

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\$1.9557
Fund Size	AUD\$2,038.26M
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	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 p.a.	5 yr p.a.	7 yr p.a.	Incep. p.a.
Total (gross)	-0.12	8.28	14.77	10.47	12.79	13.08	11.18
Total (net)	-0.20	8.04	13.75	9.49	11.78	12.07	10.19
Relative*	-1.38	-0.07	2.54	-0.47	2.58	2.30	1.68

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	1.35%
Turnover* (last 12 months)	6.46%
Price/Earnings	25.59x
Price/Cash Flow	19.6x
Price/Book Value	5.0x
Beta (ex-ante)	0.96
Average market capitalisation	\$202.15bn
Median market capitalisation	\$63.05bn
Tracking error (1 year)	4.49

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	7.94
US\$ 100 - 500bn	29.65
US\$ 50 - 100bn	18.33
US\$ 10 - 50bn	36.64
US\$ 2 - 10bn	5.34

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.59	-0.59
WW Grainger	2.93	2.88
Novo Nordisk	2.42	1.97
Atlas Copco	2.34	2.28
Accenture	2.32	1.97
Apple	2.21	-2.37
Alphabet	2.14	1.03
Analog Devices	2.13	1.97
Littelfuse	2.09	2.09
Sage Group	2.04	2.02
TOTAL	24.21	13.25

Active weight relative to the Index.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	4.70
Home Depot	4.04
Sage Group	3.48
Roche Holding	3.28
Analog Devices	3.27
TOTAL	18.77

Regional Allocation (%)

Country	Fund	Active Weight*
United States	55.82	-4.01
France	9.20	6.52
Switzerland	7.94	5.30
Sweden	5.30	4.41
Denmark	4.09	3.31
Japan	3.78	-2.63
United Kingdom	3.28	-0.43
Hong Kong	1.78	0.90
Netherlands	1.60	0.37
Taiwan	1.58	-0.31
Singapore	1.15	0.75
Germany	0.95	-1.08
India	0.78	-1.10
Norway	0.66	0.46
Other Countries	0.00	0.00

Active Weight relative to the Index.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	27.70	5.37
Health Care	19.52	7.40
Financials	15.96	0.90
Industrials	14.16	3.72
Consumer Discretionary	6.54	-4.49
Consumer Staples	5.82	-1.67
Communication Services	4.74	-3.04
Materials	3.46	-0.67
Energy	0.00	-4.56
Real Estate	0.00	-2.16
Utilities	0.00	-2.89
Cash	2.10	2.10

Active Weight relative to the Index.

Performance and Portfolio Comment – May 2023

Market overview

US equities were mixed over the month of May. The federal debt crisis generated headlines and widespread media coverage, and while the market anticipated an eleventh-hour settlement, negotiations between the White House and the GOP Speaker were, at a minimum, fraught. The potential default date was the 5th June, however both sides came to an agreement in principle on the 27th May that would suspend the debt ceiling until January 2025. Elsewhere, technology focused gains were a major theme again this month, the fervour around artificial intelligence and the potential for a boom in related technology drove chipmakers, in particular, higher. European markets finished lower, as more recent data pointed to slowing momentum. Both the ECB and the BoE raised interest rates by 25bps as European central banks continue to tighten monetary policy and signal more rate hikes to come amid sticky inflation. Revised figures confirmed Germany had faltered into a technical recession. In China, the economic recovery has been weaker than analysts had expected, with the latest factory activity coming in lower than forecasted.

Performance overview

Over the past 12 months, the Fund has posted a total return gross of fees of 14.77% while the market returned 12.23%*. In May, the Fund declined by -0.12%, underperforming the market by -1.38%.

IT was the standout sector performer over the month, delivering more than double the return of the next best, Communication Services. Along with Consumer Discretionary, these three were the only sectors to beat the index in May. Energy was at the other end of the scale, the worst performing sector, a direct contrast to last month. Fund allocation was positive for the month, however, stock selection was negative and the cause of the Fund's underperformance. The Fund's overweight to the IT sector was the largest contributor to performance, and although this was negated by poor stock selection, all five of the Fund's top stock contributors were from this sector. Stock selection within the Health Care sector was the largest detractor from performance, and the Fund's overweight to the sector also cost performance.

From a regional perspective, stock selection within Europe was the single positive contribution, with Sweden, the UK, France and the Netherlands all adding value. Stock selection to North America and Asia Pacific was disappointing.

The top five contributors all came from the IT sector. The list was headed up the semiconductor manufacturers, US-listed **Applied Materials** and Taiwanese based **TSMC**, followed by tech consulting giant **Accenture**, measurement equipment manufacturer **Keysight Technologies** (both US-listed) and the Dutch semiconductor equipment maker **ASML**.

Of the bottom five detractors, three were US-listed, Swiss global hearing aid maker **Sonova**, topped the chart followed by Japanese industrial supplier **Misumi**. Also on the list were digital payments conglomerate **PayPal**, industrial supplier **WW Grainger** media and entertainment giant **Walt Disney**.

Dividends

There were five dividend announcements in May with an average increase of 6.7%. **Factset**, the American based financial data and software company, declared a dividend increase of 10.1%. The Taiwanese semiconductor giant **TSMC** increased their dividend by 9.1%. Increases were also announced by Japanese diagnostics specialist **Sysmex** (5.3%), Swiss-listed hearing aid maker **Sonova** (4.5%), and finally, tech conglomerate **Apple** (4.3%).

Portfolio changes

No complete sales were made in May. The American stock exchange **Nasdaq**, the most active stock trading venue in the US by volume and ranked second on the list of stock exchanges by market capitalisation of shares traded, was purchased.

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

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