

# Apostle Dundas Global Equity Fund – Class C



Australian PDS and New Zealand Clients – ARSN 093 116 771

Monthly Report – January 2025

## 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.
- Long term dividend growth and capital appreciation.
- To achieve lower volatility than the benchmark.

## Investment Firm

Established in 2010, Dundas Global Investors (“Dundas”) is an independent Investment Management firm based in Edinburgh that manages a single investment strategy, global equities.

Dundas can best be categorised as Quality 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 sustainable 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, with satisfactory upside and good downside capture statistics.

## Characteristics

Unit Price (NAV)	AUD\$2.5717
Fund Size (AUD)	AUD\$2,797.44M
Tax Losses Available (As at last distribution period)	AUD\$206.39M
Portfolio Inception Date	August 2012
Inception Date - Class C	June 2015
Companies in Portfolio	Targeting 50–65 holdings
Sub-Investment Manager	Dundas Global Investors
Management Fee	0.90% p.a. (inc. GST and RITC)
Buy/Sell Spread	15/15 (bps)
Portfolio Management Team	Alan McFarlane – Chair David Keir – Managing Partner James Curry – Partner Gavin Harvie – Partner Andrew Brown – Partner
Responsible Entity	K2 Asset Management Ltd
Custodian/Registry	State Street Australia Limited

Source: Dundas Global Investors as at 31/01/25

## Performance

Return (%)	1 mth	3 mth	1 yr	3 yr (p.a.)	5 yr (p.a.)	7 yr (p.a.)	Incep (p.a.)
Total (gross)	4.45	10.18	20.58	10.92	12.56	14.61	12.59
Total (net)	4.37	9.93	19.51	9.93	11.56	13.59	11.58
Relative (gross)*	1.95	0.27	-7.26	-1.93	-0.06	1.60	0.74
Relative (net)**	1.87	0.02	-8.34	-2.92	-1.06	0.57	-0.26

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 June 2015. \*Relative (gross) 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 \*\*Relative (Net) calculated as the difference between the Fund's net (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	56
Dividend Yield	1.13%
Turnover* (last 12 months)	13.52%
Price/Earnings	30.34
Price/Cash Flow	22.31x
Price/Book Value	6.01x
Beta (ex-ante)	0.89
Average market capitalisation	\$301.20bn
Median market capitalisation	\$89.44bn
Tracking error (1 year)	4.78

\*Turnover calculated as ((Purchases + Sales)/2) / average assets during the period. Source: Dundas Global Investors and Apostle Funds Management as at 31/01/25

## Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	14.05
US\$ 100 - 500bn	37.16
US\$ 50 - 100bn	13.97
US\$ 10 - 50bn	34.00
US\$ 2 - 10bn	0.00

Source: Dundas Global Investors as at 31/01/25

## Top Ten Holdings by Capital (% weight)

Stock	Fund	Active Weight*
WW Grainger	3.63	3.57
Microsoft	3.53	-0.61
WR Berkley	2.99	2.97
Alphabet	2.82	1.49
Essilorluxottica	2.75	2.66
Visa	2.72	2.01
Sage Group	2.59	2.57
Atlas Copco	2.56	2.51
TSMC	2.54	2.54
American Express	2.50	2.28
TOTAL	28.62	21.98

\*Active Weight relative to the Index. Source: Dundas Global Investors and Apostle Funds Management as at 31/01/25

## Regional Allocation (%)

Country	Fund	Active Weight*
United States	58.41	-6.42
France	10.96	8.92
Switzerland	7.19	5.05
Sweden	5.85	5.04
Denmark	4.08	3.49
United Kingdom	2.59	-0.55
Taiwan	2.54	0.42
Japan	2.22	-3.42
Netherlands	1.71	0.71
Singapore	1.40	0.96
Hong Kong	1.28	0.71
India	0.94	-1.27
Other Countries	0.00	0.00

