

SARASIN  
& PARTNERS



# Dividends in a Disrupted World

## Going Global

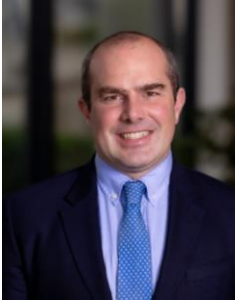
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# Sarasin & Partners

## Representing Sarasin Today

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### Neil Denman – Lead Fund Manager

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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 BSc (hons) Environmental Biogeoscience degree at the University of Leeds.



### Matt Carter – Business Development Manager

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Matt is responsible for Sarasin & Partners' relationships with financial advisers and discretionary wealth managers in the Midlands region. He joined Sarasin & Partners in March 2021 from EPIC Investment Partners, where he distributed Garraway Capital and Stratton Street Capital Funds to clients across the UK. Matt began his career at UBS, where he spent over 4 years as an Associate Director covering Financial Institutions in the UK and Ireland. Matt graduated from Loughborough University with a BSc (Hons) in International Business and holds the CFA UK Investment Management Certificate and CFA UK Certificate in ESG Investing.

# Sarasin Global Income Franchise

Well Established and £1bn+ AUM across 2 strategies

## Sarasin Global Higher Dividend

Yield target	MSCI World +50%
Current Dividend Yield	3.3%*
Number of stocks	30 – 50
Current number of stocks	36
Max. stock holding	5%
Derivatives	10% of income max
AUM	£451mn*
Launch date	June 2006
10 year performance	10 <sup>th</sup> Percentile
5 year performance	21 <sup>st</sup> Percentile

## Sarasin Global Dividend

Yield target	MSCI AC World +15%
Current Dividend Yield	2.6%*
Number of stocks	40 – 60
Current number of stocks	41
Max. stock holding	5%
Derivatives	Not used
AUM	£272mn*
Launch date	Dec 2013
10 year performance	N/A
5 year performance	13 <sup>th</sup> Percentile

Source: Sarasin & Partners. \*P acc units \*\*Assets as at 31.03.22 Segregated accounts not included. Performance to 31/5/22 within Morningstar Category

# Different, Disciplined and Delivering

The focus of today

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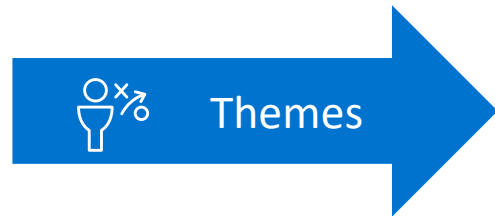
How we:

- 1) Invest for sustained income
- 2) Approach stewardship and ownership
- 3) Build income portfolio's



# Investment Philosophy

Delivering secure income streams



- Helps us identify **well positioned industries**
- Next we find companies able to **sustainably grow revenue and margins** over the long term



- Companies that are **resilient to change or benefiting from it**
- **ESG factors are fully integrated** in our analysis



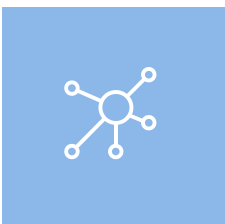
- Dividend yield target focus **ensures we do not overpay**
- **Discipline keeps us from investing in “fads”** and avoid short term bubbles

Change

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# Digitalisation

Moving an analogue world into a digital one



Key change in digitalisation:

Data  
Analytics

Cloud  
Storage

Digital vs  
Analogue

# Automation

Less Labour, more machines



Key change in automation:



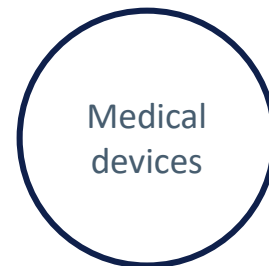


# Ageing

More grandparents than grandchildren



Key change in ageing:



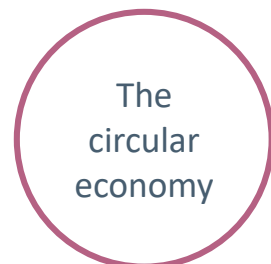
# Evolving Consumption



Younger generations are shifting habits and older ones are joining them



Key change in consumption:



# Climate Change

16 of the hottest years on record have occurred in the last 17 years



Key change in climate change:

