



Epoch Investment Partners, Inc.

A black and white photograph of three professionals in an office setting. On the left, a man with glasses and a striped tie looks towards the center. In the middle, a woman with long dark hair smiles. On the right, a man in a suit and tie is partially visible. The right side of the image is overlaid with a dark red semi-transparent shape.

# SSQ TD Global Dividend Equity GIF: The Case for Shareholder Yield

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SSQ Financial Group | January 2019

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# Epoch Investment Partners

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## OUR FIRM

- Global equity manager founded in 2004
- An autonomous subsidiary of TD Bank since 2013
- Headquarters in New York with relationship management teams in London and Chicago
- 121 employees structured to integrate expertise in investing, operations and client service
- Relationship management dedicated to bringing the best of Epoch to clients and adding value beyond the portfolio

## OUR COMPETITIVE ADVANTAGES

- A single investment philosophy: value is created through appropriate capital allocation and growth in free cash flow
- A rigorous portfolio construction process, with a member of the Risk Management Team named as co-portfolio manager on every strategy
- Commitment to delivering thought leadership

# Epoch's Clients at a Glance

Reporting Currency: CAD

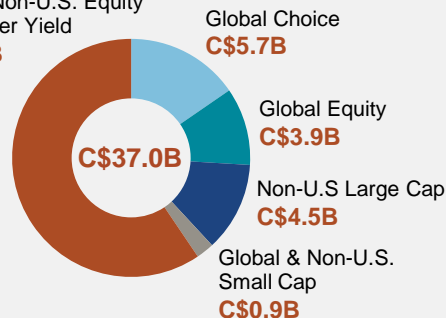
AUM: C\$55.7 BILLION<sup>1</sup>

## Client Domicile

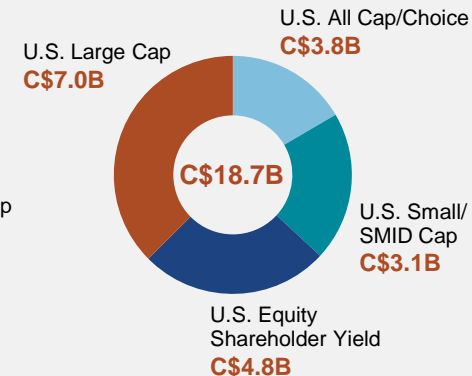


## Global Strategies

Global & Non-U.S. Equity Shareholder Yield  
**C\$22.0B**



## U.S. Strategies



## REPRESENTATIVE CLIENTS<sup>2</sup>

### Corporations

- ArcelorMittal USA
- DXC Technology
- Kellogg Company
- Nova Scotia Power Inc.
- Sentinel Retirement Fund
- StatePlus

### Non-Profit & Other

- Bradley University
- Church of the Nazarene
- Masonic Homes of California

### Government

- CalPERS
- Florida State Board of Administration
- London CIV
- North Dakota State Investment Board
- Ohio Bureau of Workers' Compensation
- Oklahoma Teachers
- Public Employees' Retirement System of Mississippi

### Health Services & Insurance

- Blue Cross and Blue Shield of Kansas
- Boston Medical Center
- Greater Baltimore Medical Center
- OhioHealth
- USAA

### Intermediary

- CI – Assante Funds
- Jackson National Asset Management
- John Hancock Funds
- New York Life – MainStay Funds
- Prudential Investments
- TD Bank Group

### Union

- Major League Baseball Players Association
- Theatrical State Employees, Local No. One, I.A.T.S.E.
- Steelworkers Pension Trust

<sup>1</sup> As of 09/30/2018 may not total due to rounding.

<sup>2</sup> The institutional clients shown were selected based on client type and client domicile across all strategies. It is not known whether the listed clients approve or disapprove of the advisory services provided.

# Epoch's Distinctive Approach to Investing

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## Traditional Approach

Analysis driven by **accounting metrics**, primarily **earnings and book value**

- Distorted by accruals and easily manipulated
- No insight into capital allocation skill
- Ignores the time value of money

## Epoch's Approach

Analysis driven by **financial metrics**, primarily **free cash flow**

- Free cash flow generation creates value
- Sound capital allocation drives growth in value
- Incorporates the time value of money

# Global Equity Shareholder Yield

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## THE STRATEGY

- A diversified portfolio of companies generating:
  - sustainable cash returns in the form of shareholder yield: dividends, share buybacks and debt reduction
  - persistent free-cash-flow growth
- Fundamental research to determine whether distributions have the ability to grow
- Average annual return target of 9% over a market cycle<sup>1</sup> with a substantial portion coming from dividends
- Portfolio construction framework designed to minimize risk in achieving portfolio objectives

