Past performance should not be taken as an indication or guarantee of future performance

# Collapse in Profit Expectations



Source: JP Morgan Equity Strategy

Warning: Past performance should not be taken as an indication or guarantee of future performance

# Credit Market Stress



Source: Bloomberg

Warning: Past performance should not be taken as an indication or guarantee of future performance

# Central Banks to the Rescue - Again

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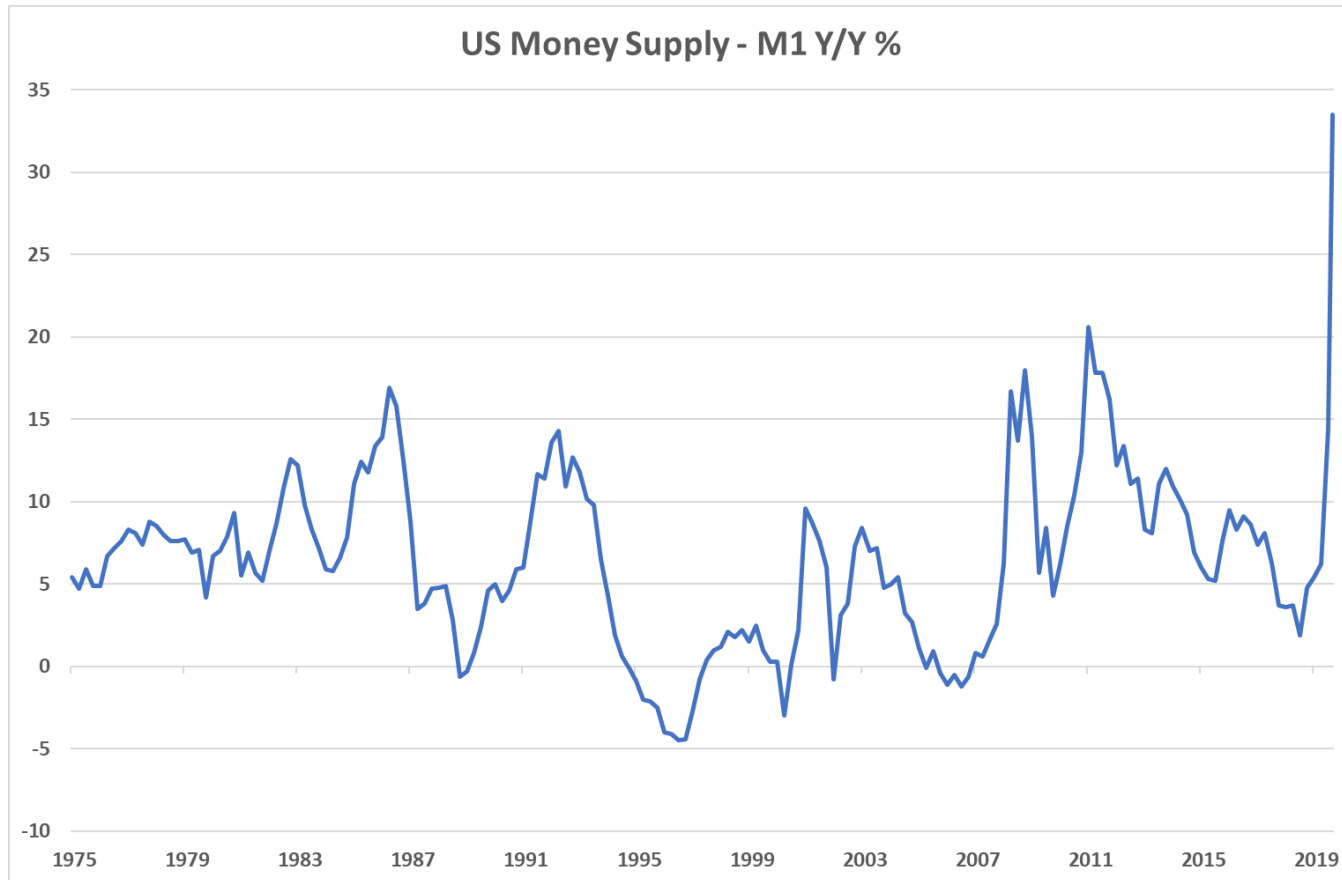


# Rapid Fed Response

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- **Sunday March 15<sup>th</sup>** - Fed Statement - cuts interest rates to near zero
- **March 26<sup>th</sup>** - Fed Statement – There is no dollar limit to the support of the credit market.
- **April 9<sup>th</sup>** - Fed Statement – The Fed intends to buy various areas of High Yield and Municipal Debt.
- **April 29<sup>th</sup>** - FOMC Press Conference – The Fed will continue to use its lending powers forcefully, proactively, and aggressively until they're confident we are solidly on the road to recovery.
- **May 17<sup>th</sup>** - CBS 60 Minutes Interview – The Fed is just printing money, and now is not the time to worry about the consequences.
- **June 10<sup>th</sup>** - FOMC Press Conference – Powell said the Fed is “not thinking about raising rates or even thinking about thinking about raising rates.”
- **June 15<sup>th</sup>** - Fed Statement – It will begin buying individual corporate bonds and has capacity of \$250 billion.