Environmental  
resources

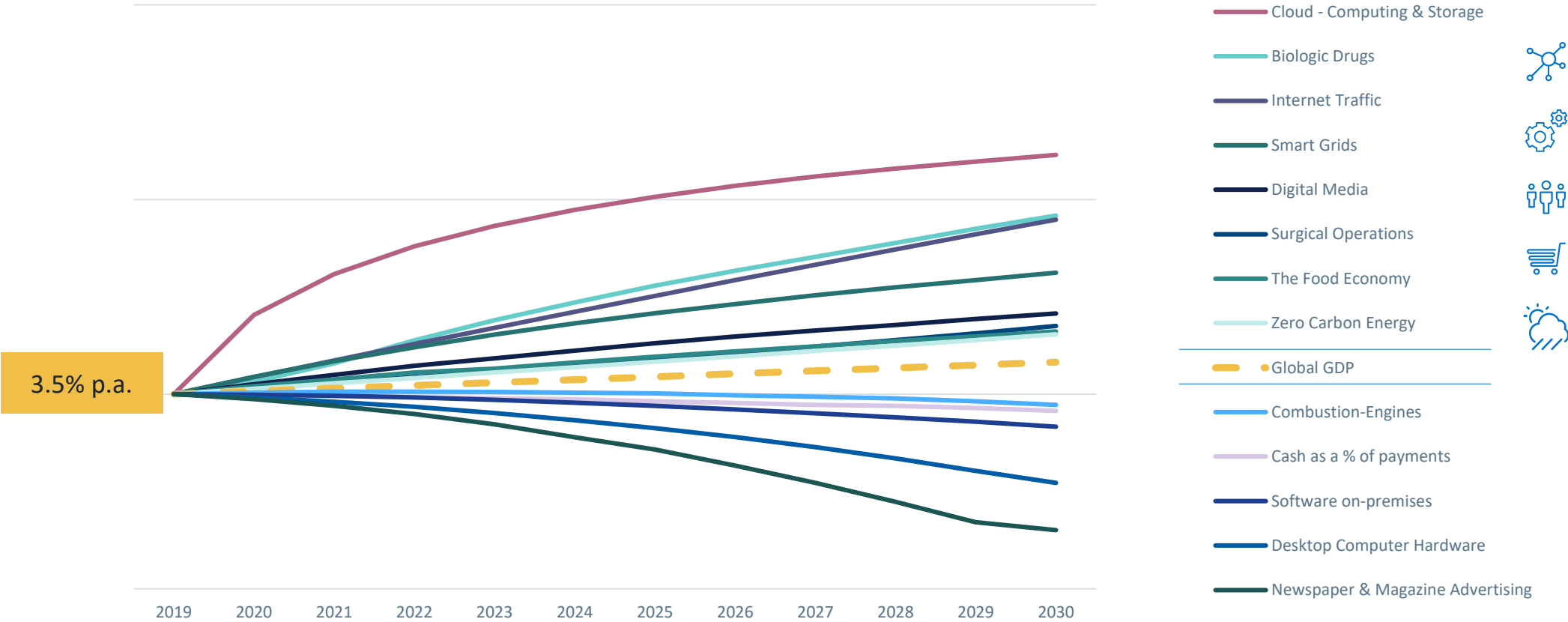
Infrastructure  
& buildings

Low carbon  
power

# We understand disruption

This helps us avoid the losers

 Sarasin forecasts – indicative growth trends over 10 years



Source: Sarasin & Partners Forecasts and multiple industry sources, 2019. **For illustrative proposes only.** Information containing forecasts are intended for information purpose only and are neither projections nor guarantees for future results and could differ significantly for various reasons from actual performances.

