

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\$ 1.5175
Fund Size	AUD\$ 984.54M
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)	4.48	8.69	36.27	19.91	20.83	12.63
Total (net)	4.40	8.44	35.06	18.84	19.75	11.62
Relative*	0.58	0.71	9.86	5.93	4.97	1.69

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 4<sup>th</sup> 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)	17.90%
Price/Earnings	27.2x
Price/Cash Flow	21.8x
Price/Book Value	4.5x
Beta (ex-ante)	0.93
Average market capitalisation	USD 126bn
Median market capitalisation	USD 46bn
Tracking error (1 year)	3.13%

**Market Cap Exposure (% weight by capital)**

Range	Fund
>USD 500bn	6.14
USD 100 - 500bn	30.83
USD 50 - 100bn	13.81
USD 10 - 50bn	37.14
USD 2 - 10bn	11.46

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

Stock	Fund	Active Weight*
Microsoft	2.75	0.24
Ross Stores	2.71	2.62
Sonova	2.46	2.43
Costco Wholesale	2.42	2.15
Abbott Laboratories	2.34	2.03
Accenture	2.33	2.06
Baxter International	2.18	2.10
EssilorLuxottica	2.10	2.01
Analog Devices	2.09	2.01
Lonza Group	2.09	2.03

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

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

Holding	Fund
Legal & General	5.73
DBS Group	3.97
Taiwan Semiconductor ADR	3.72
Prudential PLC	3.58
Reckitt Benckiser	3.55
TOTAL	20.55

Sources: Dundas, Bloomberg.

Performance and Portfolio Comment – January 2020

Regional Allocation (%)

Country	Fund	Active Weight*
United States	44.03	-11.79
Japan	8.29	1.00
France	8.23	4.98
Switzerland	8.15	4.96
United Kingdom	7.46	2.63
Emerging	3.49	-8.24
Denmark	3.57	3.01
Canada	3.36	0.29
Spain	2.71	1.87
Ireland	2.33	1.38
Germany	1.90	-0.61
Netherlands	1.58	0.17
Hong Kong	1.36	-0.04
Singapore	1.24	0.87
Sweden	0.98	0.24
Norway	0.72	0.55

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	28.22	10.03
Health Care	22.27	10.57
Financials	10.82	-5.15
Consumer Staples	10.59	1.81
Industrials	8.72	-1.63
Consumer Discretionary	8.66	-2.20
Materials	6.02	1.72
Communication Services	4.69	-4.27
Energy	-	-4.79
Real Estate	-	-3.15
Utilities	-	-3.55
Cash	0.62	0.62

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

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 3.82% in January.

Of the major regions, North America delivered the best returns gaining 5.21% with a strong start to the new year from the US market. European markets rose 2.50% with Switzerland (+5.50%) producing some of the best returns and more modest returns from other large European markets; UK (+2.22%), France (+1.51%) and Germany (+1.65%). Asia Pacific returned 1.52%, largely thanks to a good performance from its largest market Japan which gained 3.58%.

Nine sectors delivered positive returns during the month. Utilities had the biggest gains (+10.20%), followed by I.T. (+7.88%), Communication Services (+4.96%) and Consumer Staples (+4.63%). Concerns about a slowdown in the Chinese economy following the Coronavirus outbreak hit commodity-linked stocks with the Energy sector falling 4.49% and Materials down 1.07%.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 36.27% while the benchmark index gained 26.41%. During the month the Fund returned 4.40%, a relative performance of +0.58%.

By sector, allocation was the overall driver of January's performance relative to the benchmark index. The Fund's Healthcare holdings were the biggest contributor with good stock selection in Materials and a lack of exposure to the Energy sector also positives. The biggest detractor was Consumer Discretionary holdings. By region, stock selection was the driver of relative returns – particular a good performance from the Fund's European holdings whilst under exposure to the stronger US market and currency detracted.

At a stock level, the top five contributors were led by two Swiss companies; **Sonova** (+15.09% total return), the global leader in hearing solutions, and pharmaceutical manufacturer **Lonza** (+18.26%). Other top contributors were flight simulator and training company **CAE** (+17.55%), membership discount retailer **Costco Wholesale** (+9.15%) and medical supplier **Baxter International** (+12.04%). Three holdings detracted from relative returns by more than ten basis points; the Japanese owner of the **Muji** brand stores **Ryohin Keikaku** (-24.13%), tech giant **Apple** (+10.68%) due to the Fund's underweight relative to the benchmark's and, industrial supplier **WW Grainger** (-6.12%).

Dividends

Six of the Fund's holdings made new dividend declarations in the first month of the new year. Dividend growth averaged 6.8% in local currencies. Semiconductor equipment maker **ASML** and luxury conglomerate **LVMH** delivered shareholders with dividend increases of 14% and 13% respectively. **Lonza**, the Swiss listed healthcare supplier, has held its annual dividend per share at the same level for the past two years following a rights issue in 2017 which increased **Lonza's** share count (and the cash dividend paid to shareholders) by 29%.

Portfolio changes

There were six portfolio changes in January – three new investments and three full sales. US listed companies **Activision Blizzard** and **Waste Management**, plus Norwegian listed recycling and sorting firm **Tomra Systems** were added to the Fund. Global consumer products conglomerate **Henkel**, Japanese online fashion retailer **ZOZO** and Swiss luxury bathroom supplier **Gerberit** were all sold as their dividend growth prospects have diminished.

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