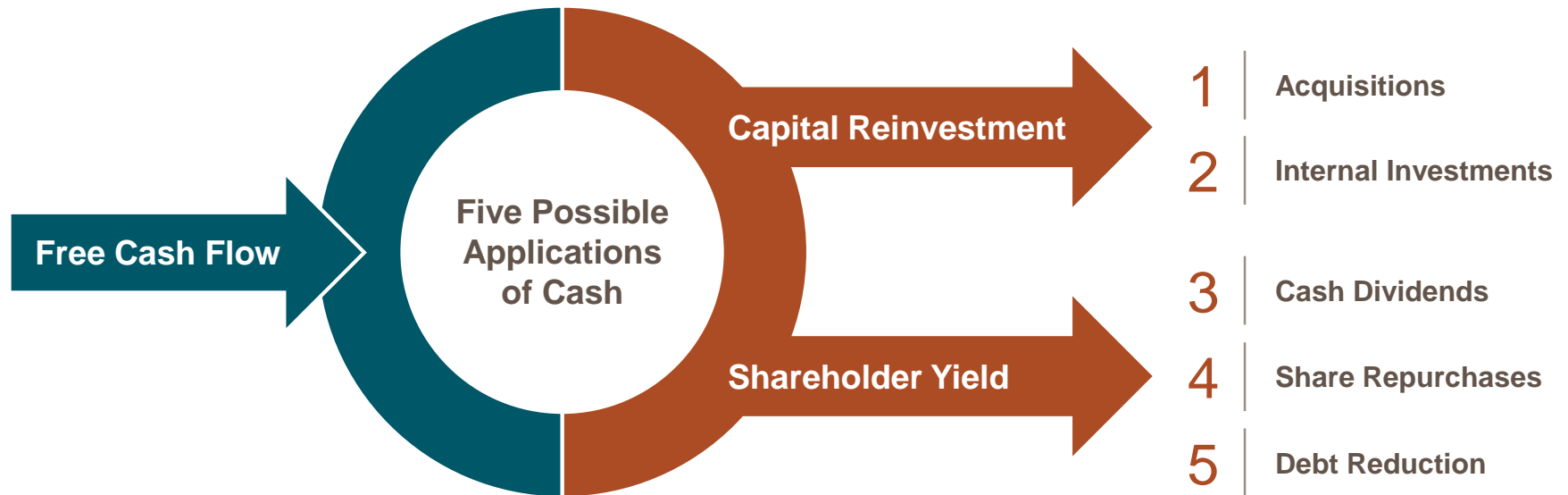
## STRATEGY ROLE IN A PORTFOLIO

- Sustainable shareholder distributions and capital growth based on free cash flow
- Source of consistently high income within your equity allocation, the most stable driver of long-term returns
- A diversified core holding with lower-than-market volatility, low beta and drawdown protection, which helps create better annualized returns over time
- A total portfolio diversifier offering low correlation with traditional equity styles due to the strategy's emphasis on capital allocation and free cash flow

<sup>1</sup> A market cycle return shows performance of a strategy through both an up and down market.

# Companies Maximize Returns Through Disciplined Capital Allocation

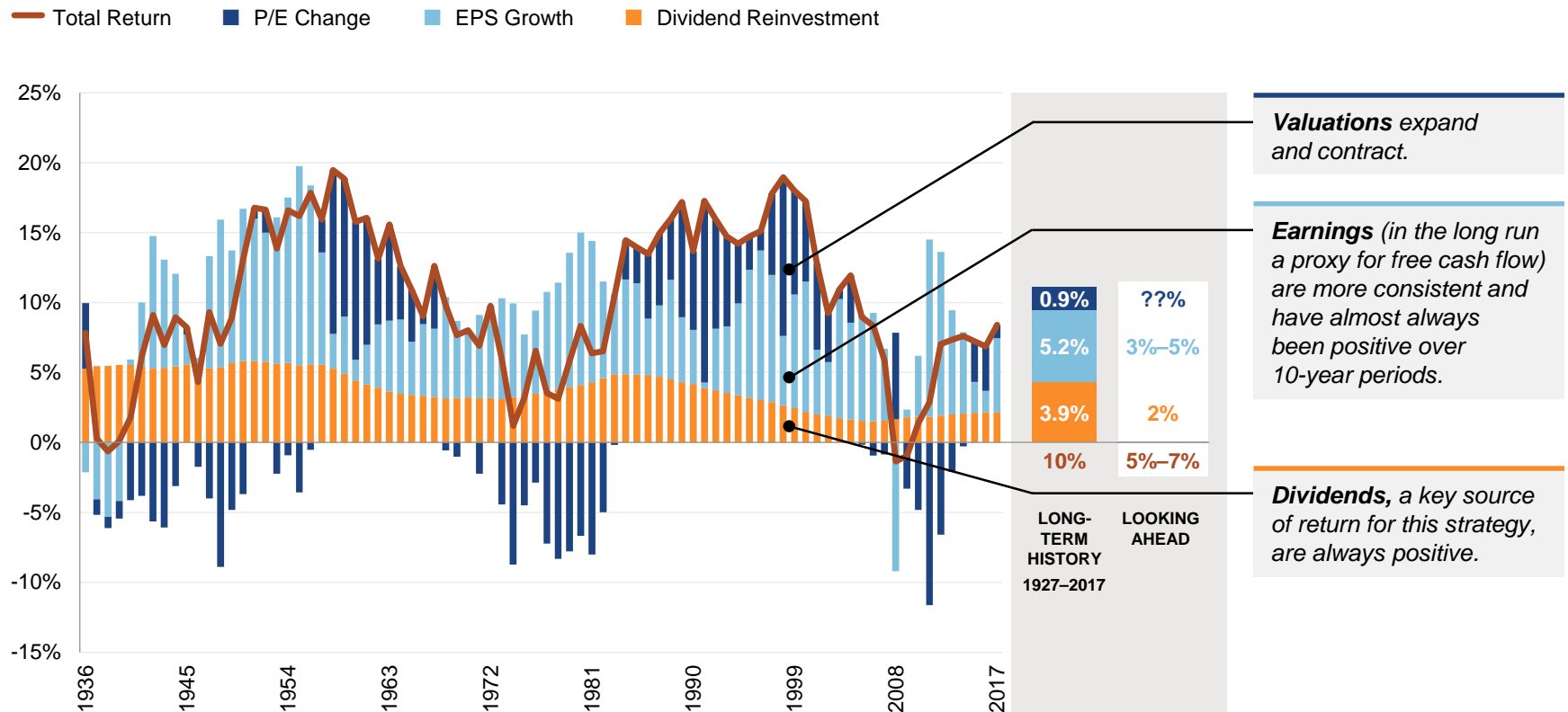
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*A company should reinvest capital if the expected return on invested capital is greater than the company's cost of capital. Remaining free cash flow should be returned to shareholders via shareholder yield.*

# The Components of Equity Returns

## EARNINGS, DIVIDENDS AND VALUATION: RETURN CONTRIBUTIONS FOR ROLLING 10-YEAR PERIODS (S&P 500 Index 1927–2017)

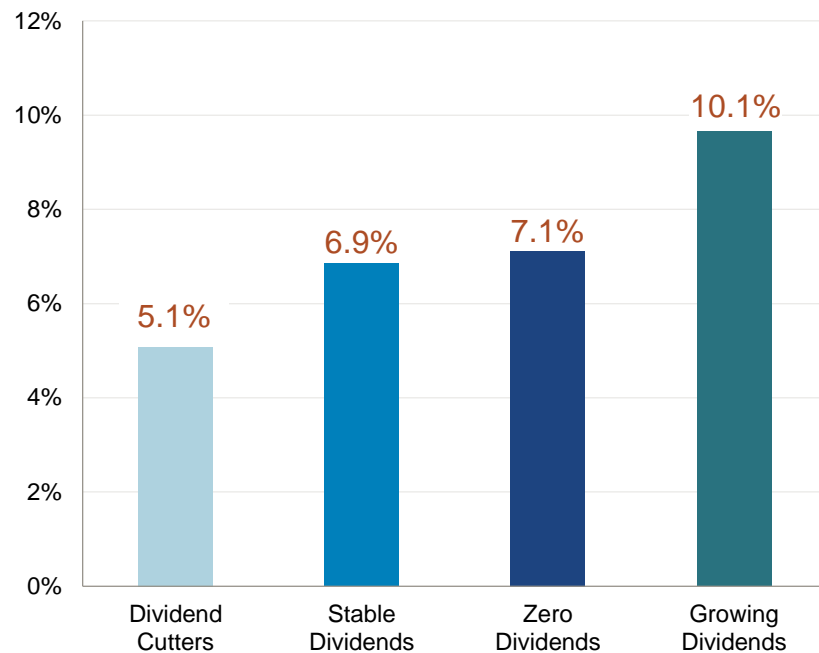


Sources: Epoch Investment Partners, Inc.; Standard & Poor's.