# Nissan – A dividend and stewardship failure

Dividend cut to zero twice in past 20 years

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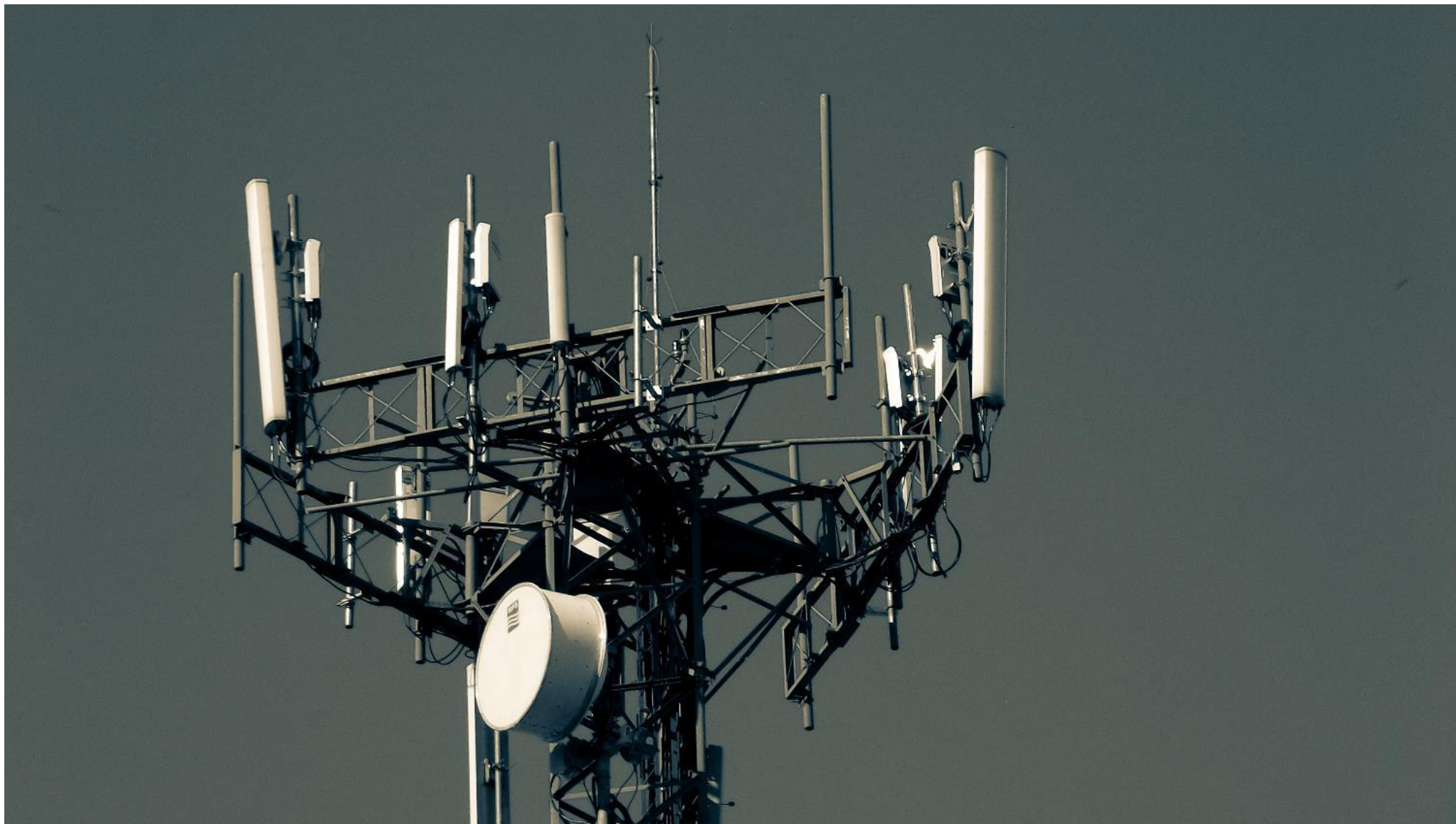
# UPS – Winning in ecommerce through automation