# Don't Fight the FED

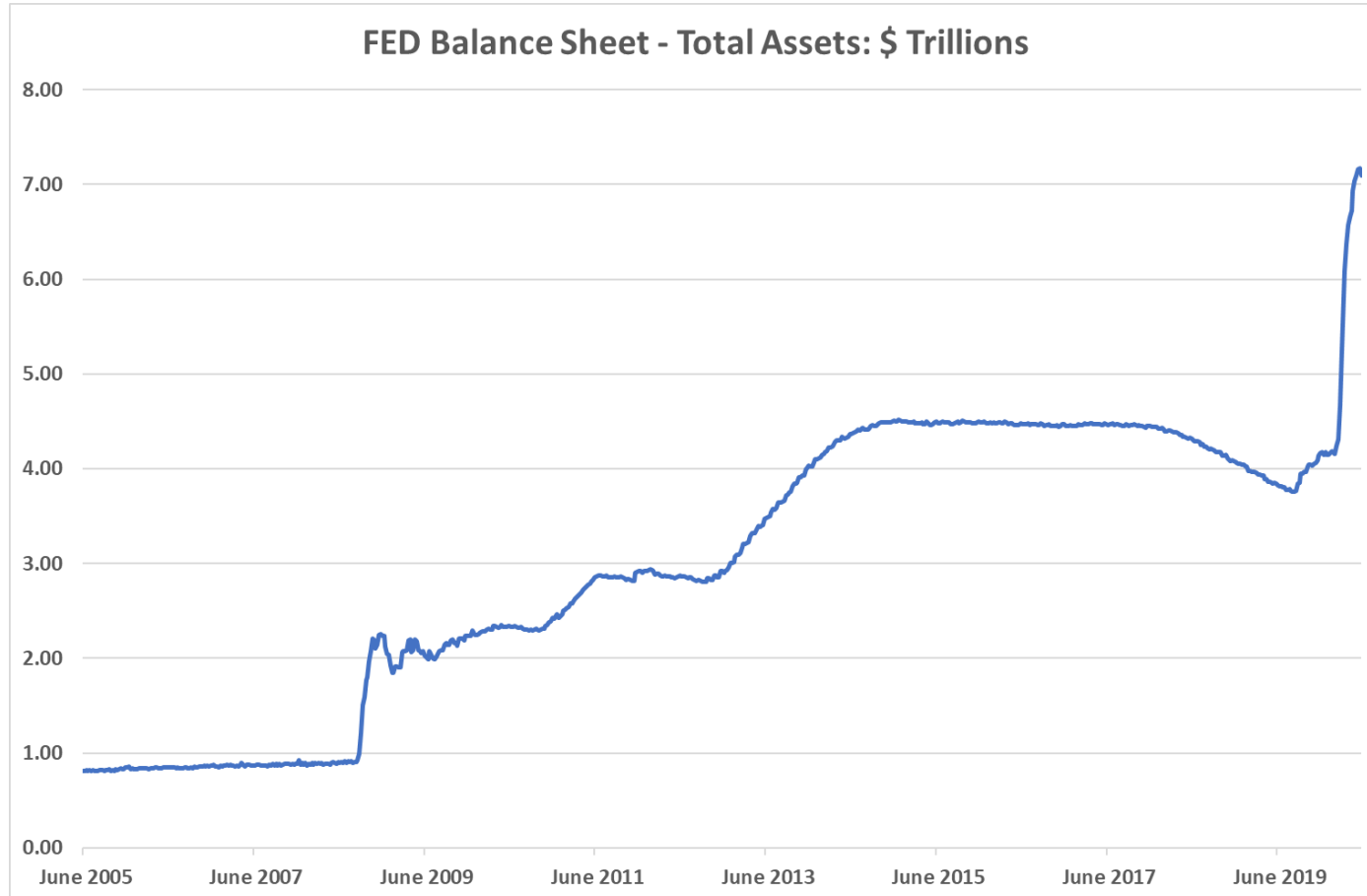


Source: Bloomberg

Warning: Past performance should not be taken as an indication or guarantee of future performance



# Don't Fight the FED



Source: Bloomberg

Warning: Past performance should not be taken as an indication or guarantee of future performance

# Recession – Severe **but** Short – the 'V'

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Output Y/Y %	2019	2020F	2021F	2009
US	2.3	-8.0	4.5	-3.5
Euro Area	1.3	-10.2	6.0	-4.3
China	6.1	1.0	8.2	9.2
World	2.9	-4.9	5.4	-0.7

Source: International Monetary Fund – World Outlook June 2020, September 2011

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# What Do We Need to See?

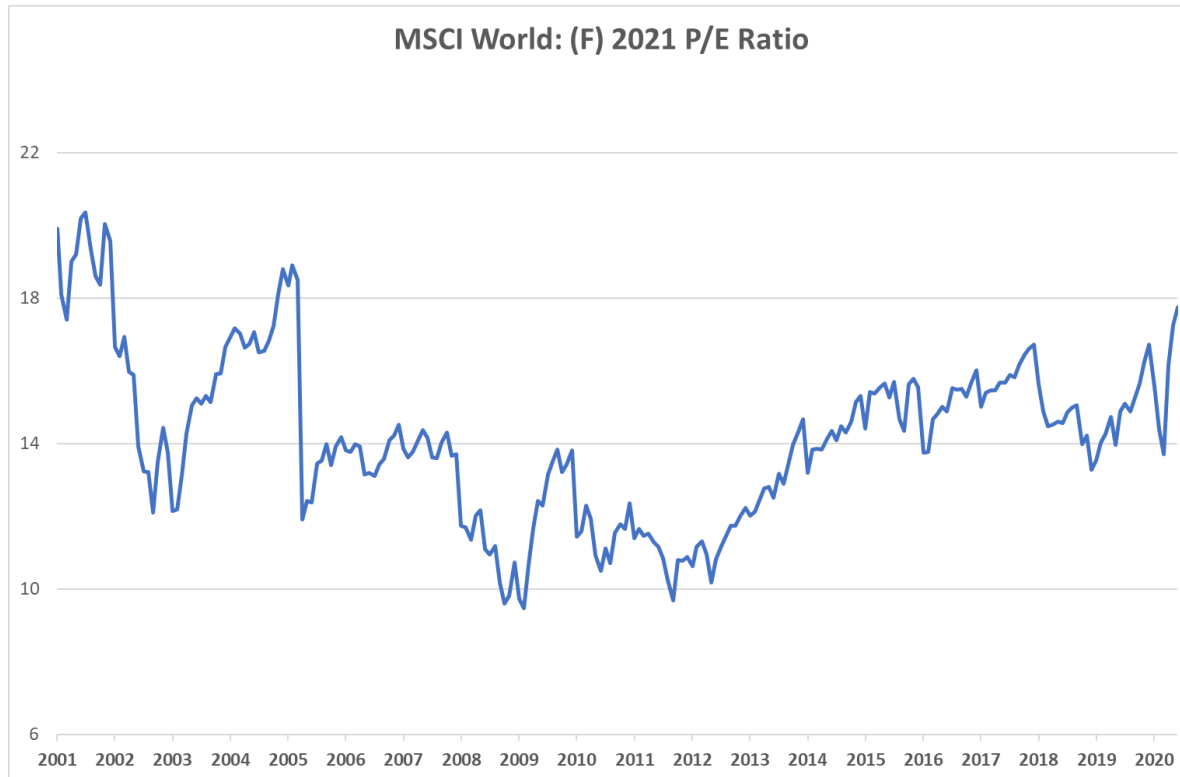
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A sustained rebound for risk assets will probably only be possible when we have improved visibility on 3 key issues:

1. **Liquidity provisions:** Central Bank action to improve market functioning.
2. **Large Scale Fiscal Action:** Co-ordinated government action to support (1) frontline healthcare response (2) SME businesses and (3) workers negatively impacted by business shut downs.
3. **Virus containment:** Evidence that the outbreak is either subsiding or infection rates are peaking – a vaccine/therapeutics ultimately the solution.



# Valuation – Discounting Recovery



	Current	Average	Max	Min	1 <sup>st</sup> Quintile	2 <sup>nd</sup> Quintile	3 <sup>rd</sup> Quintile	4 <sup>th</sup> Quintile	5 <sup>th</sup> Quintile
(F) P/E	17.8	14.2	20.4	9.5	17.4	15.2	14.1	12.9	11.0

Source: Bloomberg

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# Summary View

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- Looking through the valley - markets suggesting earnings in 2020 do “not matter” – focus now on 2021
- Currently earnings forecast to “bounce” back by 28% in 2021
- Central Banks have acted aggressively **BUT** they can’t stimulate consumer demand
- Global equities down **JUST 7%** year to date – optimistically pricing a swift ‘V’ shaped recovery ?
- **We maintain our defensive positioning on Short Term time horizon – Longer Term investors should stick to their plans – impossible to call the bottom of the market.**
- **Focus on:**
  - Quality companies with structural growth opportunities
  - Transparent “diversifiers” that can “smooth” the journey

# Key Considerations

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# An Ideal Solution?

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Quality/ Transparent Assets that Deliver



Active Management



Additional Downside Protection

# Goodbody Dividend Income Fund (GDI) Suite

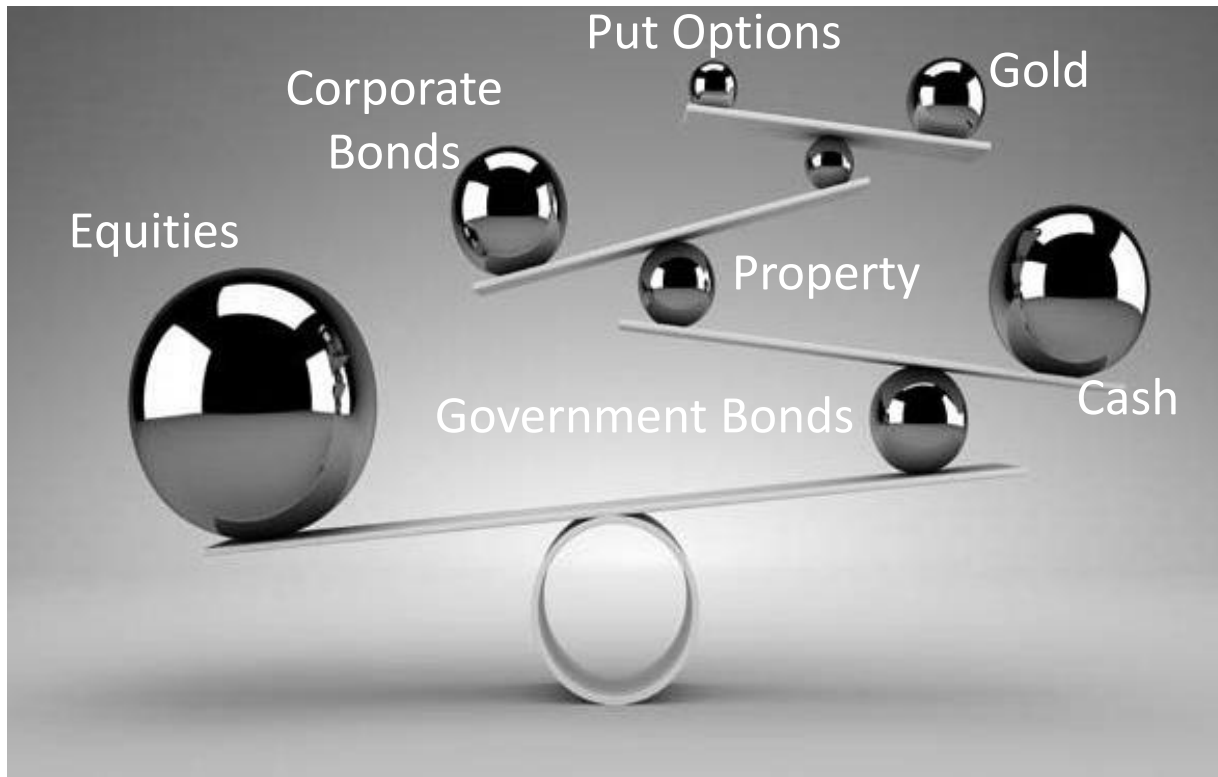


# GDI Overview



# Multi-Asset Funds – The Balance Equation

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*Selecting the right active mix to navigate volatile markets*