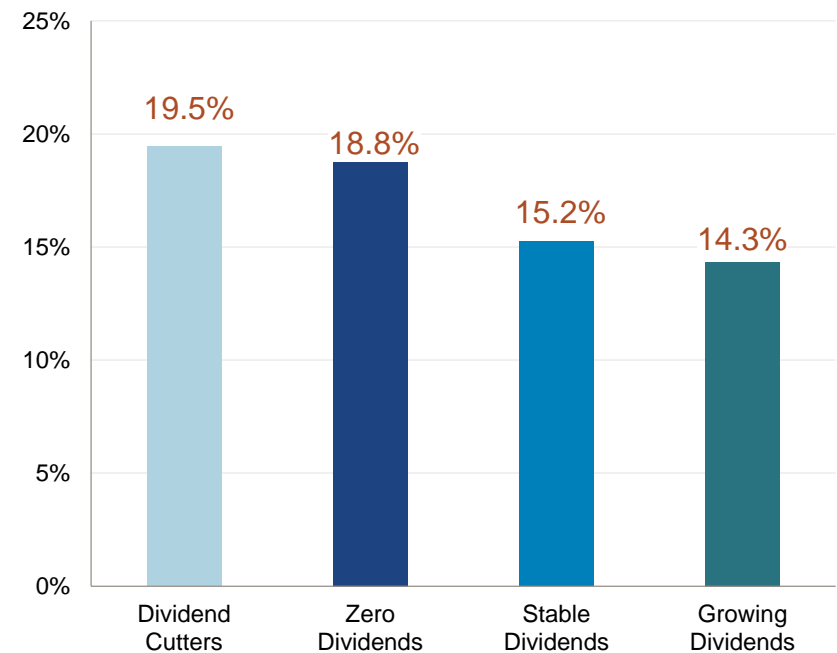
Note: We use U.S. historical data as a proxy for global markets because similarly detailed data is not available for non-U.S. markets.

# Dividend Policies Matter: Return and Volatility

**ANNUAL COMPOUND RETURN: MSCI WORLD**  
(May 1994 – August 2018)



**ANNUAL STANDARD DEVIATION: MSCI WORLD**  
(May 1994 – August 2018)



Reporting Currency: USD

Source: Ned Davis Research August 30, 2018.

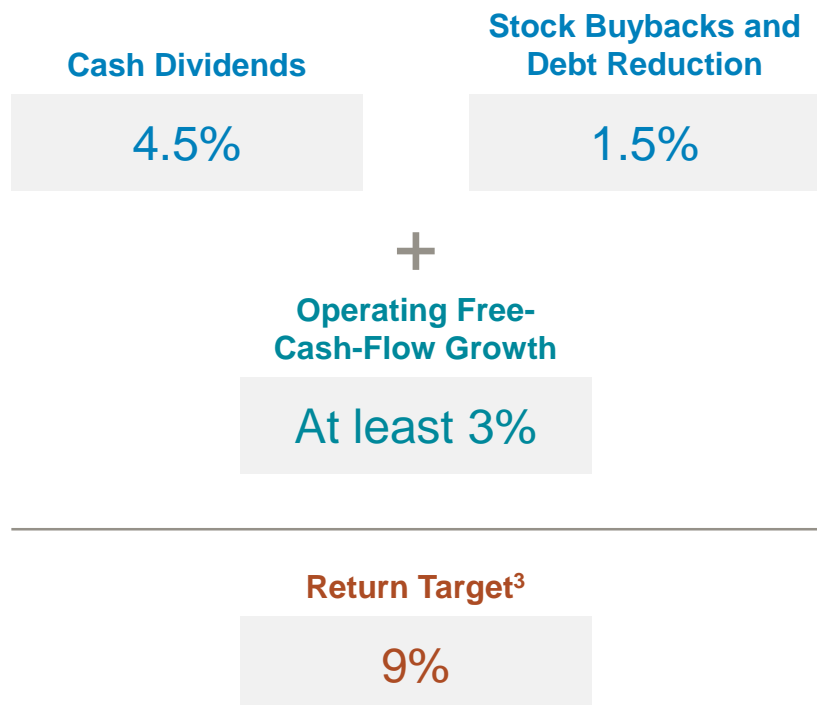
Note: Based on equally weighted compound total returns of dividend and non-dividend paying MSCI World stocks. Each of the four portfolios were reconstituted at the beginning of each year based on the actual dividends paid over the previous year.



# Target Average Annual Return of 9% Over a Market Cycle

Reporting Currency: CAD

## COMPONENTS OF TARGET RETURN



### Annualized Returns – Since Inception<sup>1,2</sup> (As of December 31, 2018)

Global Equity Shareholder Yield	8.4%
MSCI World Index (Net)	6.6%

### Risk Return Metrics – Since Inception<sup>1,2</sup> (As of December 31, 2018)

	Epoch	MSCI World Index (Net)
Standard Deviation	9.5	11.2
Epoch vs. MSCI World Index (Net)		
Information Ratio	0.31	
Alpha	3.49	
Beta	0.72	
R-Squared	0.73	

<sup>1</sup> Annualized returns are presented gross of fees.