7.6% compound annual dividend growth over past 5 years



# American Tower – Delivering 5G infrastructure

19% compound annual dividend growth over past 5 years



# Weyerhaeuser – The largest private timberland owner in the USA

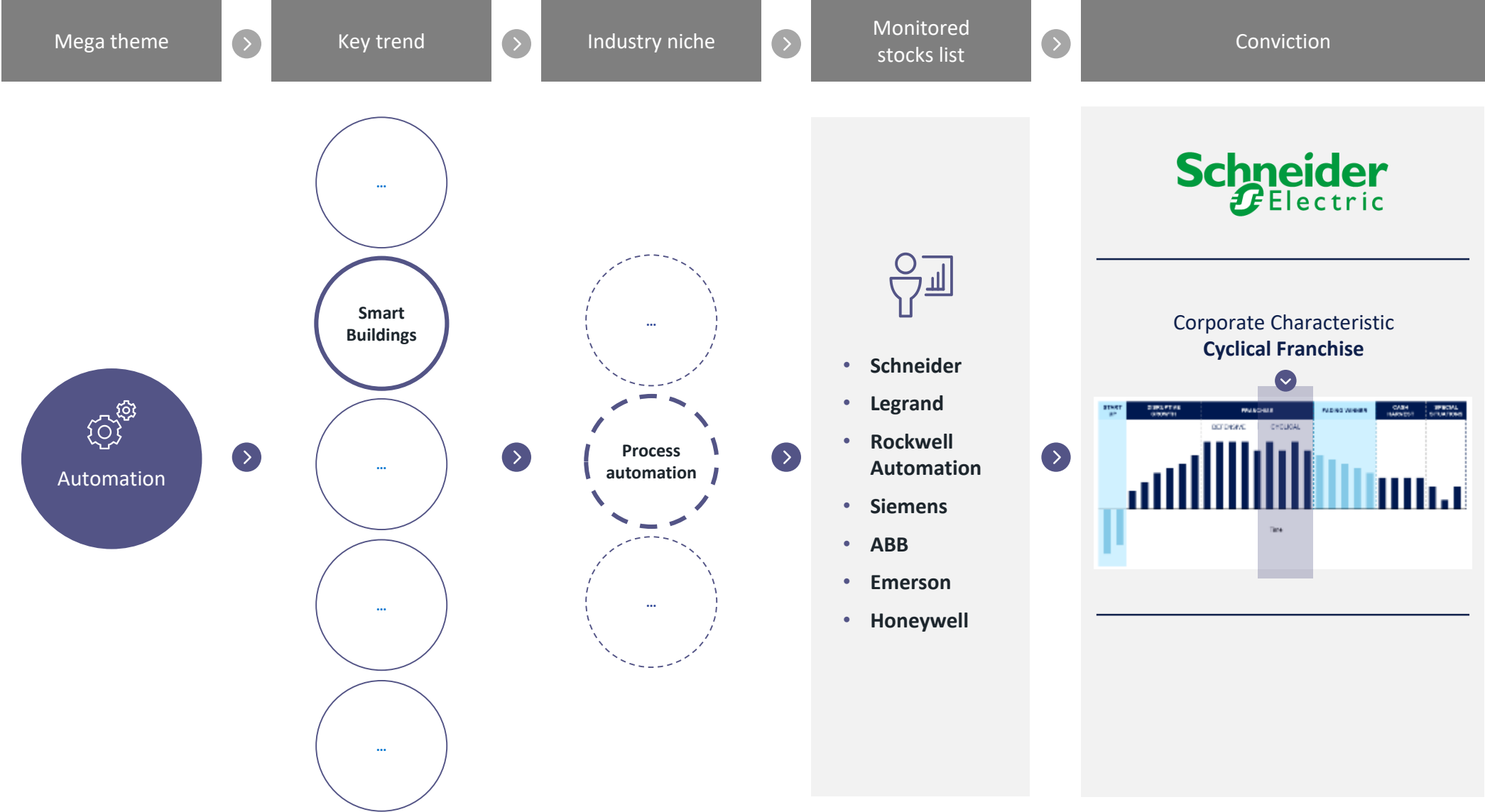
Delivering dividends and sequestering carbon at the same time





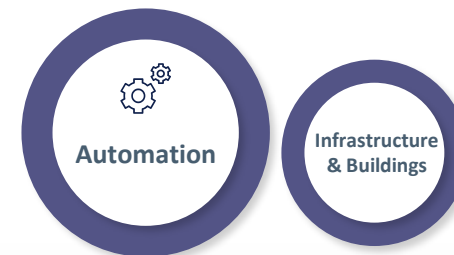
# Stock selection

## Worked example – Schneider



# Schneider Electric

Schneider is an automation component, system and service provider



## Automation theme

- **Schneider has the broadest and most comprehensive automation portfolio.**
- It offers generic solutions to a wide cross section of customers that are required to upgrade existing assets yet are wary of tying themselves to a single vendor.

