

**Apostle Dundas Global Equity Fund**

**Investment Objective**

- The target is to exceed the MSCI All Country World ex Australia Index by 2.5% p.a. after all fees and expenses on a rolling 5-year basis.
- Capital and income growth to exceed the benchmark and inflation
- To achieve lower volatility than the benchmark

**Investment Firm**

Dundas Global Investors ('Dundas') started in 2010 as an independent Investment Management firm based in Edinburgh that manages a single investment strategy, global equities.

Dundas can best be categorised as Defensive Growth, with a focus on companies with strong and sustainable returns on equity and a growing dividend stream.

**Key Advantages**

- Pro-active management of both components of total return (capital and dividends)
- Fee minimisation and alignment of incentives
- Lower cost base
- Enhanced research that capitalises on technology

**Investment Style**

Dundas invests for capital and income growth. The team uses fundamental, bottom-up research to find companies capable of real long-term wealth generation that will lead to both capital and dividend growth. While dividends are an important part of the investment proposition, Dundas places greater emphasis on future income streams as opposed to current payout ratios. The resulting portfolio is globally diversified, has an average holding period of more than five years, satisfactory upside and good downside capture statistics.

**Characteristics**

Unit Price – Class C (NAV)	AUD\$1.9048
Fund Size	AUD\$2,011.65M
Tax Losses Available (As at last distribution period)	AUD\$285.95M
Portfolio Inception Date	August 2012
Inception Date – Class C	June 2015
Companies in Portfolio	Targeting 60–100 holdings
Investment Manager	Dundas Global Investors
Management Fee	0.90%
Buy/Sell Spread	15/15 (bps)
Portfolio Management Team	Alan McFarlane – Senior Partner James Curry – Partner Gavin Harvie – Partner David Keir – Partner Andy Brown – Investment Manager
Responsible Entity	K2 Asset Management Ltd
Custodian/Registry	State Street Australia Limited

**Performance (%)**

AUD return	1 mth	3 mths	1 yr	3 yr Pa	5 yr Pa	7 yr pa	Incep pa
Total (gross)	-0.23	-4.24	8.77	9.05	11.98	13.58	10.33
Total (net)	-0.31	-4.45	7.80	8.07	10.98	12.57	9.35
Relative*	0.82	-0.64	-3.28	-1.43	2.00	2.23	1.13

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices and shown on a total return basis (net dividends reinvested). Performance inception date is 4<sup>th</sup> June 2015.  
\*Relative calculated as the difference between the Fund's gross (of fees) return and that of the Solactive GBS Global Markets ex Australia Large & Mid Cap AUD Index. Past performance is not a reliable indicator of future performance.

**Portfolio Characteristics**

No of Holdings	60
Dividend Yield	1.41%
Turnover* (last 12 months)	9.98%
Price/Earnings	25.17
Price/Cash Flow	18.38x
Price/Book Value	4.72x
Beta (ex-ante)	1.00
Average market capitalisation	\$202.99bn
Median market capitalisation	\$58.85bn
Tracking error (1 year)	4.27

\*Turnover calculated as ((Purchases + Sales)/2) / average assets during the period.

**Market Cap Exposure (% weight by capital)**

Range	Fund
>US\$ 500bn	7.61
US\$ 100 - 500bn	27.60
US\$ 50 - 100bn	19.96
US\$ 10 - 50bn	37.70
US\$ 2 - 10bn	4.67

**Top Ten Holdings by Capital (%)**

Stock	Fund	Active Weight*
Microsoft	3.82	-0.56
WW Grainger Inc	3.41	3.36
Novo Nordisk	3.01	2.47
WR Berkley	2.39	2.37
Accenture	2.33	1.98
Sage Group	2.30	2.28
Alphabet	2.25	1.12
Ross Stores	2.20	2.13
Marsh & McLennan	2.20	2.03
Costco Wholesale	2.16	1.73
TOTAL	26.07	18.91

\*Active weight relative to the Index\*.