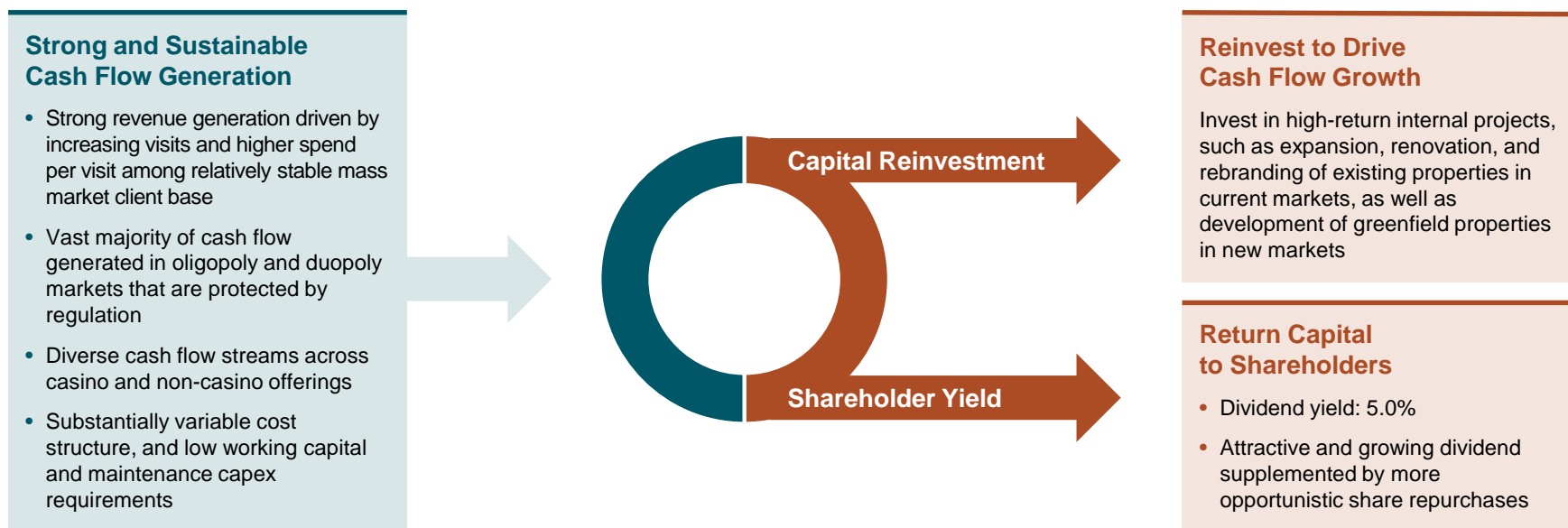
<sup>2</sup> Inception date is December 31, 2005. Performance for the most recent quarter is preliminary and subject to change. The risk statistics are shown as supplemental information only and supplement the Composite presentation which is located within the Disclosure section of the presentation.

<sup>3</sup> The return targets included in this presentation are not intended as, and must not be regarded as, a representation, warranty or prediction that any client will achieve any particular rate of return over any particular time period or that any client will not incur losses. Although Epoch believes, based on these factors, that the referenced return targets are reasonable, return targets are subject to inherent limitations including, without limitation, the fact they cannot take into account the impact on future trading and investment decisions of future economic events.

# Investing in Companies that Grow and Pay

## LAS VEGAS SANDS CORP. (LVS)

- The world's largest developer, owner, and operator of integrated casino resorts
- Generates revenues from casino, hotel, mall, food and beverage, convention and retail offerings
- Operates in Macao, Singapore and the US
- Revenue of \$12.9 billion

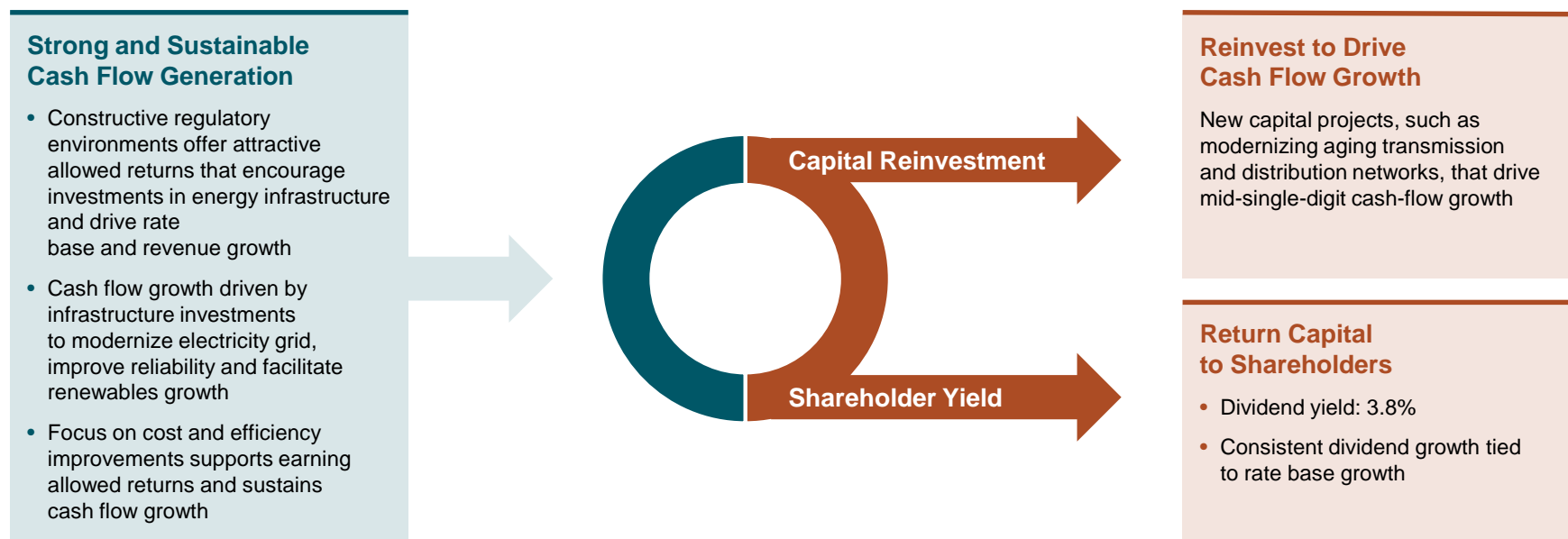


Source: Epoch Investment Partners and AEP Company reports as of December 31, 2017. Information about specific companies or securities including whether they are profitable or not, is provided as a means of illustrating our investment thesis. Please see our disclosure located on the cover page of this presentation.

# Investing in Companies that Grow and Pay

## AMERICAN ELECTRIC POWER COMPANY, INC. (AEP)

- Regulated utility
- Generates, transmits and distributes electricity to over five million U.S. customers
- History of returning cash to shareholders: Quarterly dividend since 1910
- Revenue of \$15.4 billion



Source: Epoch Investment Partners and AEP Company reports as of December 31, 2017. Information about specific companies or securities including whether they are profitable or not, is provided as a means of illustrating our investment thesis. Please see our disclosure located on the cover page of this presentation.