## Investment thesis

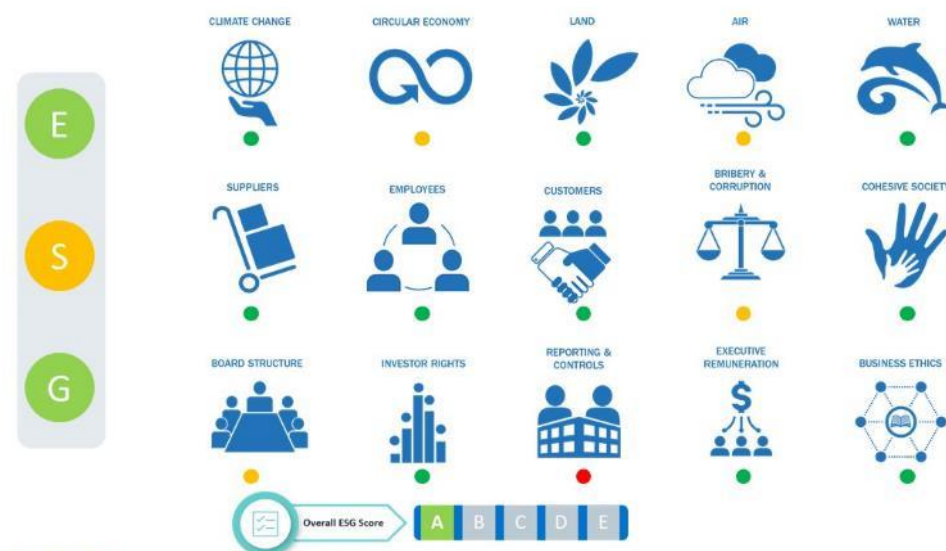
- Schneider offers **rapid payback efficiency** gains for its customers.
- Its asset light business model means it has a **structural advantage in speed to market.**
- Combined these features make **price a secondary consideration for customers**; which is unique to Schneider versus its peers.
- The 60% holding in AVEVA gives the group a value enhancing financial differentiation **and software exposure.**

## Engagement

- We would like to see ROCE added to the management KPI's.

## ESG Analysis

SCHNEIDER ELECTRIC SE



EXAMPLE: Schneider and Nestle coffee and waters businesses – efficiency, data gathering, production optimization, health and safety

# Sarasin Global Higher Dividend

AAA leader according to MSCI



## ESG ratings

Funds with 'AAA' ESG rating	ESG Quality Score (0-10)
Sarasin Global Dividend	9.92
Sarasin Global Higher Dividend	9.43

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.
BB	
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.

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.

