

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\$2.0141
Fund Size	AUD\$2,119.40M
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 Russell Hogan – Partner James Curry – Partner Gavin Harvie – Partner David Keir – Partner
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)	1.11	3.51	18.75	11.20	11.53	13.79	11.28
Total (net)	1.03	3.27	17.69	10.21	10.53	12.78	10.29
Relative*	-0.09	-3.00	-2.19	-0.82	1.63	2.04	1.24

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 4th 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	62
Dividend Yield	1.30%
Turnover* (last 12 months)	9.01%
Price/Earnings	27
Price/Cash Flow	20.1x
Price/Book Value	5.1x
Beta (ex-ante)	0.99
Average market capitalisation	\$214.03bn
Median market capitalisation	\$66.08bn
Tracking error (1 year)	4.12

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	9.19
US\$ 100 - 500bn	29.63
US\$ 50 - 100bn	19.19
US\$ 10 - 50bn	35.98
US\$ 2 - 10bn	4.09

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.44	-0.50
WW Grainger	3.10	3.05
Novo Nordisk	2.71	2.23
Accenture	2.36	2.01
Alphabet	2.29	1.14
Sage Group	2.23	2.21
Ross Stores	2.15	2.08
Marsh & McLennan	2.10	1.94
Applied Materials	2.09	1.88
Analog Devices	2.09	1.94
TOTAL	24.55	17.97

Active weight relative to the Index.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	4.91
Home Depot	3.92
Sage Group	3.44
Roche Holding	3.29
Analog Devices	3.17
TOTAL	18.73

Regional Allocation (%)

Country	Fund	Active Weight*
United States	57.77	-3.14
France	9.11	6.41
Switzerland	9.00	6.49
Sweden	4.70	3.88
Denmark	4.68	3.90
United Kingdom	3.42	-0.13
Japan	2.99	-3.33
Hong Kong	1.61	0.84
Netherlands	1.44	0.27
Taiwan	1.42	-0.30
Singapore	1.22	0.84
India	0.72	-1.08
Other Countries	0.00	0.00

Active Weight relative to the Index.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	26.02	3.73
Health Care	21.58	9.70
Financials	16.97	1.95
Industrials	13.26	2.69
Consumer Discretionary	6.93	-4.59
Consumer Staples	5.78	-1.40
Communication Services	4.91	-2.87
Materials	2.64	-1.49
Energy	0.00	-4.82
Real Estate	0.00	-2.15
Utilities	0.00	-2.68
Cash	1.92	1.92

Active Weight relative to the Index.

Performance and Portfolio Comment August 2023

Market overview

Global markets retreated in August, and market volatility increased not least amid worries over renewed bad news from the Chinese real estate sector, prompting contagion fears. The difficulties of Country Garden and Evergrande, two of China's largest property developers, highlighted in sharp relief the real estate weakness. In addition, other economic data from China continues to be worse than expected. Given this backdrop, developed markets outperformed emerging markets.

In the US, while economic data remains robust, confidence in the ending of the Federal Reserve's (Fed) tightening cycle was tested. The minutes of the latest Fed's meeting revealed that most members remain concerned about inflation and reserve the option for additional rate hikes if necessary. Market pricing now suggests that the Fed could deliver one final hike before year end and potentially four to five rate cuts in 2024.

Eurozone core inflation fell modestly, however it remains well above the European Central Bank (ECB)'s target and markets continue to price further ECB rate increases to the end of the year. The European banking sector was dragged lower after Italy announced a tax on banks' excess profits, although shares largely recovered after the government later clarified that the tax would amount to no more than 0.1% of a bank's assets. The UK economy expanded by a very modest 0.2% in the second quarter, however this did beat the consensus expectations of zero growth. The Bank of England (BoE) increased its base rate by 25bps and warned that rates would need to remain "sufficiently restrictive for sufficiently long" to help tame inflation.

Performance overview

Over the past 12 months, the Fund has posted a total return gross of fees of 18.75% while the market returned 20.94%*. In August, the Fund gained by 1.11%, underperforming the market by 0.09%.

While asset allocation was positive this month, it was negated by negative stock selection. The Financial sector added the most to performance, the slight negative from the Fund's overweight was more than compensated by strong stock selection within the sector. Robust stock selection in the Consumer Discretionary and Communication Services sectors was additive to performance. Stock selection within the IT sector was the worst contributor, and three of the five bottom stock detractors came from this sector. The Fund's overweight to the Health Care sector boosted performance, however, stock selection within the sector was disappointing. Having no exposure to the Energy sector, which was the best performing sector in August was a detriment to performance.

On a regional basis, the positive effects of stock selection in North America and Europe was neutralized by the negative impacts from the Fund's underweight to the former and overweight to the latter. In Asia Pacific, being underweight the region aided performance, although stock selection in Japan and the Fund's single holdings in India (HDFC Bank) and Taiwan (TSMC) marred performance over the month.

The list of the top five contributors was headed up by the Danish multinational pharmaceutical firm **Novo Nordisk**, followed by three US-listed stocks, the discount retailer **Ross Stores**, and the financials stocks **Brown & Brown** and **Marsh & McLennan**. UK based accounting software firm **Sage** rounded out the list.

Of the bottom five detractors, four were US-listed. On the list was the Japanese diagnostics specialist **Sysmex**, followed by circuit protection specialist **Littelfuse**, measurement equipment manufacturer **Keysight Technologies**. Also on the list was digital payments firm **Paypal** and semiconductor manufacturer **Analog Devices**.

Dividends

There were three dividend announcements in August, with an average increase of 6.0%. **Littelfuse** announced a dividend increase of 8.3%, **Diageo** posted a final dividend which was 5.0% up on last year, while **Nordson's** dividend rose by 4.6%.

Portfolio changes

There were no new investments made in August and Symrise, the German based producer and supplier of fragrances, flavourings and cosmetic active ingredients, was sold.

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

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