# GDI Multi Asset Funds - Mix Trends

<b>GDI 3</b>	<b>Dec-19</b>	<b>Feb-20</b>	<b>Mar-20</b>	<b>Apr-20</b>	<b>May-20</b>
Global Dividend Equities	40%	33%	32%	31%	31%
Gov. Bonds	18%	25%	27%	28%	26%
Corp. Bonds	14%	12%	10%	9%	9%
Property	2%	2%	2%	2%	3%
Cash	20%	20%	19%	21%	25%
Gold	5%	5%	6%	6%	6%
Put Protection	0%	3%	4%	3%	1%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

<b>GDI 4</b>	<b>Dec-19</b>	<b>Feb-20</b>	<b>Mar-20</b>	<b>Apr-20</b>	<b>May-20</b>
Global Dividend Equities	70%	62%	58%	60%	60%
Gov. Bonds	7%	6%	6%	6%	5%
Corp. Bonds	6%	6%	6%	5%	7%
Property	2%	2%	1%	1%	1%
Cash	10%	16%	18%	18%	22%
Gold	5%	5%	4%	5%	4%
Put Protection	0%	4%	7%	5%	2%
<b>Total</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>	<b>100%</b>

Source: Goodbody Asset Management, Bloomberg, CACEIS.

# Quality/Growth Dividend Companies

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## High & Stable Returns

- competitive advantage
- attractive margins
- low capital intensity



## Predictable Cash Flows

- long-term contracts
- service revenues
- everyday purchases



## Prudent Leverage

- low debt
- highly cash generative
- investment grade



## Durability / Resilience

- defendable moat
- dominant market position
- proven business model
- low cyclicality



## Multiple Growth Avenues

- compounding potential
- organic reinvestment
- track record of innovation
- disciplined M&A



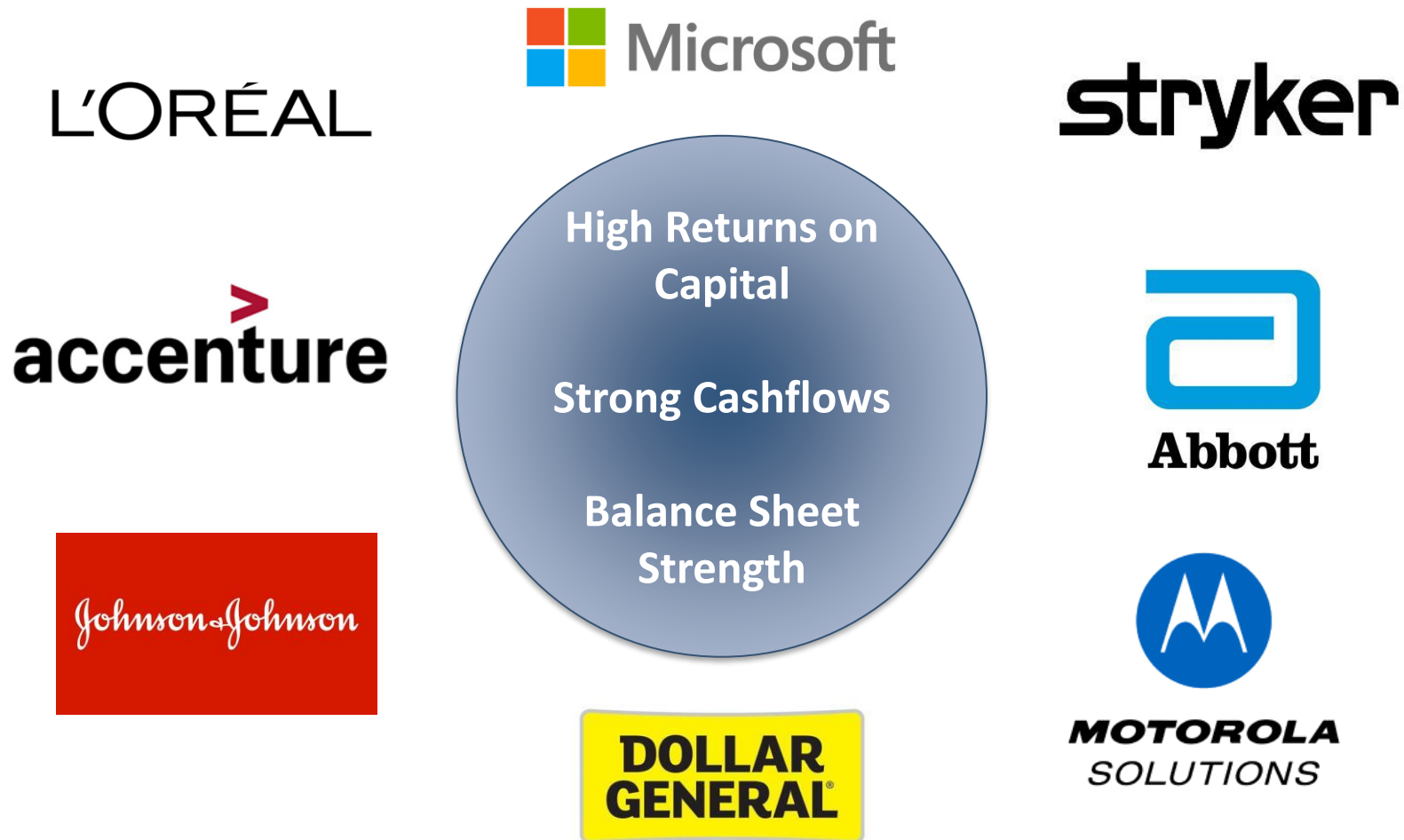
## Long Term Mentality

- continuous reinvestment
- owner-operator
- incentive structure



# Quality Dividend Growth Companies

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# Structural Growth Tailwinds





# Next Wave of Technology Growth



# Digital Transformation

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A fundamental rethinking of customer experience, business models, and operations