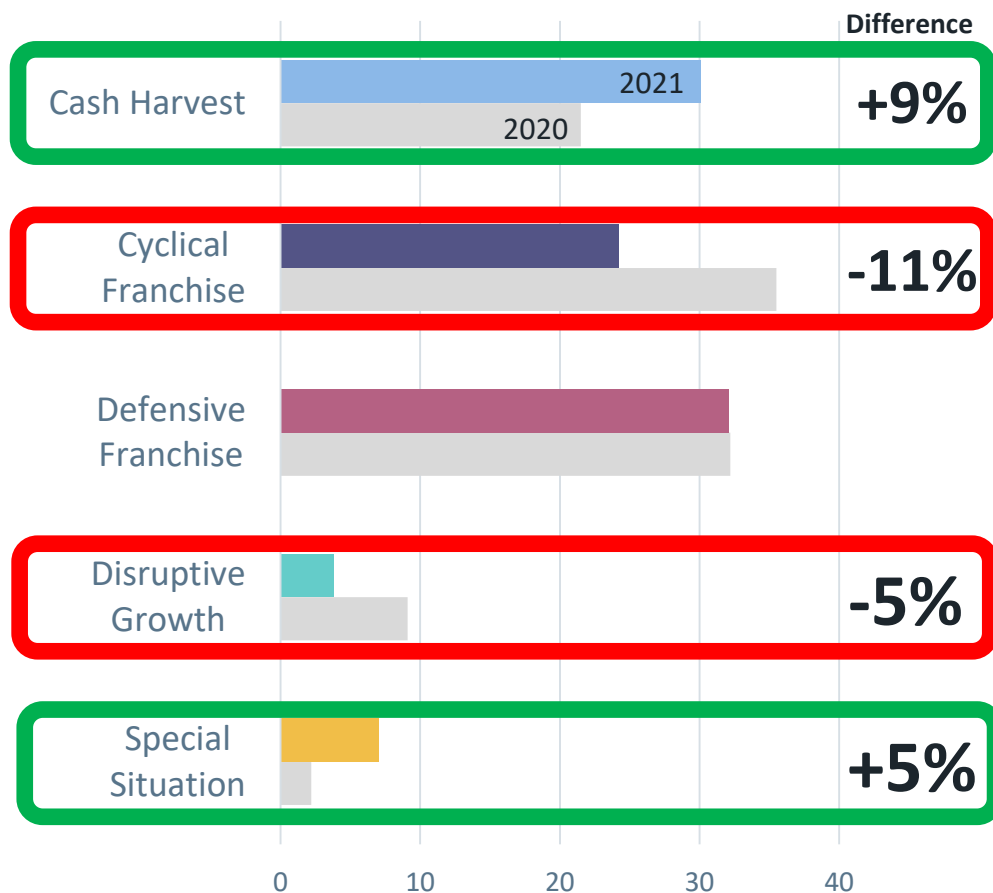
Source: MSCI Rating Report, 01.11.2021

# Yields falling in 2021 led to rotation

Increase in defensive corporate characteristics



## Change in Corporate Characteristics



Difference



## Stock examples

Corporate Characteristics	Stock Example
Cash Harvest	Texas Instruments Prologis
Cyclical Franchise	Schneider Electric CME Group
Defensive Franchise	Medtronic Merck
Disruptive Growth	AIA Group Blackrock
Special Situation	Takeda Pharmaceutical Equinor

December 2020 Position

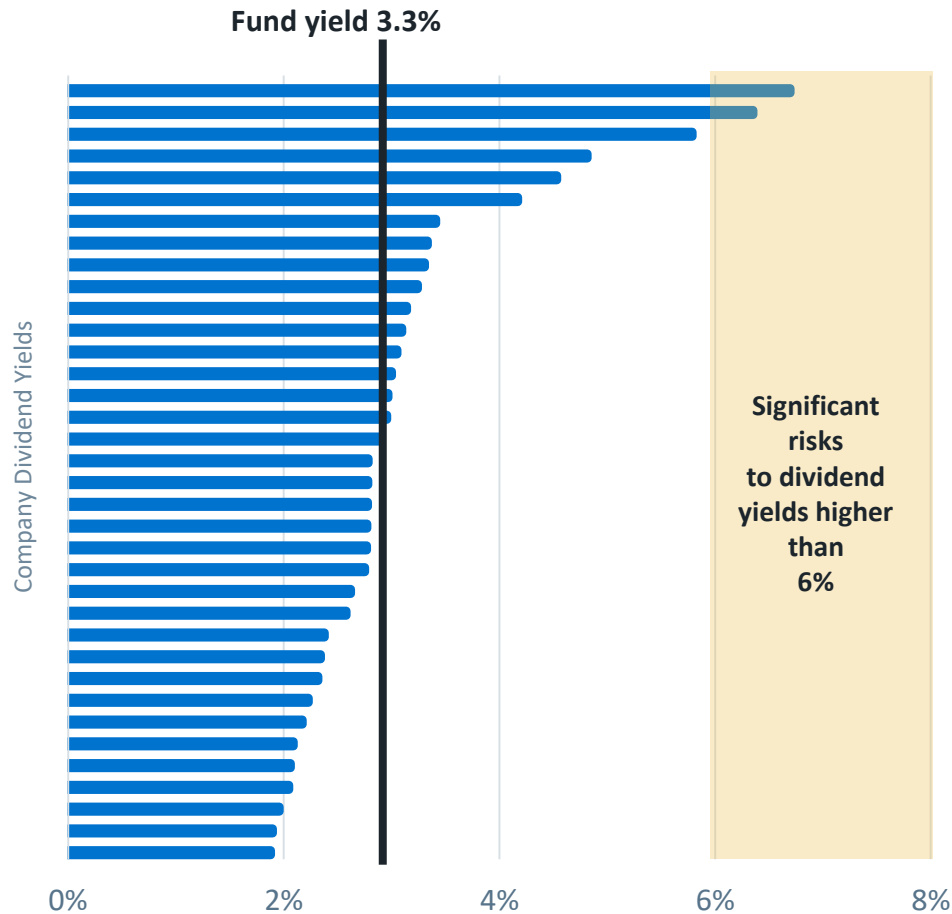
Source: Sarasin & Partners as at 31.12.2021