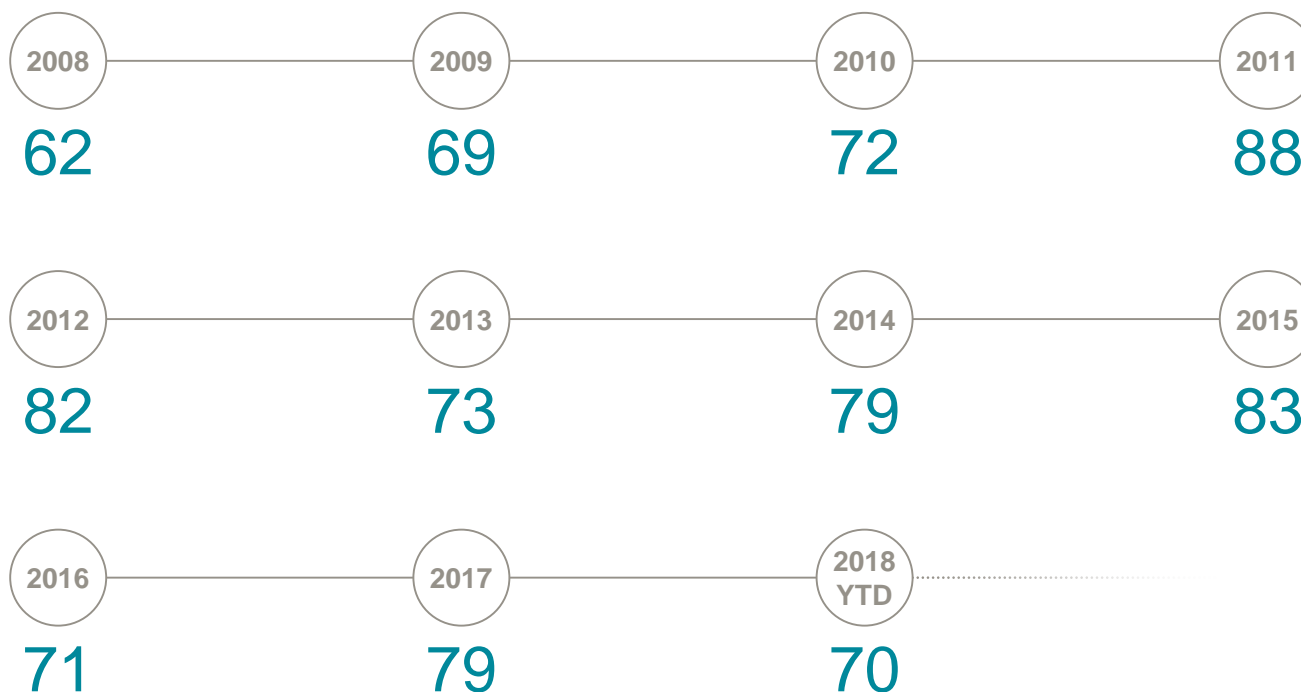
# Holdings Have a History of Raising Dividends

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## NUMBER OF COMPANIES THAT INCREASED THEIR DIVIDENDS

Global Equity Shareholder Yield

(As of September 30, 2018)



\* Several companies increased their dividends more than once in each year.

Source: Epoch Investment Partners, Inc. The data shown above is for a representative account. Such data may vary for each client in the strategy due to market conditions, client guidelines and diversity of portfolio holdings. The data is unaudited and may change at any time. The data is supplemental to the composite presentation, is shown for informational purposes only, and is not indicative of future portfolio characteristics or returns.

# Portfolio Weights and Characteristics

Reporting Currency: CAD

## GLOBAL EQUITY SHAREHOLDER YIELD

(As of September 30, 2018)

Sector	Portfolio Weight (%)	Country	Portfolio Weight (%)	Characteristics	Portfolio
Financials	15.9	United States	47.5	Dividend Yield (%)	4.2
Utilities	13.7	United Kingdom	15.3	Enterprise Value to EBITDA (x)	10.6
Consumer Staples	12.1	Germany	7.9	Weighted Average Market Cap (C\$M)	122,775
Telecommunication Services	11.5	France	7.8	Weighted Median Market Cap (C\$M)	80,807
Energy	10.8	Canada	5.2	Predicted Beta	0.84
Health Care	10.5	Switzerland	3.8	Number of Equity Positions	105
Industrials	6.9	Italy	3.1	12-Month Turnover	14.06%
Information Technology	5.8	Australia	2.5		
Consumer Discretionary	4.4	Spain	1.7		
Real Estate	4.1	Norway	1.5		
Materials	2.8	Singapore	1.0		
Cash	1.5	Sweden	0.7		
		Taiwan	0.6		
		Cash	1.5		

Source: FactSet Research Systems, Inc.; MSCI Inc. The data shown above is of a representative account and such data may vary for each client in the strategy due to market conditions, client guidelines and diversity of portfolio holdings. The data is unaudited and may change at any time. The data is supplemental to the composite presentation, is shown for informational purposes only, and is not indicative of future portfolio characteristics or returns. Totals may not add due to rounding.

# Top Ten Holdings

## GLOBAL EQUITY SHAREHOLDER YIELD

(As of September 30, 2018)

Company Name	Portfolio Weight	Dividend Yield	Country	Sector
AXA SA	1.9%	5.5%	France	Financials
Verizon Communications Inc.	1.9%	4.4%	United States	Telecommunication
Astrazeneca PLC Sponsored ADR	1.8%	3.5%	United Kingdom	Health Care
Total SA	1.8%	4.5%	France	Energy
Allianz SE	1.7%	4.2%	Germany	Financials
Munich Reinsurance Company	1.7%	4.5%	Germany	Financials
Royal Dutch Shell Plc Sponsored ADR Class A	1.7%	4.7%	United Kingdom	Energy
GlaxoSmithKline plc	1.6%	5.2%	United Kingdom	Health Care
BCE Inc.	1.6%	5.6%	Canada	Telecommunication
Altria Group Inc	1.6%	4.7%	United States	Consumer Staples
<b>Total</b>	<b>17.3%</b>			

Source: FactSet Research Systems, Inc.; MSCI Inc. The data shown above is of a representative account and such data may vary for each client in the strategy due to market conditions, client guidelines and diversity of portfolio holdings. The data is unaudited and may change at any time. The data is supplemental to the composite presentation, is shown for informational purposes only, and is not indicative of future portfolio characteristics or returns. Totals may not add due to rounding.