Objective to maximize the potential business contribution of online technologies and media

**8 Billion**

*# of devices  
connected to the  
Internet today*

**9%**

*Companies with access  
to real-time data for  
financial analysis and  
planning*

**87%**

*of companies believe  
digital will disrupt their  
industry*

**\$2 Trillion**

*Forecast for spending on  
digital transformation  
technologies*

*“There is a tendency to see digital technology as an opportunity or choice. However, the mounting pressures of a rapidly shifting business landscape are turning digital from a choice into an imperative.” **Deloitte***

Source: IDC, World Economic Forum White Paper Digital Transformation of Industries: Digital Enterprise, AFP FP&A Benchmarking Survey

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## "THE NEW" – DIGITAL, CLOUD, SECURITY SERVICES

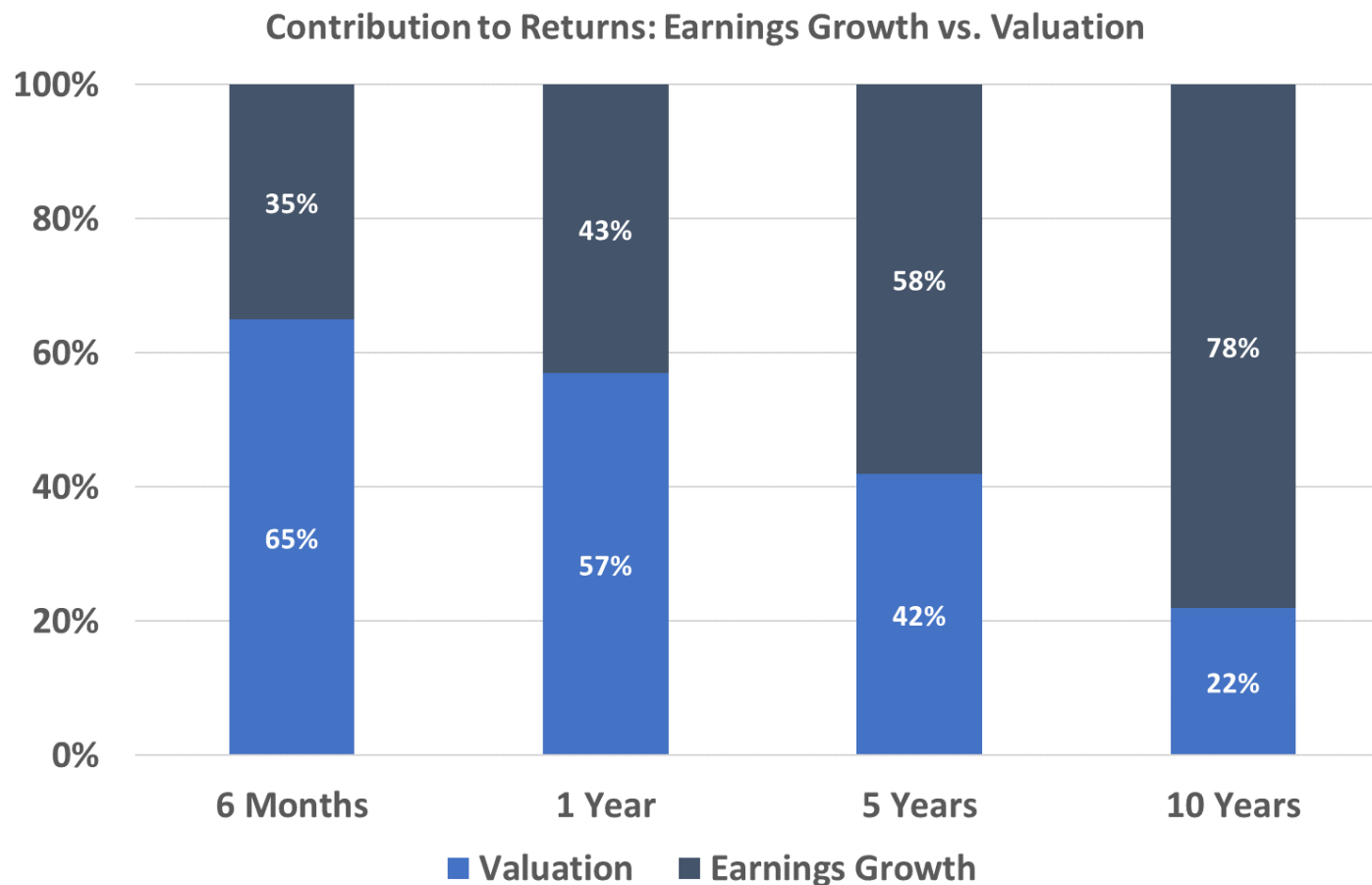
Approx. FY19 revenues

**\$28B\*** approx. **65% of revenues**  
about **20% growth** in local currency

	Revenues (\$ USD)	% of Revenues
Digital	<b>\$21B</b>	<b>49%</b>
Cloud	<b>\$11B</b>	<b>25%</b>
Security	<b>\$2.5B</b>	<b>6%</b>

**strong double-digit growth**

# Growth Matters For LT Equity Returns



Source: Credit Suisse. S&P 500, median contribution to return since 1964. Valuation – P/E ratio

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# Traditional Diversifiers – Focus on Quality

## IG Government Bonds : AA Rating, 6YR Duration



## IG Corporate Bonds : A Rating, 3YR Duration



# Additional Downside Protection

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**GOLD**



**INDEX PUT OPTIONS**

**OBJECTIVE:** To reduce volatility and the magnitude of potential drawdown in the event of a market correction/ dislocation i.e. *Smooth the journey*