# Actively managed portfolio

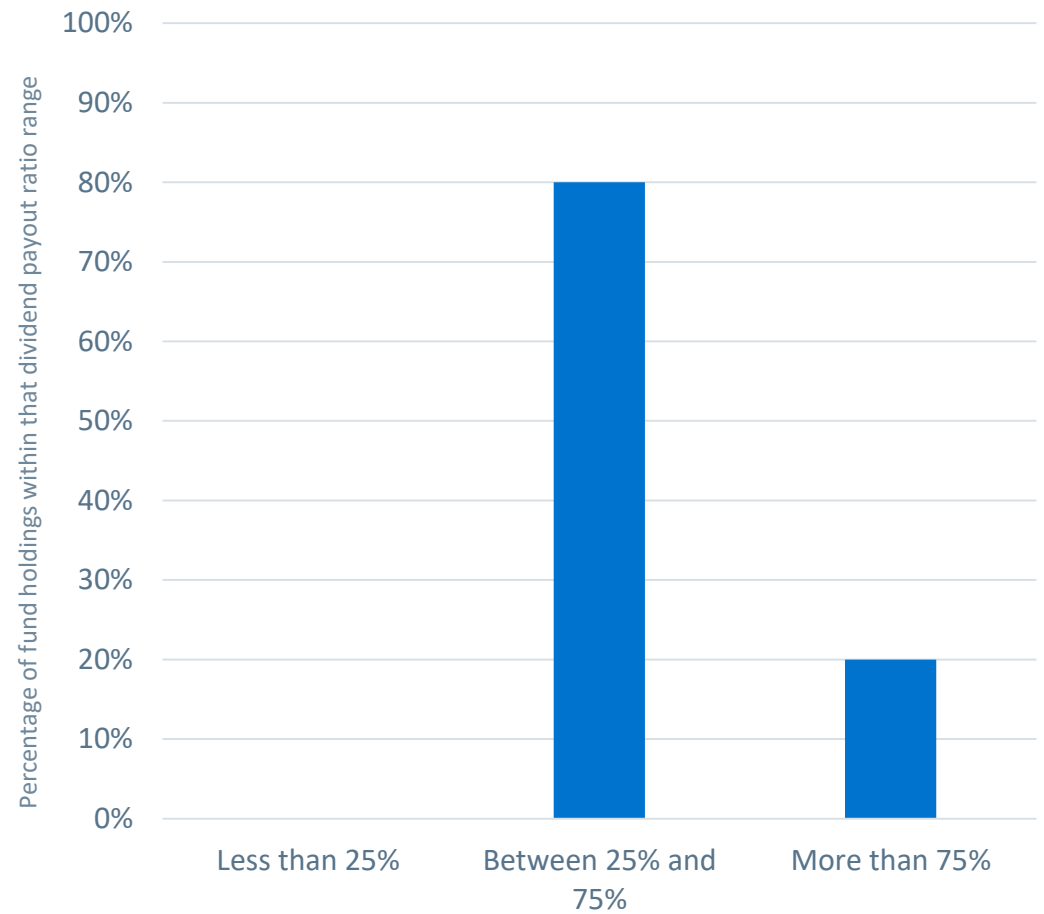
Every stock pays a dividend, appropriate payout ratio's



