

**Global Equity**

**Investment Objective**

- MSCI All Country World Index ex Australia + 2.5% per annum after all fees and expenses on a rolling five year basis
- Dividend growth to exceed MSCI All Country World Index ex Australia and inflation
- To achieve lower volatility than the MSCI All Country World Index ex Australia

**Investment Firm**

Dundas Global Investors ('Dundas') was founded in 2010 as an independent Investment Management firm based in Edinburgh that manages a single investment strategy, global equities.

Dundas focuses 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 utilises technology

**Investment Style**

Dundas are capital and income growth investors. Stocks are selected based upon their own fundamental research. The focus is upon 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.

**Characteristics**

Unit Price (NAV)	1.6600
Fund Size (AUD)	323,491,263
Tax Losses Available (As at last distribution period)	\$436.3M
Portfolio Inception Date	August 2012
Companies In Portfolio	Targeting 60–100 holdings
Investment Manager	Dundas Global Investors
Total Management Fee	0.35%
Indirect Cost Ratio (ICR)	0.50%
Buy/Sell Spread (bps)	0.25/0.25
Portfolio Management Team	Russell Hogan – Managing Partner Alan McFarlane – Senior Partner James Curry – Partner Neil Harris – Partner Gavin Harvie – Partner Michael Nicol – Partner Jane Morel – Analyst Katie Muir – Analyst
Responsible Entity	Equity Trustees Limited
Custodian	State Street Australia Limited

**Performance (%)**

Performance	1 mth	3 mths	1 yr	3 yr pa	Inception pa >
Total (gross)	6.40	7.29	-2.19	14.48	17.95
Total (net)	6.36	7.14	-2.67	13.85	17.27
Index*	5.54	7.51	0.02	15.72	19.34
Relative Return#	0.86	-0.22	-2.21	-1.24	-1.39

\*Index – MSCI All Country World Index ex Australia

#Inception Date: 31/08/2012 #Based on gross performance ^The performance data is audited on an annual basis. Source: State Street

**Portfolio Characteristics**

No of Holdings	69
Dividend Yield	2.04%
Turnover	24.80
Price/Earnings	21.66
Price/Cash Flow	15.0
Price/Book Value	3.5
Beta	0.97
Average market capitalisation	\$76.0bn
Tracking error	2.9

**Market Cap Exposure (% of stocks)**

Range	Fund
Large (> \$10bn)	76.81
Medium (\$2bn - \$10bn)	21.74
Small (< \$2bn)	1.45

**Top Ten Active Weights (%)**

Stock	Fund	Index	Active Weight
Accenture	2.85	0.21	2.64
Keyence	2.38	0.08	2.30
AIA Group	2.47	0.20	2.27
WPP	2.16	0.09	2.07
Roche	2.58	0.53	2.05
The Walt Disney Company	2.38	0.45	1.93
International Flavours & Fragrances	1.91	0.03	1.88
Novo Nordisk	2.13	0.31	1.82
Ross Stores	1.87	0.06	1.81
DBS	1.85	0.06	1.79

**Top 5 Holdings by Capital (%)**

**Top 5 Holdings by Dividend Yield (%)**

Holding	Fund	Holding	Fund
Microsoft	2.90	Legal & General	4.55
Accenture	2.85	Exxon Mobil	4.52
Exxon Mobil	2.76	Roche	3.97
Roche	2.58	Microsoft	3.77
AIA	2.46	DBS Group	3.56
TOTAL	13.55	TOTAL	20.37

**Regional Allocation (%)**

Country	Fund	Index	Difference
Canada	2.89	3.21	-0.33
Denmark	4.57	0.70	3.87
France	6.67	3.40	3.27
Germany	3.66	3.06	0.59
Hong Kong	7.45	1.11	6.34
Japan	5.65	7.92	-2.28
Netherlands	2.29	1.04	1.25
Singapore	1.84	0.44	1.40
Spain	1.53	1.10	0.44
Sweden	1.03	0.97	0.06
Switzerland	7.83	3.14	4.70
United Kingdom	7.83	6.70	1.13
United States	45.38	54.85	-9.47
Cash	1.39	0.00	1.39
TOTAL	100.00	--	--

**Sector Exposure (%)**

Sector	Fund	Index	Difference
Consumer Discretionary	13.48	12.80	0.68
Consumer Staples	11.19	10.62	0.57
Energy	4.01	6.76	-2.76
Financials	9.69	19.88	-10.20
Health Care	13.45	12.22	1.23
Industrials	13.64	10.56	3.08
Information Technology	22.68	15.19	7.48
Materials	9.67	4.63	5.04
Telecommunications	0.00	3.93	-3.93
Utilities	0.82	3.40	-2.58
Cash	1.39	0.00	1.39

**Performance and Portfolio Comment**

**Performance**

The AUD Gross return of the Fund for May was 6.36%, an 82bps premium to MSCI ACWI which delivered 5.54%.