# Upside Participation with Protection in Down Markets

Reporting Currency: CAD

## IN 154 ROLLING QUARTERS SINCE THE PORTFOLIO'S INCEPTION

Global Equity Shareholder Yield

(As of December 31, 2018)

### When Market Was Negative

(52 out of 154 quarters)

Portfolio outperformed

**79%**

of the time

By an average of

**3.48%**

### When Market Was Down >5%

(19 out of 154 quarters)

Portfolio outperformed

**100%**

of the time

By an average of

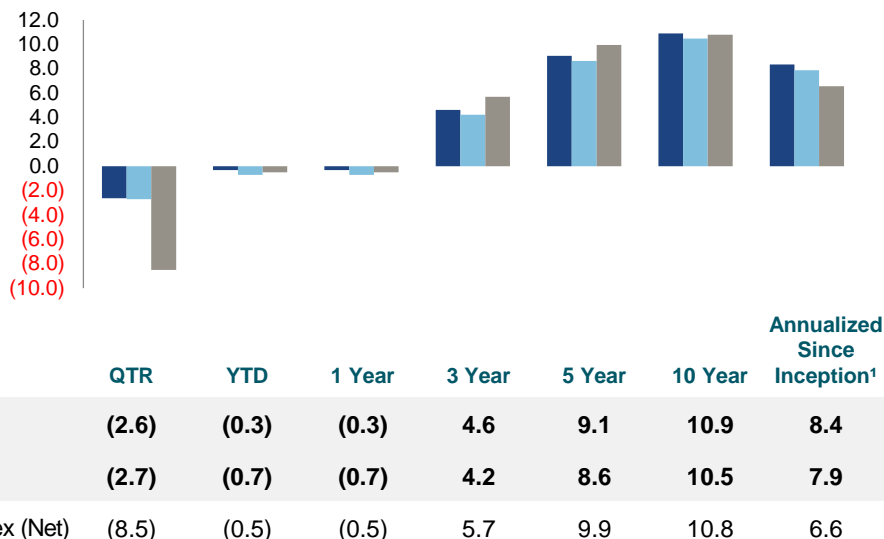
**4.73%**

Market represented by the MSCI World Index Net. Strategy inception date is December 31, 2005.

# Long Term Results

Reporting Currency: CAD

## Returns – Global Equity Shareholder Yield (As of December 31, 2018)



## Risk Return Metrics – Since Inception<sup>1,2</sup> (As of December 31, 2018 )

	Epoch	MSCI World Index (Net)
Standard Deviation	9.5	11.2
Sharpe Ratio	0.63	0.38

Epoch vs. Index	
Information Ratio	0.31
Alpha <sup>3</sup>	3.49
Beta	0.72
R-Squared	0.73

	2018	2017	2016	2015	2014	2013	2012	2011	2010	2009	2008	2007	2006
Epoch Gross Return	(0.3)	10.1	4.4	15.0	17.1	33.6	9.0	9.7	7.3	6.3	-14.3	-6.8	26.5
Epoch Net Return	(0.7)	9.6	4.0	14.5	16.7	33.1	8.6	9.4	6.9	5.9	-14.7	-7.6	25.5
MSCI World Index (Net)	(0.5)	14.4	3.8	18.9	14.4	35.2	13.3	-3.2	5.9	10.4	-25.8	-7.5	19.6

<sup>1</sup> Inception date is December 31, 2005. Performance for the most recent quarter is preliminary and subject to change.

<sup>2</sup> The risk statistics are shown as supplemental information only and supplement the Composite presentation which is located within the Disclosure section of the presentation.

Past performance is no guarantee of future results.

<sup>3</sup> Implied alpha is adjusted for the lower beta achieved by the strategy.



# Looking Ahead

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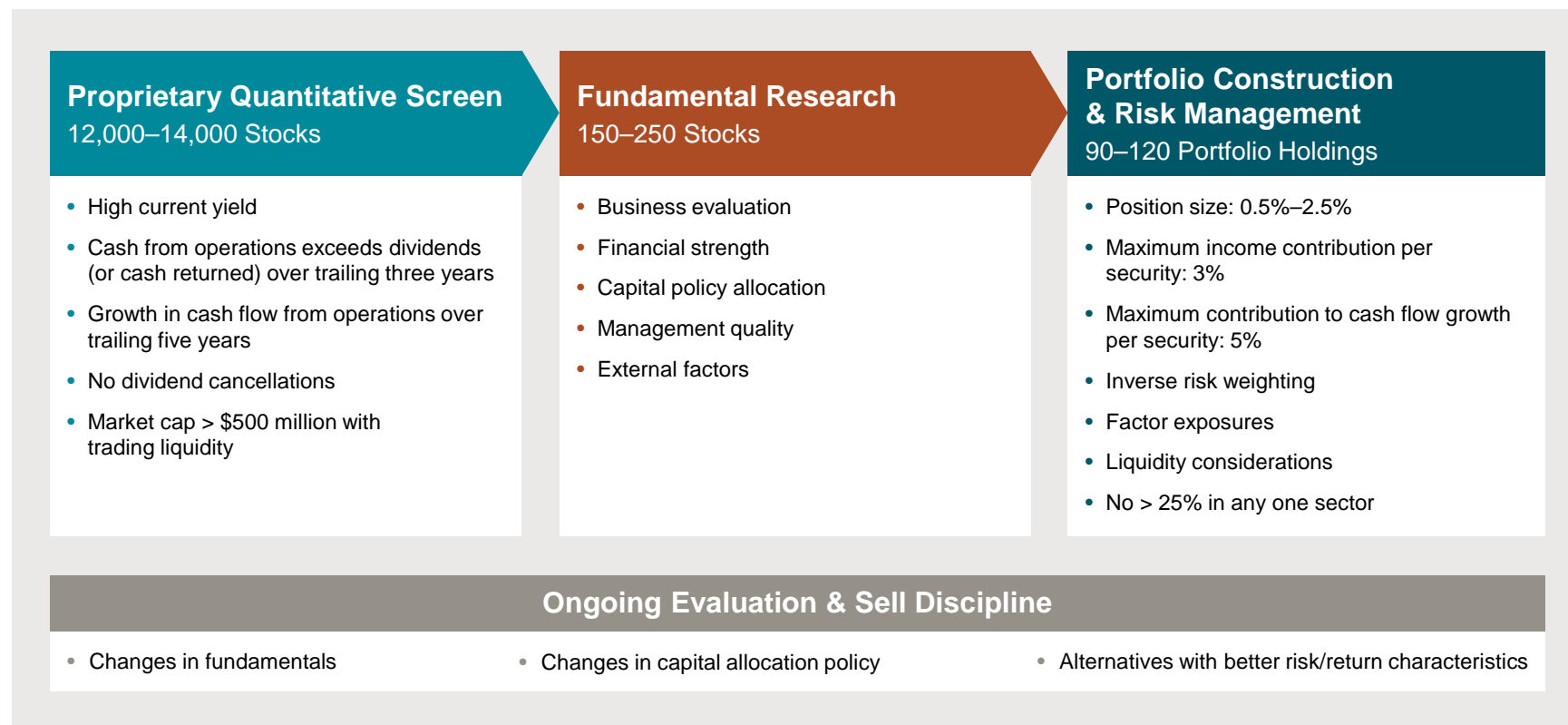
- **U.S. outlook – As good as it gets:** Growth has been strong, reflecting the short-term boost from December's tax cuts. However, as financial conditions tighten, we expect both economic and earnings growth to moderate.
- **Wage and price inflation in the U.S. is likely to increase**
- **Equity multiples unlikely to increase further:** Multiples expanded on QE, but QT is being combined with Fed hiking and rising budget deficits. Consequently, equity return drivers have shifted from broad multiple expansion to cash flow and earnings growth.
- **The return of price discovery:** The looming trifecta of QT, soaring U.S. budget deficits and the upcoming wall of maturities (in Treasuries and corporate debt) could drive both interest rates and volatility higher. Corporate debt is likely to be at the epicenter of upcoming market dislocations, as issuance soared with QE and spreads remain dangerously tight.
- **Tech is the new macro:** Technology is positive for all three ROE components — profit margins, asset utilization, and leverage. Among other things, this implies corporate margins can remain high for a prolonged period and don't necessarily need to revert. Also suggests companies returning a higher proportion of cash to shareholders.
- **Rising risk of a trade war:** Key issues include asymmetric market access, alleged IP theft, forced IP transfers and China's 2025 policy. Trade tensions to remain a market theme, and a source of volatility, for years to come. The probability of an outright trade war is increasing, and we are particularly concerned about a bifurcation in global supply chains (especially affecting tech).
- **Europe:** Likely to continue underperforming as it grows EPS and CF less quickly than the U.S. (partially reflecting a lower weighting in Tech). Further, Eurozone's reform agenda has stalled, undermining medium-term growth prospects.
- **Emerging markets:** The reduction in USD liquidity and the strengthening greenback has caused significant dislocation in EMs with large current account deficits and excessive hard currency debt. We expect further problems in vulnerable EMs in 2019-20.
- **Investment approach:** As a result of the above points, it is ever more important to favor companies with a demonstrated ability to produce FCF and allocate that cash flow wisely between return of capital options and reinvestment / acquisition opportunities.