Dividend yield of holdings



80% of fund has a payout ratio between 25% and 75%



Source: Sarasin & Partners, 15.06.22

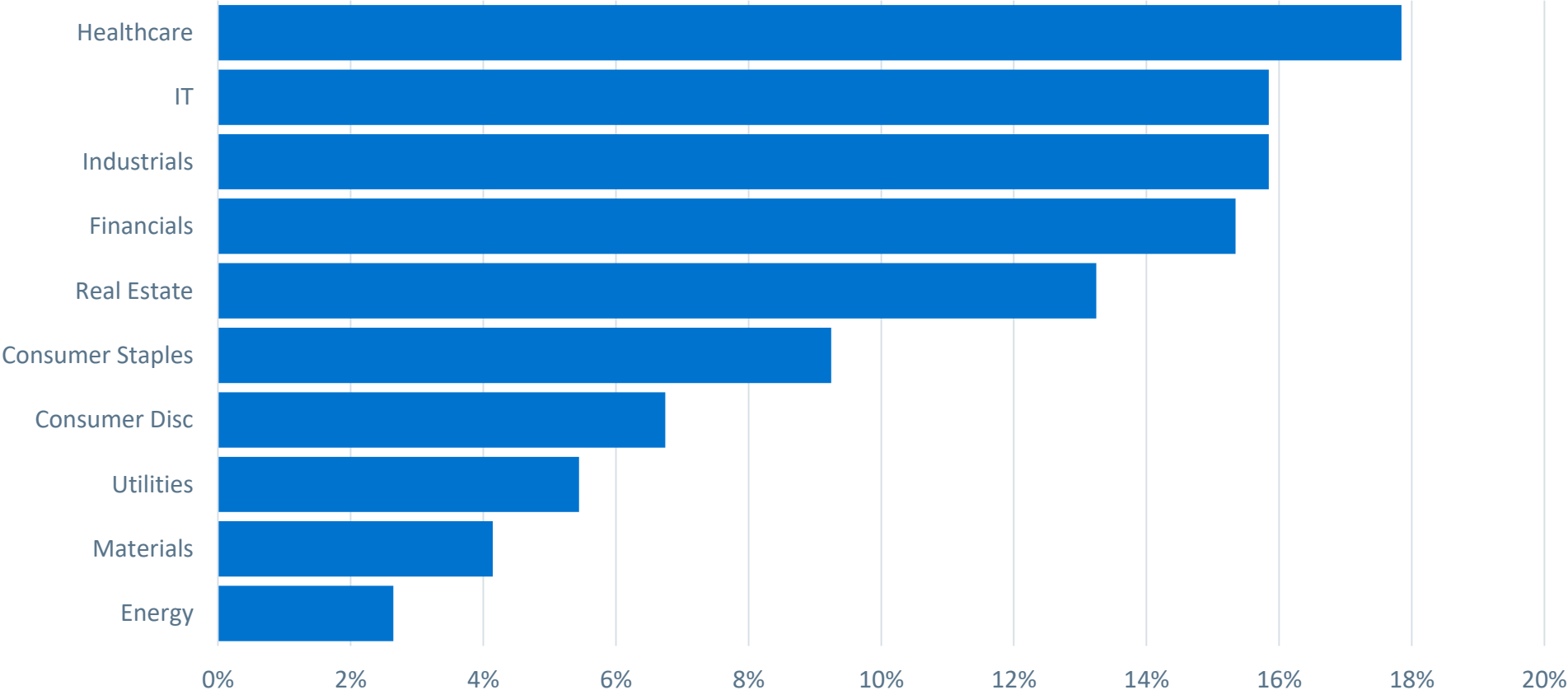
Past performance is not a reliable guide to future performance.

Source: Sarasin & Partners, 15.06.22

# Diversified Sector Allocation

No outsized single sector risk

## Sector Weights



Source: Sarasin & Partners, 15.06.22

Past performance is not a reliable guide to future performance.

# Portfolio characteristics

Lower but more secure growth, higher dividend yield at a lower price



## Portfolio characteristics

	Global Higher Dividend	MSCI World	The Fund is...
<b>Growth</b>			
Sales growth	3.5%	7.8%	Lower growth
Dividend growth 5Y	8.2%	6.7%	Strong recent income growth
<b>Margins</b>			
Net profit margin	23%	20%	Invested in higher margin businesses
<b>Returns</b>			
Return on invested capital	10.6%	11.5%	Similar level or returns to benchmark
<b>Yield</b>			
Earnings yield	5%	4%	Cheaper
Dividend yield	2.4%	1.5%	Delivering a significant dividend yield premium
<b>Volatility</b>			
Market beta	0.83	1.01	Lower beta
Volatility 5Y	21%	26%	Lower volatility

## Different, Disciplined and Delivering

Source: Style Analytics as at 31.12.2021

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# Questions?

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# SARASIN & PARTNERS

Juxon House  
100 St Paul's Churchyard  
London  
EC4M 8BU

T: +44 (0) 20 7038 7000  
[www.sarasinandpartners.com](http://www.sarasinandpartners.com)