**Markets**

MSCI ACWI's positive return in May had more to do with currencies than markets. In the US the market was flat, but rose almost 4% in AUD. The USD was strong as the likelihood of a rate rise at the next Fed meeting was talked up.

**Performance Overview**

The Fund's five strongest stocks for the month cover a broad range of industries. Accenture's growth stems from the profound information and digital re-engineering underway across numerous corporations and governments. Microsoft's shift into a corporate systems business operating on any computing device via subscriptions is well under way. Roche is one of the world leaders in new oncology treatments, an area of healthcare seeing some very exciting new drugs. Legal & General, the UK life assurance business, is growing its DC pensions business but is also getting deeply involved as an insurer or even buyer of long tail annuity risks from the UK DB pension system. Finally, International Flavours & Fragrances bounced back from a challenging period during which business with a major customer slowed.

Likewise, the five at the bottom of the class – Bayer, Gemalto, Ross Stores, L'Occitane and BorgWarner – operate in a similarly broad range of industries. In each case the underlying business remains sound but is, of course, monitored closely. Bayer, the German pharma and agribusiness conglomerate, fell after announcing its bid for Monsanto. One of the portfolio's other holdings, Syngenta, is being bid for by ChemChina. The global agribusiness and chemicals industry is being re-aligned.

**May Comment**

May's announced dividend increases were good, with Baxter International, Daikin, USS and Marsh McLennan all increasing by more than 10%. Amidst the dreary '...will it/won't it increase...' discussions about the Fed's next decision, it's worth noting comments by the CEO of Wells Fargo, the world's biggest bank by market cap, at its most recent investor day on 24 May. He pointed out the sapping effect of low rates upon his and other banks' profitability and indicated that these conditions are unlikely to change any time soon. In common with other major banks, most of Wells Fargo's reported profit growth for the past five years has reflected lower provisions plus the 'benefit' of share buy-backs. Dundas has bored quite a few people by going on about this continuously since taking over the Fund but, with 27% of global dividends coming from financial stocks, it is a vital question as Wells Fargo's CEO points out. Super-low interest rates and overly-accommodating monetary policies have masked many banks' weaknesses.

**Contact**

Apostle Funds Management Pty Limited  
Level 36, Gateway  
1 Macquarie Place  
Sydney NSW 2000  
Australia  
T +61 2 8075 4796 F +61 2 8075 4550  
[www.apostlefm.com.au](http://www.apostlefm.com.au)

**Apostle Funds Management Pty Limited ABN 16 129 922 612 AFSL No. 458375 ("Apostle")**

This document is issued by Apostle and relates to the Apostle Dundas Global Equity Fund ("Fund") (APIR Code ETL0344AU) for which Apostle is the Investment Manager. The Sub-Investment Manager for the Fund is Dundas Partners LLP, operating as Dundas Global Investors, which is exempt from the requirement to hold an AFSL under the Corporations Act 2001 (Cth) in respect of financial services. Dundas Partners LLP is regulated by the FCA under UK laws, which differ from Australian laws. Equity Trustees Limited ("ETL") (ABN 46 004 031 298) AFSL 240975 is the Responsible Entity for the Fund.

This material is for general information purposes only. It is not an offer or a recommendation to purchase or sell any security and is not intended to substitute for the Fund's Disclosure Documents which will outline the risks involved and other relevant information. It is not intended to take the place of professional advice and you should not take action on specific issues in reliance on this information. Please note that past investment performance is not a reliable indicator of future investment performance. This information has not been prepared taking into account your objectives, financial situation or particular needs.

This document may contain information provided directly by third parties. To the maximum extent permitted by law, Apostle excludes liability for material provided by third parties. This document is strictly confidential and is intended solely for the use of the person to whom it has been delivered. It may not be reproduced, distributed or published in whole or in part, without the prior approval of Apostle. You should obtain a copy of the product disclosure statement before making a decision about whether to invest in this product.