\*Active Weight relative to the Index. Source: Dundas Global Investors and Apostle Funds Management as at 31/01/25

## Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	24.88	-1.46
Health Care	22.84	13.28
Financials	20.70	4.28
Industrials	13.33	3.00
Consumer Discretionary	7.27	-4.22
Communication Services	4.10	-4.40
Consumer Staples	3.74	-2.28
Materials	2.32	-0.87
Real Estate	0.00	-1.87
Utilities	0.00	-2.53
Energy	0.00	-3.74
Cash	0.82	0.82

\*Active Weight relative to the Index. Source: Dundas Global Investors and Apostle Funds Management as at 31/01/25

## Performance and Portfolio Comment

### Market overview

Equities rebounded globally in January, with the S&P 500 and European indices like the STOXX 600, Germany's DAX, and Britain's FTSE hit all-time highs. In Asia, markets were mixed as China's DeepSeek AI model disrupted tech stocks. Commodities and currencies saw notable movements. Gold surged 7.1% to record highs, while Bitcoin futures rose 9.3%. The Dollar Index dipped 0.2%, with yen strength standing out. WTI crude gained 1.1%, reflecting concerns over Russian oil sanctions and potential Canadian oil tariffs. Trade and policy uncertainty shaped global sentiment. In the US, Trump's administration signalled potential 25% tariffs on Mexico, Canada, and China, though no immediate actions were taken.

Investors remained cautious over how to fund Trump's tax cuts, with divisions in Congress over deficit reduction. In Asia, Deep Seek's AI disruption weighed on US and European tech stocks, prompting scrutiny over AI investment costs and pricing power. Meanwhile, China's economic policies remained focused on stimulating growth, though weaker data signalled ongoing struggles. Europe remained resilient, with bond yields falling as inflation cooled. The ECB cut rates by 25bps to 2.75%, reinforcing expectations for further easing. French and German inflation came in softer than expected, supporting the case for continued rate cuts.

The Federal Reserve kept rates steady at 4.25-4.50%, with Powell signalling patience. Markets now expect rate cuts by midyear, though the Fed remains cautious due to persistent inflation risks. US job growth was much stronger

than expected, reinforcing expectations of a slower path to rate cuts. In Europe, softer inflation readings boosted rate-cut expectations, while flat Eurozone GDP growth raised concerns over economic momentum.

### Outlook

The outlook for dividend growth remains positive, with US technology firms increasingly prioritising capital returns to shareholders. Last year saw a record number of companies initiating dividends for the first time, including Alphabet, Salesforce, and Booking Holdings. We view this as a very positive shift in US corporate culture.

### Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 19.51%, while the market returned 27.84%\*. In January, the Fund returned 4.37% net of fees outperforming the market by 1.87%.

The relative outperformance was predominately driven by the Fund's holdings in the IT and Health Care sectors. Financials was the most significant detractor. Regionally, North America and Europe added value.

The top five contributors were Apple, Hexagon, EssilorLuxottica, Dassault Systemes and Thermo Fisher Scientific. The bottom five detractors were Booking, Novo Nordisk, HDFC Bank, WR Berkley and WW Grainger.

### Dividends

There were five dividend declarations with an average increase of 4.0%. Three companies increased their dividends, Hexagon 7.7%, Atlas Copco 7.1%, and ASML Holding 4.9%, while both LVMH and Lonza Group held their dividends.

### Portfolio changes

There were two changes to the Fund in January.

Diageo, the world's largest spirits business, was sold following its annual review which highlighted difficult trading across the spirits industry and elevated inventory positions in the wholesale channel. In addition, with Diageo's leverage and dividend pay-out ratio both above their long-term targets, the outlook for dividend growth is anaemic.

Geberit, the Swiss based manufacturer of plumbing and sanitary products and systems, has only grown its dividend by 3% per annum over the last five years. With little prospect of an uplift in dividend growth and the valuation of the shares 20% above the long-term average, the shares were sold.

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



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