# Appendix

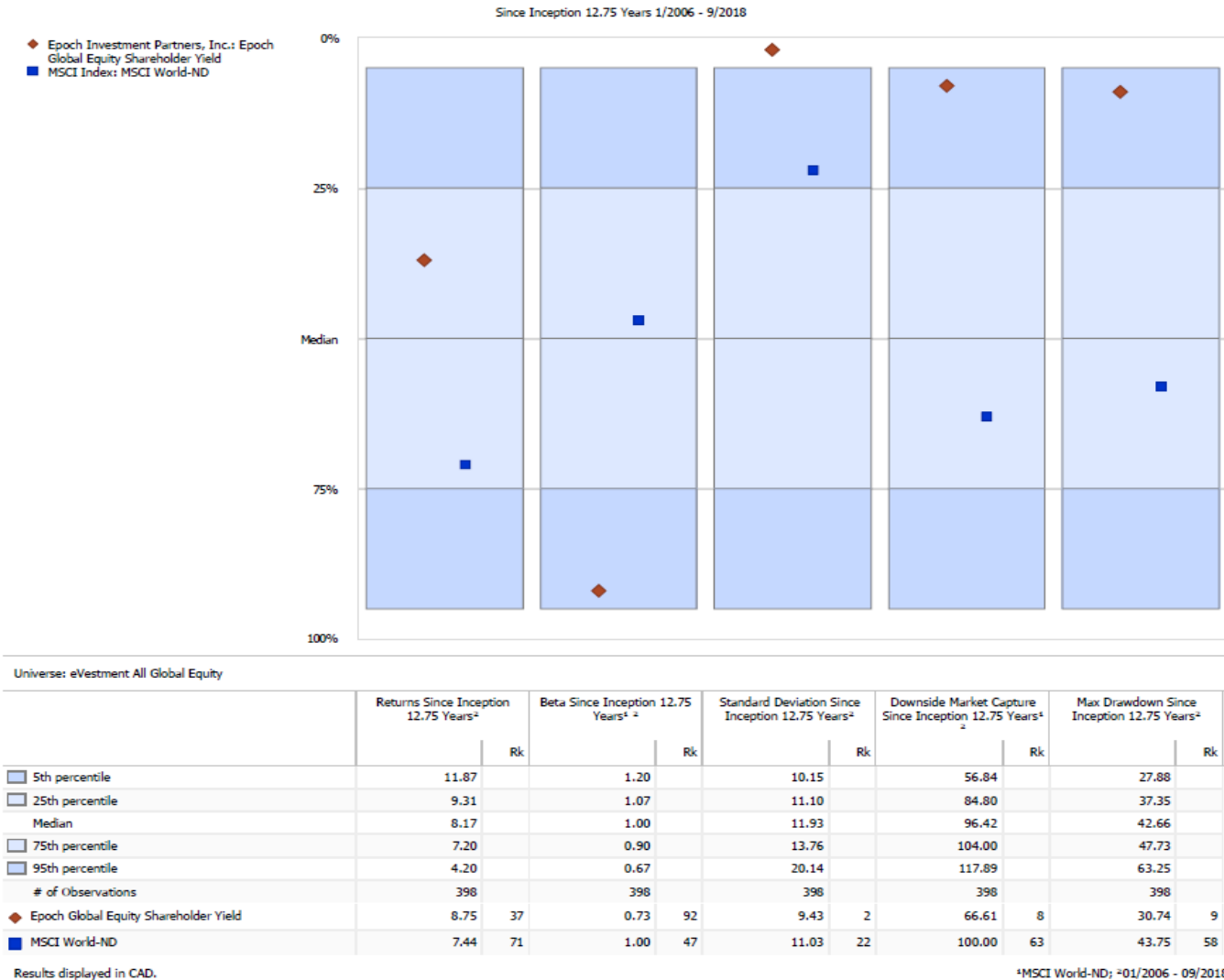


# Investment Process Overview

## BUILDING A SHAREHOLDER YIELD PORTFOLIO



# Risk Characteristics vs. Peer Group



Source: eVestment Alliance. The data shown is for the Epoch Global Equity Shareholder Yield Composite. The data is supplemental to the composite presentation, is shown for informational purposes only, and is not indicative of future portfolio characteristics or returns.

