Apostle Dundas Global Equity Fund – Class C

APOSTLE

Australian PDS and New Zealand Clients

Monthly Report – **May 2024**

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

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$2.2491
Fund Size (AUD)	AUD$2,405.00M
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 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

Return (%)	1 mth	3 mth	1 yr	3 yr (p.a.)	5 yr (p.a.)	7 yr (p.a.)	Incep (p.a.)
Total (gross)	1.07	-1.94	16.48	9.98	13.94	13.60	11.75
Total (net)	0.99	-2.17	15.44	9.00	12.93	12.58	10.76
Relative (gross)*	-0.48	-3.49	-3.77	-0.65	1.32	2.05	1.10
Relative (net)**	-0.56	-3.72	-4.81	-1.63	0.31	1.03	0.11

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.**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	61
Dividend Yield	1.24%
Turnover* (last 12 months)	14.80%
Price/Earnings	27.68
Price/Cash Flow	20.16x
Price/Book Value	5.38x
Beta (ex-ante)	0.98
Average market capitalisation	$255.7bn
Median market capitalisation	$77.37bn
Tracking error (1 year)	4.28

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	14.24
US$ 100 - 500bn	33.68
US$ 50 - 100bn	11.92
US$ 10 - 50bn	38.50
US$ 2 - 10bn	0.00

Top Ten Holdings by Capital (% weight)

Stock	Fund	Active Weight*
Microsoft	3.72	-0.65
WW Grainger	3.41	3.29
Novo Nordisk	3.36	2.80
Atlas Copco	2.74	2.68
WR Berkley	2.64	2.62
Applied Materials	2.51	2.33
Sonova Holding	2.36	2.36
ASML Holding	2.34	1.80
Analog Devices	2.30	2.17
Essilorluxottica	2.21	2.11
TOTAL	27.58	21.50

*Active Weight relative to the Index

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	5.42
Home Depot	3.73
Essilorluxottica	3.54
Diageo	3.35
Sage Group	3.24
TOTAL	19.28

Regional Allocation (%)

Country	Fund	Active Weight*
United States	56.09	-5.78
France	8.83	6.36
Switzerland	8.17	5.80
Sweden	5.81	4.89
Denmark	5.24	4.35
United Kingdom	3.32	-0.19
Netherlands	2.34	1.05
Japan	2.30	-3.77
Hong Kong	2.06	1.44
Taiwan	1.99	-0.01
Singapore	1.23	0.87
India	0.97	-1.26
Other Countries	0.00	0.00

*Active Weight relative to the Index

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	25.02	0.44
Health Care	22.08	11.20
Financials	19.57	3.77
Industrials	14.22	3.51
Consumer Discretionary	6.75	-3.75
Consumer Staples	4.77	-1.73
Communication Services	3.35	-4.71
Materials	2.57	-1.30
Energy	0.00	-4.50
Real Estate	0.00	-1.92
Utilities	0.00	-2.69
Cash	1.66	1.66

*Active Weight relative to the Index

Performance and Portfolio Comment

Market overview

May was a positive month for global equities with the US leading the way. The major US equity indices rebounded after a weak April, with the S&P and Nasdaq seeing five straight weeks of gains before declining in the last week of the month. Big tech stocks logged outsized performance again, with more than half of the S&P's May gain being attributed to Nvidia, Apple, Microsoft and Google. There was confirmation this month that the Euro area came out of recession in the first quarter, with GDP growth of 0.3% after the previous five quarters of stagnation. In addition, Purchasing Managers' Index (PMI) data released during the month confirmed that economic activity is improving. Services sectors continue to act as the key pillar of strength, although there were also signs of a recovery in manufacturing.

During the month, the UK Prime Minister, Rishi Sunak, called a General Election for 4th July. So far, there has been no significant market reaction. There are some encouraging signs of improvement across Asian economies, albeit with some caveats. Chinese data is generally surprising to the upside, which has also coincided with a rebound in the equity market. Despite this improving optimism, the details of the recovery are less convincing as continued weakness in domestic demand necessitates a reliance on strong export growth. Challenges in the real estate sector remain unresolved, creating some doubts about the sustainability of the Chinese rally. Markets still anticipate rate cuts this summer albeit with some divergence in the timing between the US and Europe. After peaking in April, oil prices retreated during May. However, broader commodity indices still delivered positive returns, with global demand remaining solid amid ongoing conflicts in both the Middle East and Ukraine.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of +15.44%, while the market returned +20.25%*. In May, the Fund returned +0.99% net of fees underperforming the market by 0.56%.

For a third month in a row, the Fund underperformed its index due to negative stock selection, allocation was neutral. Consumer Discretionary was the best contributing sector for the Fund. On an absolute basis, it was the second worst sector, and so the Fund's underweight was a positive for performance, in addition the Fund's holding in the sector held up well this month. Not having any exposure to Energy – this month's worst performing sector – was also of benefit from an asset allocation perspective. The benefit to performance from the Fund's holding in Health Care was all but erased by the negative impact of the Fund's long-standing overweight to the sector, the net contribution was a small gain. Stock selection within IT was the largest detractor from performance. Stock selection within the Financials and Communication Services sectors also disappointed.

On a regional basis, allocation to and stock selection within Asia Pacific was positive. However, stock selection in Europe and North America hurt performance. Within Europe, the Fund's holdings in the UK, France, Sweden and Denmark were the main culprits adding to the weak performance.

The top five stock contributors hailed from the US and Switzerland. The US-listed semiconductor manufacturer Analog Devices headed up the list, followed by two Swiss Health Care stocks, Sonova and Alcon. The top five was rounded out by optic manufacturing company Amphenol and insurance brokerage firm Brown & Brown.

Four of the five stock detractors were US-listed. The list consisted of UK based accounting software firm Sage, tech conglomerate Apple, the industrial technology company Nordson, tech consulting giant Accenture and industrials supplier WW Grainger.

Dividends

There were five dividend announcements, with an average increase of 8.4%. The dividend declarations comprised of TSMC 33.3%, Factset 6.1%, Sysmex Corp 5.0%, Apple 4.2% and finally a dividend cut for Sonova Holding of -6.5%.

Portfolio changes

In May, the Swiss dental specialist Straumann Holding and Mastercard, the American multinational payment card services corporation, were purchased and the Swiss clinical diagnostics firm Tecan was sold.

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

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Recommended
Lonsec Research

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