

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\$1.4404
Fund Size	AUD\$937.95M
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)	2.64	-4.87	13.41	14.86	15.59	10.82
Total (net)	2.57	-5.08	12.39	13.84	14.56	9.84
Relative*	-0.79	4.88	10.99	7.42	6.22	2.74

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	68
Dividend Yield	1.61%
Turnover (last 12 months)	17.17%
Price/Earnings	27.1x
Price/Cash Flow	20.0x
Price/Book Value	4.1x
Beta (ex-ante)	0.83
Average market capitalisation	\$125.3bn
Median market capitalisation	\$45.4bn
Tracking error (1 year)	5.98

Market Cap Exposure (% weight by capital)

Range	Fund
>USD 500bn	6.51
USD 100 - 500bn	30.59
USD 50 - 100bn	12.72
USD 10 - 50bn	36.63
USD 2 - 10bn	11.97

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.09	0.08
Abbott Laboratories	2.64	2.26
Costco Wholesale	2.57	2.26
Lonza Group	2.37	2.30
Baxter International	2.32	2.22
Accenture	2.24	1.97
Analog Devices	2.23	2.14
PayPal Holdings	2.21	1.89
Keyence	2.10	1.94
Taiwan Semiconductor ADR	2.06	2.06
TOTAL	23.83	

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
Taiwan Semiconductor ADR	3.98
DBS Group	3.83
Reckitt Benckiser	3.41
Analog Devices	2.88
TOTAL	19.83

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	44.25	(13.05)
France	8.29	5.40
Switzerland	8.22	5.00
United Kingdom	7.94	3.56
Japan	7.86	0.58
Denmark	4.15	3.53
Emerging Markets	3.40	(8.53)
Canada	2.39	(0.47)
Ireland	2.24	1.27
Spain	1.97	1.28
Germany	1.93	(0.42)
Netherlands	1.77	0.45
Hong Kong	1.34	(0.17)
Singapore	1.01	0.67
Norway	0.87	0.71
Sweden	0.79	0.05

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	28.59	8.99
Health Care	24.56	11.23
Consumer Staples	12.13	3.64
Financials	9.26	(4.37)
Industrials	7.60	(1.86)
Consumer Discretionary	5.85	(5.56)
Materials	5.86	1.59
Communication Services	4.57	(4.94)
Energy	-	(3.87)
Real Estate	-	(3.01)
Utilities	-	(3.40)
Cash	1.57	1.57

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

Performance and Portfolio Comment – April 2020

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 3.43% in April as investor fear subsided driven by improving coronavirus trends, news of potential treatments, government and central bank policy response momentum and the hope that lockdowns may soon be eased. The market bounce came despite first quarter GDP and corporate earnings reports showing the severe impact of the economic shutdown with guidance for Q2 even bleaker for the industries most affected.

North America was the best performing major region, gaining 5.77% in April as the S&P 500 posted its biggest monthly gain since January 1987. Asia Pacific rose 0.10% with its largest market Japan falling 1.47% and China down 0.76%, following their outperformance in the first quarter. Western Europe lagged, falling 0.58%, as France, Switzerland and UK markets fell 2.67%, 1.43% and 0.92% respectively while Germany gained 2.69% as lockdown measures began to be eased.

Nine of the eleven sectors gained in the market bounce. Cyclical sectors led with Consumer Discretionary up 7.95%, Energy rising 7.90% (despite oil continuing its fall) and Materials gaining 6.10%. They were followed by I.T (+5.83%), Health Care (+4.42%) and Communication Services (+4.38%) At the bottom were Utilities (-3.07%) and Consumer Staples (-0.77%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of +13.41% while the benchmark index gained 2.42%. For the calendar year to date, the Fund returned -0.61% against a benchmark decline of 6.31%. For the month of April the Fund's gross total return was +2.64%, a relative performance of -0.79%.

Relative performance was due to stock selection whilst sector allocation was positive. After a strong performance in the first quarter, the Fund's HealthCare stocks lagged in April and were the key detractor, in part offset by good performance from the Fund's Financials and Industrials holdings. By region, the Fund's relative under exposure to the US market rally and overweight to falling European markets drove relative performance, with USD currency effects and no exposure to China the main positives.

With many companies and sectors most impacted in the market downturn experiencing the biggest bounce in April, just nine Fund holdings positively contributed to relative performance. These were led by worldwide online payments facilitator **PayPal** (+20.10%), aviation simulator maker and training provider **CAE** (+23.85%), consumer products supplier **International Flavors & Fragrances** (+19.99%), specialist chip foundry **Analog Devices** (+14.28%) and **Apple** (+8.01%). A number of the biggest detractors were companies that had been top performers in the first quarter downturn: plasma specialist **Grifols** (-6.50%); blood testing company **Sysmex** (-10.51%); hearing aid maker **Sonova** (-11.56%); Swiss chocolatier **Lindt & Sprungli** (-11.56%) and; pharmaceutical supplier **Lonza** (-1.16%).

Dividends

Four Fund holdings made new dividend declarations in April with average growth in dividend per share of 5.0% in local currencies. US wholesaler **Costco** declared a 7.7% to its quarterly cash dividend; tech giant **Apple** announced a 6.5% increase; Japanese beauty company **Kosé** confirmed a 5.6% increase and; Singaporean lender **DBS Group** maintained the same level as the previous quarter. Over the past couple of months, several Fund holdings have taken the decision to defer, revise or suspend dividends to conserve cash given the current economic and business uncertainty. Dundas view this as a prudent approach.

Portfolio changes

There were no outright sales during the April. One new investment was made in **Diageo**, the UK-listed drinks giant with its impressive portfolio of global brands including **Johnnie Walker**, **Smirnoff**, **Tanqueray** and **Guinness**.

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