# Global Equity Shareholder Yield

Global Equity Shareholder Yield Composite Annual Performance Disclosures

	Total Firm	Composite Assets		Annual Performance Results					
Year End	Assets (Millions)	USD (Millions)	Number of Accounts	Composite Gross	Composite Net **	MSCI World (Net)	Internal Dispersion	Composite 3-Yr St Dev	MSCI World (Net) 3-Yr St Dev
2017	49,482	20,272	33	17.79%	17.33%	22.40%	0.4%	9.13%	10.23%
2016	42,106	18,697	35	8.15%	7.73%	7.51%	0.3%	9.94%	10.92%
2015	41,918	17,800	36	(4.12)%	(4.52)%	(0.87)%	0.3%	10.50%	10.80%
2014	43,617	17,209	35	7.45%	7.05%	4.94%	0.3%	9.42%	10.23%
2013	38,439	14,082	32	25.17%	24.72%	26.68%	0.3%	10.69%	13.54%
2012	24,534	9,593	24	11.50%	11.10%	15.83%	0.4%	13.28%	16.74%
2011	19,217	5,737	13	7.09%	6.71%	(5.54)%	0.4%	15.10%	20.15%
2010	14,326	2,320	10	13.16%	12.75%	11.76%	0.5%	18.00%	23.72%
2009	11,354	2,136	10	25.17%	24.65%	29.99%	0.3%	15.76%	21.40%
2008	5,348	879	6	(31.49)%	(31.79)%	(40.71)%	N.A	13.66%	17.02%
2007	6,682	1,356	Five or fewer	9.88%	9.01%	9.04%	N.A	N.P	N.P
2006	4,408	566	Five or fewer	26.97%	25.96%	20.07%	N.A	N.P	N.P

N.A. - Information is not statistically meaningful due to an insufficient number of portfolios in the composite for the entire year. \*\*Net performance reflects the gross-of-fees return reduced by the investment management fee and performance-based fee (where applicable) incurred. Effective 1/2008, net performance is calculated by deducting the actual investment management fee incurred by each portfolio in the composite. Prior to 1/2008, net-of-fee returns reflect the deduction of the highest annual management fee, calculated on a monthly basis. N.P. – Information is not presented because 36 monthly returns are not available.

1. Global Equity Shareholder Yield Composite contains fully discretionary portfolios managed by Epoch using an investment strategy that pursues attractive total returns with an above-average level of income by investing in a diversified portfolio of global companies with strong and growing free cash flow. Companies in the portfolio possess managements that focus on creating value for shareholders through consistent and rational capital allocation policies with an emphasis on cash dividends, share repurchases and debt reduction — the key components of shareholder yield. The portfolio generally holds between 90 and 120 stocks from equity markets worldwide, with risk controls to diversify the sources of shareholder yield and minimize volatility. The minimum account size for this composite is \$500 thousand.
2. For comparison purposes, the composite is measured against the MSCI World (Net) Index. [Net total return indices reinvest dividends after the deduction of withholding taxes, using (for international indices) a tax rate applicable to non-resident institutional investors who do not benefit from double taxation treaties]. Effective July 1, 2009, the benchmark was changed from the S&P Developed BMI Index to the MSCI World (Net) Index because it is more representative of the composite's investment strategy. This change has been applied retroactively. [Prior to October 1, 2008, the index was known as the S&P/Citigroup BMI World Index].
3. Epoch Investment Partners, Inc. claims compliance with the Global Investment Performance Standards (GIPS®) and has prepared and presented this report in compliance with the GIPS standards. Epoch Investment Partners, Inc. has been independently verified for the periods June 21, 2004 through June 30, 2018. Verification assesses whether (1) the firm has complied with all the composite construction requirements of the GIPS standards on a firm-wide basis and (2) the firm's policies and procedures are designed to calculate and present performance in compliance with the GIPS standards. The Global Equity Shareholder Yield composite has been examined for the periods January 1, 2006 through September 30, 2018. The verification and performance examination reports are available upon request.

# Global Equity Shareholder Yield

4. Epoch Investment Partners, Inc. is a wholly owned subsidiary of The Toronto Dominion Bank. Epoch Investment Partners, Inc. ("Epoch") became a registered investment adviser under the Investment Advisers Act of 1940 in June 2004. Policies for valuing portfolios, calculating performance, and preparing compliant presentations are available upon request.
5. Results are based on fully discretionary accounts under management, including those accounts no longer with the firm.
6. Effective January 1, 2008, our significant cash flow policy has been removed. This policy amendment will not be applied retroactively. Effective January 1, 2006, our significant cash flow policy had been redefined as in excess of 25% of the portfolio market value. Prior to January 1, 2006, composite policy required the temporary removal of any portfolio incurring a client initiated significant cash inflow or outflow of 10% or greater of portfolio market value. This policy was not applied to the advised Epoch mutual funds, if applicable. Additional information regarding the treatment of significant cash flows is available upon request.
7. Valuations are computed and performance is reported in U.S. dollars. Returns are presented gross and net of management fees and include the reinvestment of all income. Gross-of-fees returns are presented before management fees but after all trading expenses. Net performance reflects the gross-of-fees return reduced by the investment management fee and performance-based fee (where applicable) incurred. Effective 1/2008, net performance is calculated by deducting the actual investment management fee incurred by each portfolio in the composite. Prior to 1/2008, net-of-fee returns reflect the deduction of the highest annual management fee, calculated on a monthly basis. Returns include the effect of foreign currency exchange rates. Composite and benchmark (international indices) returns are presented net of non-reclaimable withholding taxes.
8. Internal dispersion is calculated using an asset-weighted standard deviation of annual gross returns of those accounts that were included in the composite for the entire year. Internal dispersion figures that are not meaningful due to the limited number of accounts in the composite are annotated by N/A. The three-year annualized standard deviation measures the variability of the composite and the benchmark returns over the preceding 36-month period.
9. The Global Equity Shareholder Yield Composite was created in January 2006. A complete list of composite descriptions is available upon request.
10. The management fee schedule is as follows:

Global Equity Shareholder Yield (Separate account minimum: \$50 million)	
Assets Under Management	Fee
First \$50 million	0.70%
Next \$50 million	0.60%
Over \$100 million	0.50%

Past performance is not indicative of future results. Actual investment advisory fees incurred by clients may vary. Minimum account sizes, fees and fee structure, and other conditions may be waived or modified in the future, and have been waived or modified in the past, at the discretion of epoch.