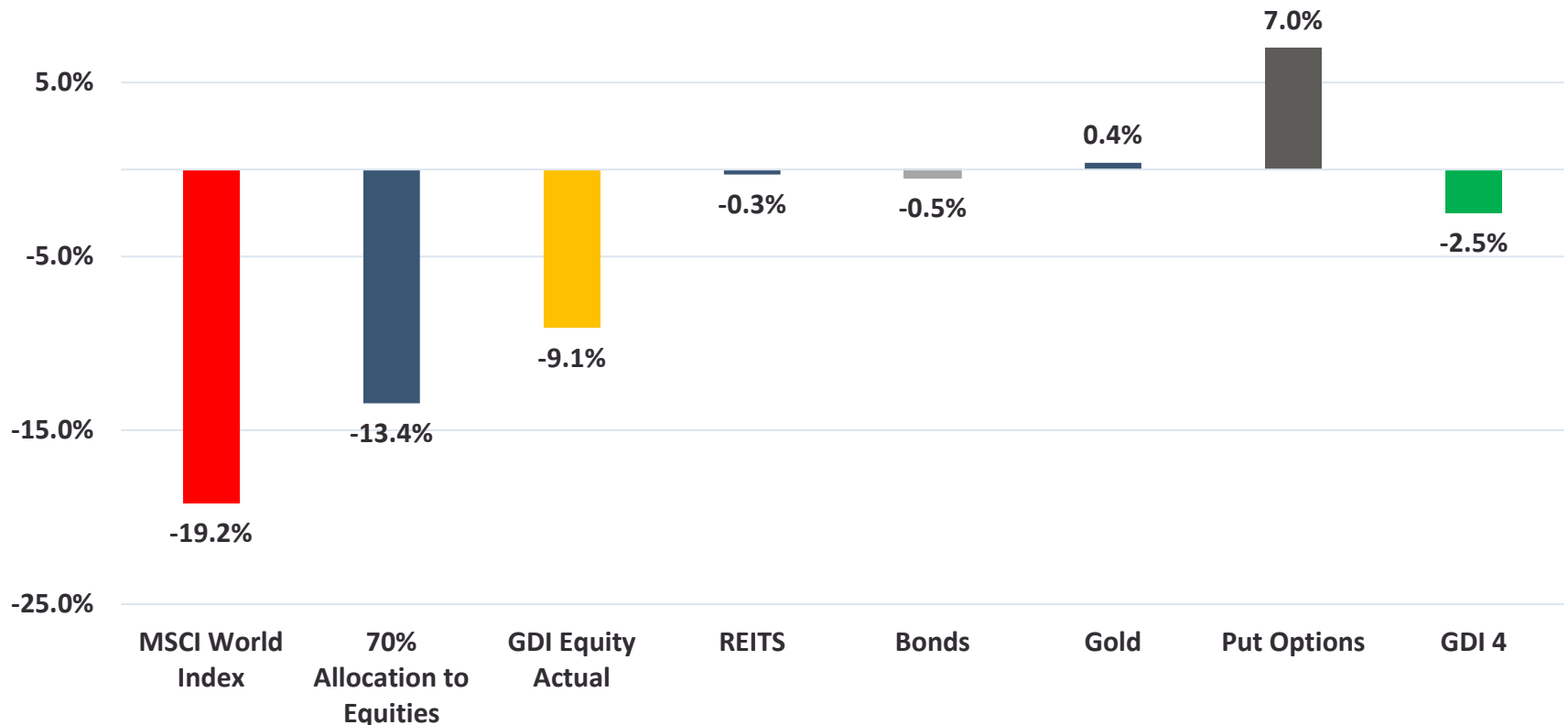
# GDI 3 & 4 – Three Lines of Defence

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1. **Actively Managed, Quality Dividend Equities** – likely to outperform the equity market during a period of heightened volatility or during a significant drawdown.
2. **Stabiliser Assets** – traditional diversifiers including IG Government/ Corporate bonds, cash and Gold - used to preserve capital and smooth the journey.
3. **Downside Protection** – index put options (exchanged traded) that offer 'insurance' against a significant equity market drawdown.

