

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
- Capital and income growth to exceed MSCI ACWI and inflation
- To achieve lower volatility than the MSCI All Country World Index ex Australia

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\$ 1.4598
Fund Size	AUD\$ 942.66M
Tax Losses Available (As at last distribution period)	AUD\$ 376.83M
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 Katie Muir – Partner
Responsible Entity	Equity Trustees Limited
Custodian/Registry	State Street Australia Limited

Performance (%)

AUD return	1 mth	3 mths	1 yr	2 yr pa	3 yr pa	Incep pa
Total (gross)	-0.93	5.17	32.94	18.11	18.52	11.80
Total (net)	-1.01	4.94	31.76	17.05	17.46	10.81
Relative*	-0.58	0.54	6.08	5.08	4.88	1.56

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 MSCI All Country World Index ex Australia. Past performance is not a reliable indicator of future performance.

Portfolio Characteristics

No. of Holdings	67
Dividend Yield	1.49%
Turnover (last 12 months)	12.29%
Price/Earnings	26.1x
Price/Cash Flow	22.1x
Price/Book Value	4.3x
Beta (ex-ante)	0.97
Average market capitalisation	USD 123bn
Median market capitalisation	USD 43bn
Tracking error (1 year)	3.30%

Market Cap Exposure (% weight by capital)

Range	Fund
>USD 500bn	6.27
USD 100 - 500bn	30.89
USD 50 - 100bn	12.27
USD 10 - 50bn	38.01
USD 2 - 10bn	11.66

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.10	0.81
Ross Stores	2.79	2.71
Accenture	2.38	2.11
Costco Wholesale	2.32	2.06
Abbott Laboratories	2.32	2.01
WW Grainger	2.29	2.26
Analog Devices	2.25	2.17
Sonova	2.24	2.21
EssilorLuxottica	2.14	2.05
Taiwan Semiconductor ADR	2.09	2.09

Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.

Top 5 Holdings by contribution to Dividend Yield (%)

Holding	Fund
Legal & General	5.74
Taiwan Semiconductor	4.29
DBS Group	4.02
Prudential PLC	3.59
Analog Devices	2.78
TOTAL	20.40

Sources: Dundas, Bloomberg.

Performance and Portfolio Comment – December 2019

Regional Allocation (%)

Country	Fund	Active Weight*
United States	41.12	-13.97
Japan	9.16	1.85
Switzerland	8.96	5.82
France	8.26	4.94
United Kingdom	6.41	1.50
Emerging	4.45	-7.63
Germany	3.75	1.19
Denmark	3.41	2.86
Canada	3.10	0.04
Spain	2.82	1.98
Ireland	2.38	1.43
Netherlands	1.65	0.16
Hong Kong	1.42	-0.04
Singapore	1.28	0.90
Sweden	0.96	0.21

Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	28.35	10.87
Health Care	20.94	9.17
Financials	11.78	-4.59
Consumer Staples	10.59	2.49
Consumer Discretionary	10.13	-0.72
Industrials	7.70	-2.68
Materials	6.01	1.50
Communication Services	3.62	-5.26
Energy	-	-5.21
Real Estate	-	-3.13
Utilities	-	-3.35
Cash	0.89	0.89

Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.

Market overview

Measured by the ACWI ex Australia index in Australian Dollars, global equity markets fell 0.35% in December and have returned 26.86% for the calendar year 2019.

During the month, Asia Pacific delivered the best returns of the major regions gaining 0.92% aided by a stronger performance from emerging markets as Japan fell 1.75%. European markets fell -0.07%, with gains in the UK (+0.92%) following a conclusive conservative party win at the general election offset by a weaker performance from France and Germany. North America saw the biggest fall of 0.96%, with both the US and Canada declining.

Four sectors delivered positive returns in December. A \$6 a barrel increase in the oil price drove Energy to the top with a gain of 1.44%, followed by Materials (+1.19%), I.T. (+1.19%) and Utilities (+0.13%). Industrials was the poorest performing sector falling 2.46%, joined at the bottom by Consumer Staples (-1.45%) and Communication Services (-0.96%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 32.94% while the benchmark index gained 26.86%. During the month the Fund returned -0.93%, a relative performance of -58ps.

By sector, stock selection was the primary driver of December's relative performance. Consumer Staples and Consumer Discretionary stocks were the key detractors which offset good performance from the Fund's Financials and Industrials holdings. By region, stock selection and allocation contributed equally to relative returns. The main detractor was Europe – France in particular - whilst under exposure to the weaker US market was the biggest positive.

At a stock level, only ten holdings contributed positively to relative performance in December. The top three contributors were **Taiwan Semiconductor** (+6.06% total return), UK insurance and pension giant **Legal & General** (+6.30%), and oncology specialist **Bristol Myers Squibb** (+8.48%). The biggest detractors were led by consumer products supplier **IFF** (-11.57%), who announced a \$26bn takeover of **DuPont's** Nutrition business. Joining **IFF** at the bottom was membership retailer **Costco** (-5.66%), French eyewear giant **EssilorLuxottica** (-5.66%), German consumer products company **Henkel** (-6.29%) and US discount retailer **Ross Stores** (-3.33%).

Dividends

Five of the Fund's holdings made new dividend declarations in December. Dividend growth averaged 7.8% in local currencies, with the biggest increase of 22% coming from Zoetis, the global leader in animal healthcare, whilst media giant Disney held its dividend per share at the same level as last year as it digests the \$71bn acquisition of 21st Century Fox and invests heavily in its new streaming platform.

Portfolio changes

There were no outright purchases or sales during the month.

Contacts

Apostle Funds Management Pty Limited
Level 25, 259 George St
Sydney NSW 2000
Australia
T +61 2 8278 9554 F +61 2 9247 9976
www.apostlefm.com.au

Equity Trustees Limited
GPO Box 2307
Melbourne VIC 3001
T +61 3 8623 5000
www.egt.com.au/~//media/equitytrustees/files/instofunds/apostle/dundas-global-equity-fund-class-c-nz-pds.pdf