**Top Five Holdings by contribution to Dividend Yield (%)**

Holding	Fund
DBS Group	4.95
Home Depot	4.00
Sage Group	3.36
Analog Devices	3.24
Diageo	3.14
TOTAL	18.70

**Regional Allocation (%)**

Country	Fund	Active Weight*
United States	57.02	-3.98
France	9.72	7.06
Switzerland	7.16	4.69
Denmark	5.30	4.48
Sweden	4.78	3.95
United Kingdom	3.91	0.27
Japan	3.09	-3.23
Netherlands	1.58	0.44
Hong Kong	1.57	0.81
Taiwan	1.43	-0.33
Singapore	1.27	0.89
India	0.71	-1.21
Other Countries	0.00	0.00

\*Active Weight relative to the Index\*.

**Sector Exposure (%)**

Sector	Fund	Active Weight*
Information Technology	25.61	3.30
Health Care	20.37	8.51
Financials	17.94	2.64
Industrials	14.11	3.75
Consumer Discretionary	6.62	-4.57
Consumer Staples	6.39	-0.85
Communication Services	3.51	-4.28
Materials	2.99	-1.02
Energy	0.00	-5.09
Real Estate	0.00	-2.09
Utilities	0.00	-2.74
Cash	2.46	2.46

\*Active Weight relative to the Index\*.

**Performance and Portfolio Comment October 2023**

**Market overview**

U.S. equities fell for the third straight month, with both the S&P and Nasdaq declining more than 10% from their July highs, taking them into correction territory. The bond market similarly saw weakness in October, leading to a notable steepening of the yield curve. The 2-year Treasury yield saw a slight increase in yields, while 10-year and 30-year yields rose more than 30 basis points. The rise in yields hurt stock sentiment. The market had to adapt to the idea of a Federal Reserve that would maintain higher interest rates for an extended period.

In Europe, headline inflation fell sharply again in October, to 2.9% (year on year), while core inflation moved down to 4.2%. The ECB left its deposit rate unchanged at 4%, following 10 consecutive rate hikes, though further tightening has not been ruled out. The dilemma for the Bank of England is whether to continue increasing interest rates, with the latest data showing headline consumer inflation remaining elevated. In China, continued weakness in the real estate market, and reports of new US restrictions on AI chip exports to China further dampened market sentiment.

Geopolitical risks also came into focus following a terrorist attack on Israel by Hamas on October 7th, leading to the taking of numerous hostages. The expected major ground invasion will lead to a deeper regional conflict, and while the market historically tends to tolerate geopolitical events, a wider conflict could impact energy prices and inflation. Commodity prices reversed some of their year-to-date losses, with the broad Bloomberg Commodity Index rising 0.3% over October. The tragic events that unfolded in the Middle East led to a flight to safety in gold. Oil prices also rallied amid concerns that an escalation into a wider regional conflict could disrupt oil supply, although the price of Brent Crude remained below its September peak. Meanwhile, European gas prices rose due to fears over global supply chain disruptions, exacerbated by the sabotage of a gas pipeline in the Baltic Sea.

**Performance overview**

Over the past 12 months, the Fund has posted a total return gross of fees of 8.77% while the market returned 12.05%\*. In October, the Fund declined by 0.23%, outperforming the market by 0.82%.

The outperformance for the Fund over the month was primarily as a result of strong stock selection, while allocation had a smaller additive element. Stock selection within the Health Care sector contributed the most to performance, and there was a neutral effect from the Fund's overweight to the sector. The Materials and Industrials sectors also returned positive stock selection, although there was a slight negative from the Fund's overweight to Industrials. Stock selection to the IT and Health Care sectors was disappointing, and the impact from being overweight to both these sectors was inconsequential.

On a regional basis, stock selection in Europe was the strongest contributor, and in particular holdings in France, Denmark and the UK, however the Fund's overweight to the region did detract somewhat. Both allocation and stock selection within the Asia Pacific region aided performance, with the holdings in Japan, the two financial holdings in Hong Kong (AIA Group and Prudential) and the one holding in Taiwan (TSMC) performing well. Both allocation and stock selection to North America detracted from performance this month.

The top five contributors were headed up by two US-listed stocks, industrials supplier **WW Grainger** and insurance solutions provider **WR Berkley**. Also on the list were two Danish stocks, multinational pharmaceutical firm **Novo Nordisk**, and global biotechnology company **Novozymes**, and finally French software solutions provider **Dassault Systemes**.

Similar to last month, the bottom five detractors came from the US and Switzerland. The list consisted of pharma outsourced manufacturer **Lonza**, circuit protection specialist **Littelfuse**, laboratory equipment provider **Thermo Fisher Scientific**, semiconductor manufacturer **Analog Devices** and clinical diagnostics firm **Tecan Group**.

