

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 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 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\$2.0722
Fund Size	AUD\$2,200.44M
Tax Losses Available (As at last distribution period)	AUD\$257.32M
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 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)	2.69	8.69	20.53	10.14	14.73	13.92	11.23
Total (net)	2.61	8.45	19.45	9.16	13.71	12.90	10.24
Relative (Gross)*	1.03	3.80	-1.36	-0.08	2.31	2.90	1.48
Relative (Net)**	0.95	3.56	-2.44	-1.06	1.29	1.88	0.49

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 31st August 2012. *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	60
Dividend Yield	1.26%
Turnover* (last 12 months)	9.91%
Price/Earnings	27.07
Price/Cash Flow	19.36x
Price/Book Value	5.01x
Beta (ex-ante)	1.01
Average market capitalisation	\$230.84bn
Median market capitalisation	\$65.84bn
Tracking error (1 year)	4.08

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	10.52
US\$ 100 - 500bn	26.68
US\$ 50 - 100bn	18.89
US\$ 10 - 50bn	37.49
US\$ 2 - 10bn	3.74

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	3.61	-0.66
WW Grainger Inc	3.28	3.23
Novo Nordisk	2.76	2.25
Sage Group	2.48	2.46
Atlas Copco	2.44	2.37
Accenture	2.33	1.97
Ross Stores	2.23	2.16
Costco Wholesale	2.20	1.75
Alphabet	2.15	1.02
WR Berkley	2.12	2.10
TOTAL	25.60	18.65

Active weight relative to the Index.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	5.22
Home Depot	3.79
Sage Group	3.47
Abbott Laboratories	3.21
Diageo	3.13
TOTAL	18.82

Regional Allocation (%)

Country	Fund	Active Weight*
United States	56.30	-4.47
France	9.51	6.87
Switzerland	7.64	5.16
Sweden	5.61	4.67
Denmark	5.04	4.23
United Kingdom	3.79	0.23
Japan	3.03	-3.19
Netherlands	1.69	0.50
Taiwan	1.47	-0.40
Hong Kong	1.38	0.67
Singapore	1.14	0.77
India	0.71	-1.37
Other Countries	0.00	0.00

Active Weight relative to the Index.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	26.50	3.29
Health Care	20.32	8.96
Financials	16.67	1.15
Industrials	14.85	4.37
Consumer Discretionary	6.59	-4.57
Consumer Staples	6.06	-0.90
Communication Services	3.34	-4.38
Materials	2.99	-1.04
Energy	0.00	-4.70
Real Estate	0.00	-2.14
Utilities	0.00	-2.70
Cash	2.68	2.68

Active Weight relative to the Index.

Performance and Portfolio Comment –December 2023

Market overview

Global equities rose again in December, as did government bonds. The positive market momentum was in part a factor of equity markets continued fixation on central banks policies and the softening tones supported by favourable inflation news. Smaller cap stocks significantly outperformed and measured by the Russell 2000 index posted their highest monthly return in three years.

US Treasuries has their best month since May 1985, and global bonds experienced their best month since 2008. The US 10-year yield fell from 4.93% to 4.32%. The UK 10-year Gilt also delivered a capital gain as the yield fell from 4.51% to 4.17%. The Federal Reserve left its target rate range at 5.25-5.50% for the third consecutive meeting but signalled the prospects of rate cuts next year.

European equity markets ended higher for the second month and a shift in central bank policy expectations away from the peak of the cycle to rate cut pricing supported risk appetite.

China again weighed on emerging markets performance as the market posted a monthly loss. Structural issues including debt and real estate restructuring, youth unemployment, and trade sanctions continue to impact investor sentiment.

In the geopolitical sphere, a financial aid package for Ukraine was vetoed by Hungary at the EU Summit, while the conflict in the Middle East caused interruptions to maritime trade in the Red Sea. The COP 28 Summit ended with an agreement to “transition away” from fossil fuels.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 19.45% while the market returned 21.89%*. In December, the Fund gained by 2.61%, outperforming the market by 0.95%.

The Fund’s outperformance was once again a result of strong stock selection and augmented by positive allocation effects. On an absolute basis, all sectors excluding Consumer Staples and Energy posted positive returns. Stock selection within the IT sector was the best contributor to performance and the Fund’s overweight to the sector was neutral. The Consumer Staples and Industrials sectors also returned positive stock selection, which the Fund’s slight underweight to the former and overweight to the latter also aided performance. Health Care’s stock selection was additive to performance, albeit the Fund’s long-standing overweight to the sector has a slight negative impact. Having no exposure to Energy, the worst performing sector, boosted performance. Of the eight sectors invested in by the Fund, three had negative stock selection – Communication Services, Materials and Financials. In the case of the Financials sector the return from stock selection was the worst contributor to performance, and the impact of the Fund’s overweight to the sector was negligible.

Regionally, stock selection within Europe and North America was very pleasing, while the overweight to Europe and underweight to North America was insignificant. Although three of the bottom five stock detractors were US-listed stocks, the positive stock selection from the region was the biggest contributor to performance. Within Europe, Switzerland, Sweden, the Netherlands and the UK added the most to the positive stock selection. Allocation to and stock selection within the Asia Pacific region were both favourable.

The list of five best stock contributors, came from the US and Sweden. This included the Swedish measurement technology group **Hexagon**, circuit protection specialist **Littelfuse**, discount retailer **Costco**, Swedish multinational industrial stock **Atlas Copco** and industrial technology company **Equifax**.

The bottom five detractors were headed up by three US-listed Financials stocks, **Marsh & McLennan, Brown & Brown** and **WR Berkley**. Also on the list was Swiss based chocolate manufacturer and sales firm **Lindt** and Danish multinational pharmaceutical company **Novo Nordisk**.

Dividends

There were three dividend announcements in December, with an average increase of 9.9%. **Zoetis** announced dividend increase of 15.2%, **Abbot Laboratories** declared a dividend increase of 7.8%, while **Stryker Corp's** dividend rose by 6.7%.

Portfolio changes

There were no new investments or complete sales made in December.

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

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