# GDI4 – Q120 - Attribution

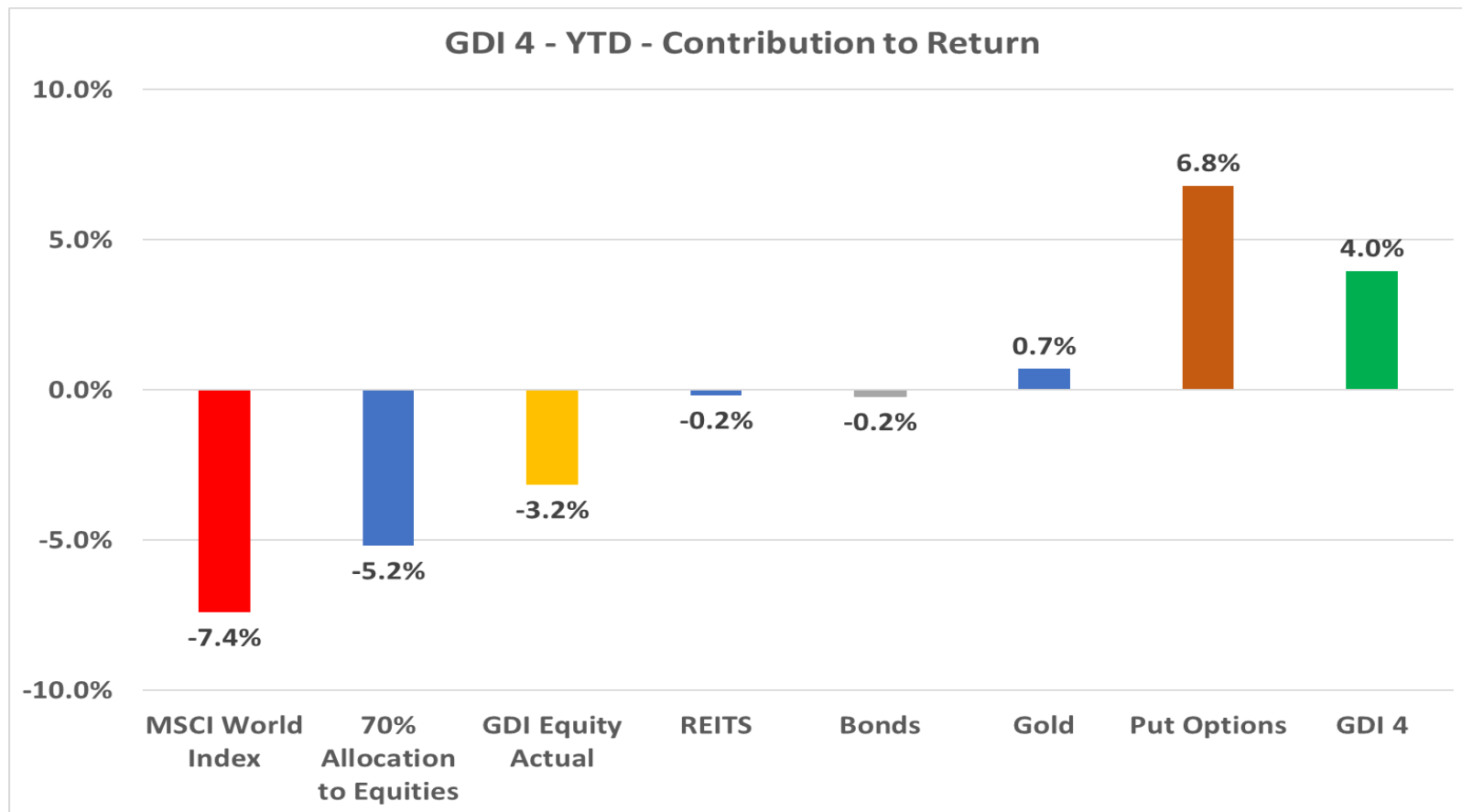
## GDI 4 – Q1 - Contribution to Return



Source: Bloomberg as at 31<sup>st</sup> March 2020

Warning: Past performance should not be taken as an indication or guarantee of future performance

# GDI4 – YTD –Attribution



Source: Bloomberg, 31/12/19 – 29/05/20

Warning: Past performance should not be taken as an indication or guarantee of future performance

# An Ideal Solution?

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Quality/ Transparent Assets that Deliver



Active Management

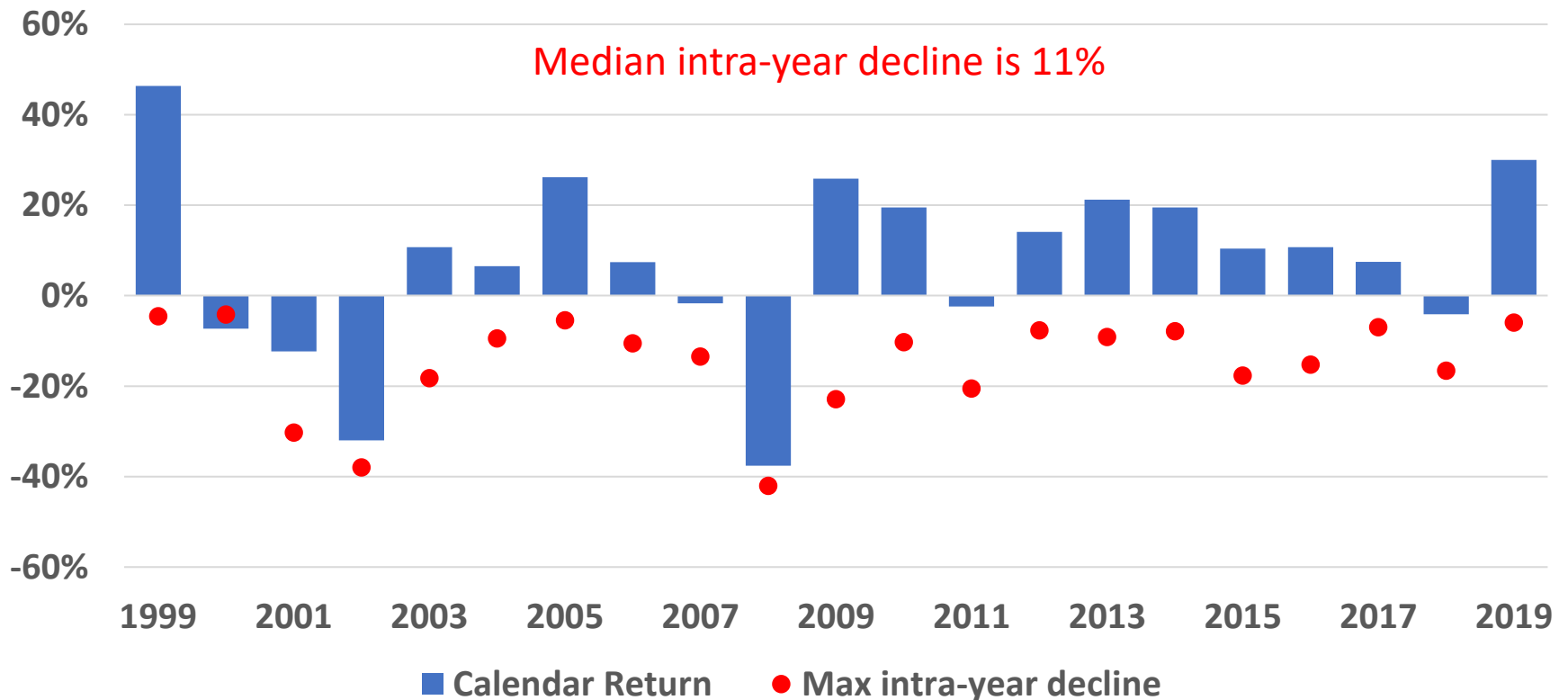


Additional Downside Protection



# Be Prepared for Volatility – It's Normal

## World Index intra-year declines vs. Calendar year returns



Source: Bloomberg

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# One size does not fit all

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Always discuss with your financial advisor before investing

# Appendix

## 3 specialist global strategies

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### GLOBAL LEADERS



~40 high quality, global companies that dominate their industries via relentless innovation. Target to outperform the MSCI World Index over the medium to long term.

