

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\$1.7858
Fund Size	AUD\$1,842.72M
Tax Losses Available (As at last distribution period)	AUD\$294.98M
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	Russell Hogan – Managing Partner Alan McFarlane – Senior 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)	2.74	1.01	-7.86	6.85	11.90	12.54	10.33
Total (net)	2.66	0.78	-8.68	5.90	10.90	11.54	9.34
Relative*	-0.24	0.66	0.76	2.03	3.49	2.39	1.77

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	63
Dividend Yield	1.51%
Turnover* (last 12 months)	8.88%
Price/Earnings	25.6x
Price/Cash Flow	20.0x
Price/Book Value	4.8x
Beta (ex-ante)	0.99
Average market capitalisation	\$183.03bn
Median market capitalisation	\$70.09bn
Tracking error (1 year)	4.91

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	6.34
US\$ 100 - 500bn	28.58
US\$ 50 - 100bn	20.33
US\$ 10 - 50bn	35.53
US\$ 2 - 10bn	7.64

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	2.75	-0.40
WW Grainger	2.70	2.65
Novo Nordisk	2.35	1.97
Ross Stores	2.20	2.13
Accenture	2.14	1.82
Littelfuse	2.13	2.13
Analog Devices	2.08	1.93
Abbott Laboratories	2.01	1.68
Home Depot	2.00	1.43
Factset Research	1.99	1.99
TOTAL	22.35	17.33

Active weight relative to the Index.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Intel	4.78
DBS Group	4.13
Home Depot	3.40
Sage Group	3.15
Roche	2.95
TOTAL	18.41

Regional Allocation (%)

Country	Fund	Active Weight*
United States	56.61	-1.73
France	9.06	6.20
Switzerland	7.68	4.97
Sweden	4.98	4.08
United Kingdom	4.21	-0.09
Japan	3.97	-2.27
Denmark	3.82	3.10
Taiwan	1.51	-0.21
Netherlands	1.49	0.22
Singapore	1.42	0.97
Hong Kong	1.13	0.18
Germany	0.95	-1.14
India	0.83	-0.87
Norway	0.74	0.51
Other Countries	0.00	0.00

Active Weight relative to the Index.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	31.43	10.46
Health Care	19.68	7.22
Financials	13.23	-1.56
Industrials	12.94	2.58
Consumer Discretionary	7.68	-3.61
Consumer Staples	5.56	-1.81
Communication Services	4.65	-2.70
Materials	3.24	-1.37
Energy	0.00	-5.43
Real Estate	0.00	-2.40
Utilities	0.00	-2.95
Cash	1.60	1.60

Active Weight relative to the Index.

Performance and Portfolio Comment – January 2023

Market overview

US equities traded higher in January, following the declines of the previous month. Investors seem more optimistic about increasing disinflationary signals in the economic data and generally improving sentiment. Strength in big tech helped the Nasdaq Composite to its best January performance since 2002. However, there remains an active debate about whether this represents a real inflection or yet another bear-market rally. European exchanges also saw gains in January. There are threats of profit taking, due to positioning and technical issues, ahead of ECB and BoE decisions due the start of February. The IMF upgraded its 2023 forecast, though with downgrades for the UK and Spain. The rapid ending to the zero-Covid policy in China has raised expectations that the Chinese economy will experience a strong recovery in the first half of 2023, which should benefit both China and its trading partners in the region.

Performance overview

Over the past 12 months, the Fund has posted a total return gross of fees of -7.86% while the market returned -8.62%*. In January, the Fund gained 2.74%, underperforming the market by -0.24%.

The underperformance for the month was a combination of both allocation and stock selection. The strongest sector contributor over the month was Consumer Staples with strong stock selection and a benefit from the Fund's underweight positioning. The largest overall contribution came from stock selection within the Health Care sector, although this was all but negated from the negative impact from the Fund's overweight to the sector. Stock selection within the Financials, Consumer Discretionary and the I.T. sectors all disappointed.

On a regional basis, stock selection within Asia Pacific was the largest contributor, with the Fund's Japanese holding and the single holding in Taiwan the main drivers. Stock selection in North America was also positive, and performance was also aided by the underweight to the region. Similar to last month, stock selection to the European markets was negative, with France, Germany, Switzerland and Sweden the bottom performers from a stock selection perspective. There was some slight relief from the positive impact awarded by the Fund's overweight to the region.

The top five contributors came from three sectors, I.T. Communication Services and Consumer Discretionary, with three stocks US listed. The lineup was topped by the Taiwanese-chip foundry **TSMC**, media and entertainment giant **Walt Disney**, circuit protection specialist **Littelfuse**, e-commerce platform **eBay** and the French luxury conglomerate **LVMH**.

The catalogue of bottom five contributors was headed up by the Swiss diagnostics businesses **Tecan**, and US insurance solutions provider **WR Berkley**. Also on the list was the American provider of human resources management software and services **Automatic Data Processing**, the French healthcare supplier **BioMerieux**, and the US gaming content specialist **Activision Blizzard**.

Dividends

There were seven dividend announcements in January with an average increase of 11.6%. **Atlas Copco**, a leader in industrial automation technology focused on pneumatic systems, increased its dividend by 21.1%. The world's largest luxury goods business **LVMH** and global pharma outsourced manufacturer **Lonza Group** declared a 20.0% and 16.7% dividend increase respectively. The Swedish measurement technology group **Hexagon** and Danish global biotechnology company **Novozymes** both announced dividend increases of 9.1%. The Dutch semiconductor equipment maker **ASML** recorded a 5.5% increase and finally US chip maker Intel held its dividend.

Portfolio changes

The Swiss based stock **Geberit**, which specialises in the development, manufacture and distribution of sanitary products and systems for the residential and industrial construction industry, was added in January, and no full sales were made.

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

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