

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\$ 1.4615
Fund Size	AUD\$ 948.51M
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)	-3.62	-0.24	22.77	17.35	19.01	11.53
Total (net)	-3.69	-0.47	21.67	16.30	17.95	10.54
Relative*	0.87	0.95	8.02	5.70	5.47	1.86

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	1.60%
Turnover (last 12 months)	17.42%
Price/Earnings	27.6x
Price/Cash Flow	20.1x
Price/Book Value	4.4x
Beta (ex-ante)	0.98
Average market capitalisation	USD 116bn
Median market capitalisation	USD 43bn
Tracking error (1 year)	3.13%

Market Cap Exposure (% weight by capital)

Range	Fund
>USD 500bn	6.15
USD 100 - 500bn	28.96
USD 50 - 100bn	13.93
USD 10 - 50bn	37.33
USD 2 - 10bn	12.99

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Ross Stores	2.83	2.74
Microsoft	2.82	0.22
Sonova Holding	2.52	2.49
Costco Wholesale	2.41	2.13
Analog Devices	2.24	2.15
Abbott Laboratories	2.23	1.93
Accenture	2.21	1.95
Baxter International	2.20	2.11
Lonza Group	2.17	2.10
Taiwan Semiconductor ADR	2.10	2.10
TOTAL	23.72	19.94

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

Top 5 Holdings by contribution to Dividend Yield (%)

Holding	Fund
Legal & General	5.57
DBS Group	3.90
Taiwan Semiconductor ADR	3.77
Prudential PLC	3.48
Reckitt Benckiser	3.45
TOTAL	20.17

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	44.03	-11.58
Switzerland	8.38	5.18
France	8.21	5.00
Japan	7.89	0.68
United Kingdom	7.05	2.37
Denmark	3.83	3.26
Emerging	3.68	-8.43
Canada	3.31	0.21
Spain	2.71	1.87
Ireland	2.21	1.22
Germany	1.92	-0.54
Netherlands	1.64	0.26
Hong Kong	1.44	-0.06
Singapore	1.24	0.87
Sweden	0.99	0.24
Norway	0.83	0.66

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	28.40	10.01
Health Care	22.71	10.83
Financials	10.52	-5.22
Consumer Staples	9.81	1.70
Consumer Discretionary	8.68	-2.30
Industrials	8.59	-1.61
Materials	6.01	1.76
Communication Services	4.63	-4.57
Energy	-	-4.49
Real Estate	-	-3.21
Utilities	-	-3.55
Cash	0.64	0.64

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

Performance and Portfolio Comment – February 2020

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets fell 4.49% in February as the spread of the COVID-19 virus outside China provoked another virus for equity markets – fear.

Of the major regions, Asia Pacific held up best with a decline of 1.83% helped by a rebound from Chinese markets (+4.84%) and Hong Kong (+2.76%) whilst Japan fell 5.66%. North America fell 4.57% despite central bank action to support the economy. The biggest fall came from Western Europe, down 5.75%, as the number of COVID-19 cases in Italy accelerated and cases were confirmed in other European countries. Of the largest European markets, the UK fell 7.15%, France was down 5.48%, Switzerland fell 4.44% and Germany declined 5.86%.

All eleven sectors fell, however, some held up better than others. The biggest decline came from Energy, down 10.22%, with the sharp fall in the oil price. Communication Services held up best, returning -2.05%, followed by Real Estate (-2.79%), Health Care (-3.07%) and Information Technology (-3.32%). The Federal Reserve's interest rate cut drove ten-year treasury yields to a record low and Financials down 5.77%. Closely behind was Industrials (-5.77%) and Materials (-5.74%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 22.77% while the benchmark index gained 14.75%. For the calendar year to date, the Fund has risen 0.69% against a benchmark decline of 0.85%. During February the Fund's gross return was -3.62%, a relative performance of +0.87%.

By sector, both allocation and stock selection contributed positively to February's performance relative to the benchmark index. The Fund's Healthcare and I.T. holdings were the biggest contributors with no Energy sector or commodity-linked Materials holdings also positives. The biggest detractor was Communication Services, due to the Fund's position in *Walt Disney*. By region, stock selection was the driver of relative returns. Particularly a good performance from the Fund's European stocks whilst no direct Chinese market exposure and Japanese holdings detracted.

At a stock level, the top five contributors to relative performance were: specialist chipmaker **Analog Devices** (+3.76% total return); Danish intimate healthcare products company **Coloplast** (9.42%); US discount retailer Ross Stores (+0.67%); semiconductor foundry **TSMC** (+3.64%); and pharmaceutical manufacturer **Lonza** (-0.14%). The biggest detractors were: UK pensions and savings manager **Legal & General** (-14.38%); Japanese industrial supplier **Misumi** (-14.27%); **American Express** (-12.11%); Japanese Muji store operator, Ryohin Keikaku (-15.30%); and **Disney** (-11.68%) whose theme parks, cruise ships and box office revenues will be particularly impacted in the near term.

Dividends

Thirteen of the Fund's holdings made new dividend declarations in February with growth in dividend per share averaging 9.5% in local currencies. More than half of the companies announced increases of more than 10%. Leading the pack was lab supplier **Thermo Fisher** increasing its quarterly dividend to shareholders by 15.8%, followed specialist chipmaker **Analog Devices** with an increase of 14.8%. Recent investments **Activision Blizzard** and **Tomra Systems** announced increases of 10.8% and 10.0% respectively, while more modest dividend growth came from consumer products giant **Reckitt Benckiser** (+2.3%) and diabetes specialist **Novo Nordisk** (+2.5%).

Portfolio changes

There were no outright sales or purchases during February.

Contacts

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