### Global SMALLER COMPANIES



~40 high quality, global small/mid cap growth companies. Target to outperform the MSCI World SMID Index over the medium to long term.

### GLOBAL Dividend Income



Actively managed Multi-Asset Funds that provide diversified exposure to a mix of traditional, global asset classes.

Explicit downside protection is incorporated by way of an options overlay strategy.

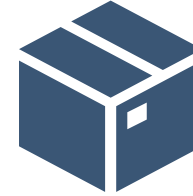
# Global Leaders

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## Hiding in Plain Sight

Underestimate Source &  
Duration of Advantage



## Undiscovered Gem

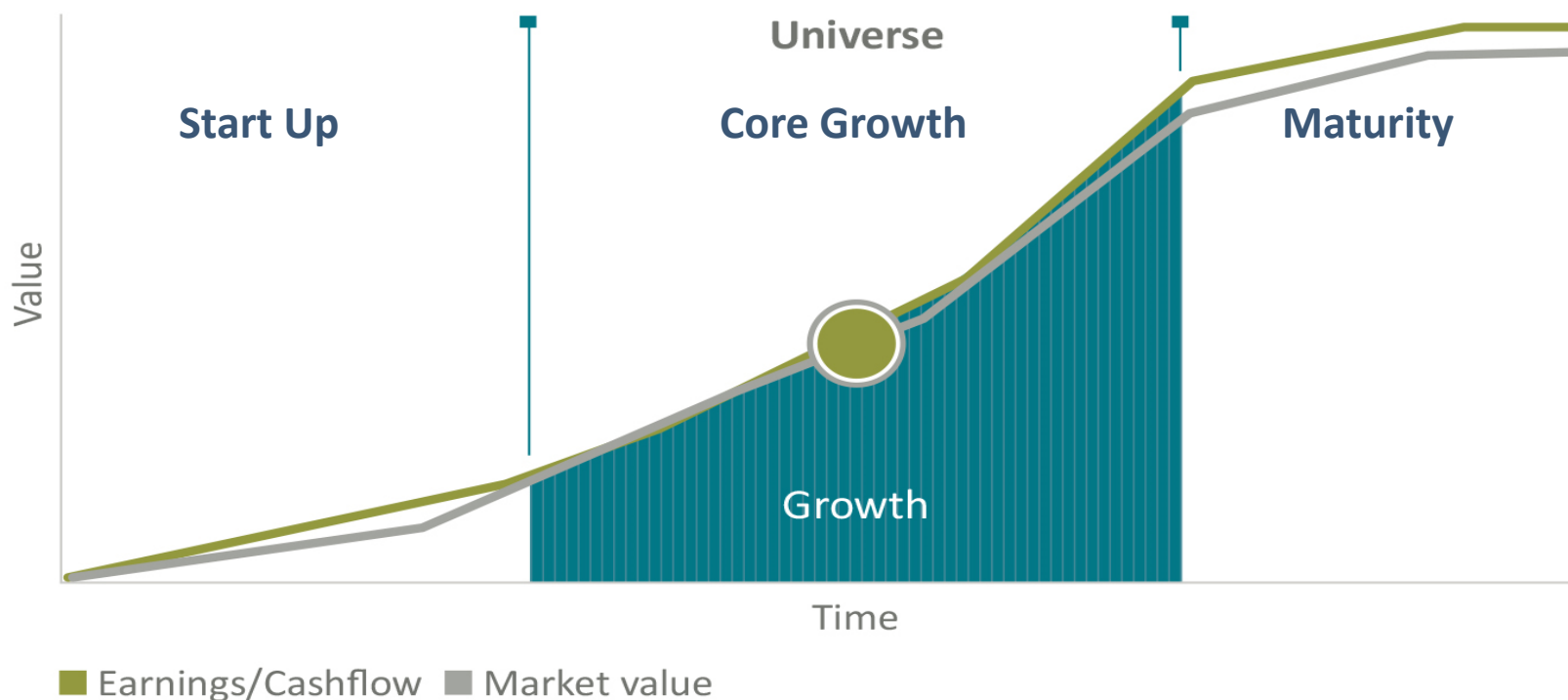
Little known to public But critical  
in their industry



# Smaller **NOT** Small Companies

The Key is to focus on profitable, growth companies – Finding Tomorrow's Winners Today

Targeting companies at growth segment of lifecycle



# Peer Group Comparison Fund Listings

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**\*\*ESMA 3 Funds:** New Ireland Prime 3, New Ireland iFunds 3, Zurich Prisma 3, Aviva MAF Cautious, Aviva Merrion Multi Asset 30, Aviva L&G Multi Index III, Friends First Magnet Cautious, Friends First Compass Cautious, Irish Life MAPS 2, Standard Life MyFolio Active II, Standard Life MyFolio Market II.

**\*\*ESMA 4 Funds:** New Ireland Prime 4, New Ireland iFunds 4, Zurich Prisma 4, Aviva MAF Strategic, Aviva Merrion Multi Asset 50, Aviva L&G Multi Index IV, Friends First Magnet Stable, Friends First Compass Stable, Irish Life MAPS 3, Standard Life MyFolio Active III, Standard Life MyFolio Market III.

**\*\*High Yield Equity:** Davy High Yield Equity, Zurich Dividend Growth, Irish Life Setanta Dividend Equity, Aviva High Yield Equity.

**\*\*Small Cap Equity:** Davy Discovery, Standard Life Global Smaller Companies,

**\*\*Large Cap Equity:** Zurich Life 5\*5 Global, Irish Life Davy Global Brands, Zurich Life Threadneedle Global Select

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