**Dividends**

There were three dividend announcements in October, with an average increase of 11.1%. **Visa** announced a dividend increase of 15.6%, **Brown & Brown** declared a dividend increase of 13%, while **Amphenol's** dividend rose by 4.8%.

**Portfolio changes**

In October, the US-listed electronic instruments and electromechanical devices manufacturer **Ametek** was purchased. Also during the month **Microsoft** completed its \$69bn (£57bn) deal to purchase **Activision Blizzard**.

\*Solactive GBS Global Markets ex Australia Large & Mid Cap AUD Index

**Contacts**

Apostle Funds Management Pty Limited  
Level 14, 50 Pitt St Sydney NSW 2000  
T +61 2 8278 9554 F +61 2 9247 9976  
[www.apostlefm.com.au](http://www.apostlefm.com.au)

K2 Asset Management  
Level 32 101 Collins Street Melbourne  
T +61 3 9691 6111  
[www.k2am.com.au](http://www.k2am.com.au)

**Disclaimer**

**Apostle Funds Management Pty Limited ABN 16 129 922 612 AFSL No. 458375 (“Apostle”)**

This document has been prepared by Apostle Funds Management Pty Limited (“Apostle”) (ABN 16 129 922 612) (AFSL No. 458375). The Apostle Dundas Global Equity Fund (ARSN 093 116 771) is issued by K2 Asset Management Ltd (“K2”) (ABN 95 085 445 094)(AFSL No. 244393), a wholly owned subsidiary of K2 Asset Management Holdings Limited (ABN 59 124 636 782). This material and the content of any offer document for the investment are principally governed by Australian rather than New Zealand law. This material may contain information provided directly by third parties which include Dundas Partners, LLP (AFSL No. 527238).

This material is for information purposes only. It is not an offer or a recommendation to invest and it should not be relied upon by investors in making an investment decision. Offers to invest will only be made in the product disclosure statement (“PDS”) available from <https://www.k2am.com.au/forms-apostle- Dundas> and this material is not intended to substitute the PDS which outlines the risks involved and other relevant information. Any investment carries potential risks and fees which are described in the PDS. You should also consider the Target Market Determination that issued when ascertaining if the product is appropriate for your needs. An investor should, before deciding whether to invest, consider the appropriateness of the investment, having regard to both the PDS in its entirety and the investor's objectives, financial situation and need. This information has not been prepared taking into account your objectives, financial situation or needs. Please note that past investment performance is not a reliable indicator of future investment performance. No representation is made as to future performance or volatility of the investment. In particular, there is no guarantee that the investment objectives and investment strategy set out in this presentation may be successful. Any forward-looking statements, opinions and estimates provided in this material are based on assumptions and contingencies which are subject to change without notice and should not be relied upon as an indication of the future performance. Persons should rely solely upon their own investigations in respect of the subject matter discussed in this material. No representations or warranties, expressed or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this material. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available to Apostle. To the maximum extent permitted by law, all liability in reliance on this material is expressly disclaimed.

This document is strictly confidential and is intended solely for the use of the person to whom it has been delivered. It may not be reproduced, distributed or published, in whole or in part, without the prior approval of Apostle. Third party distributors may be used to market the investment to New Zealand investors. Where this occurs, this material can only be provided to New Zealand persons that the New Zealand distributor is authorised to deal with under New Zealand law, and is not available to any person to whom it would be unlawful to make such offer or invitation.

The rating issued 04/2023 Apostle Dundas Global Equity Fund Class C (APIR:ETL0438AU), are published by Lonsec Research Pty Ltd ABN 11 151 658 561 AFSL 421 445 (Lonsec). Ratings are general advice only, and have been prepared without taking account of your objectives, financial situation or needs. Consider your personal circumstances, read the product disclosure statement and seek independent financial advice before investing. The rating is not a recommendation to purchase, sell or hold any product. Past performance information is not indicative of future performance. Ratings are subject to change without notice and Lonsec assumes no obligation to update. Lonsec uses objective criteria and receives a fee from the Fund Manager. Visit [lonsec.com.au](http://lonsec.com.au) for ratings information and to access the full report. © 2020 Lonsec. All rights reserved.