

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\$1.4985
Fund Size	AUD\$993.85M
Tax Losses Available (As at last distribution period)	AUD\$ 353.76M
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	3 yr pa	5 yr pa	Incep pa
Total (gross)	1.58	4.72	12.34	18.51	11.47	11.26
Total (net)	1.51	4.48	11.33	17.45	10.48	10.27
Relative*	0.48	1.27	9.00	7.49	3.52	2.88

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	66
Dividend Yield	1.30%
Turnover (last 12 months)	17.79%
Price/Earnings	30.9x
Price/Cash Flow	19.9x
Price/Book Value	4.3x
Beta (ex-ante)	0.80
Average market capitalisation	\$150.97bn
Median market capitalisation	\$58.51bn
Tracking error (1 year)	5.93

Sources: Dundas, Bloomberg.

Market Cap Exposure (% weight by capital)

Range	Fund
>USD 500bn	6.79
USD 100 - 500bn	32.35
USD 50 - 100bn	16.20
USD 10 - 50bn	33.62
USD 2 - 10bn	8.41

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.06	0.05
Lonza	2.94	2.85
Taiwan Semiconductor ADR	2.64	2.64
Abbott Laboratories	2.50	2.14
PayPal	2.40	1.96
Reckitt Benckiser	2.15	2.00
W. W. Grainger	2.15	2.12
Accenture	2.14	1.85
Keyence	2.09	1.93
Sonova	2.07	2.04
TOTAL	24.14	19.58

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Taiwan Semiconductor ADR	4.61
DBS Group	4.45
Reckitt Benckiser	3.67
Sage Group	3.03
Analog Devices	2.96
TOTAL	18.72

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	45.47	(11.87)
France	8.80	5.90
Switzerland	8.74	5.58
Japan	7.17	0.51
United Kingdom	6.71	2.72
Denmark	3.59	2.91
Emerging Markets	3.97	(8.47)
Ireland	2.14	1.17
Germany	2.13	(0.42)
Netherlands	1.83	0.50
Spain	1.47	0.82
Canada	1.19	(1.70)
Sweden	1.19	0.34
Hong Kong	1.13	(0.18)
Norway	0.93	0.78
Singapore	0.89	0.59

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	29.60	8.14
Health Care	24.85	12.05
Consumer Staples	10.71	2.58
Financials	8.60	(4.10)
Industrials	6.92	(2.40)
Materials	6.26	1.79
Consumer Discretionary	5.60	(6.61)
Communication Services	4.82	(4.75)
Energy	-	(3.29)
Real Estate	-	(2.78)
Utilities	-	(3.26)
Cash	2.64	2.64

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

Performance and Portfolio Comment – July 2020

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 1.10% in July and are now 3.08% lower compared to the end of 2019. During the month the US Dollar currency index was down just over 4%, its worst performance since 2010. Interest rates (measured by bond yields) fell, while WTI crude oil gained 2.5%.

North America was the best performing major region rising 1.67% with US equities finishing higher for a fourth straight month despite the continued rise in coronavirus cases in many states. Asia Pacific rose 0.12%, dragged lower by poor performance from its largest market Japan (-5.51%) while China (+5.44%) continued its strong run. Europe (-0.07%) lagged with returns dictated by either positive or negative news on coronavirus cases and lockdown stages in each country with Spain the most impacted. Of the major markets; France was down 1.25%, the UK suffered further declines (-0.94%), Switzerland was largely unchanged (-0.08%), and Germany rose 0.77%.

July saw a wide dispersion in sector returns. Top performers were Consumer Discretionary (+3.87%), Materials (+3.44%) and Information Technology (+2.80%). Middle of the pack were Utilities (+2.52%), Communication Services (+1.86%) and Consumer Staples (+1.68%). Health Care (+0.21%) underperformed the overall market but remained in positive territory. The remaining four sectors were negative over the month with another poor performance from Energy (-5.77%) and Financials remaining weak (-1.45%), together with Real Estate (-1.09%) and Industrials (-0.63%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 12.34% while the benchmark index gained 3.34%. For the calendar year to date, the Fund has returned 4.08% against a benchmark decline of 3.08%. In July the Fund rose 1.58%, a relative performance of +0.48%.

Stock selection was the driver of relative performance with the Fund's Health Care holdings the biggest contributor. No exposure to the poor performing Energy sector and good stock selection in Industrials also aided relative returns. Stocks within the two Consumer sectors were the biggest detractors. By region, European stock selection was the main driver of relative performance with Asia Pacific holdings also contributing. Under exposure to the best performing US market detracted.

The top stock performers were led by chip maker **TSMC** (+33.42%) on news that **Intel** is likely to offload some of its new chip production. Three Healthcare suppliers continued their strong performance; **Lonza** (+13.68%); **bioMerieux** (+13.82%); and **Tecan** (+14.37%), while accounting software firm **Sage** (+10.72%) released a positive trading update. The biggest detractors were led by **Intel** (-23.4%), who pushed back the launch of its next generation of chips and said it was considering using other manufacturers – with **TSMC** the likely beneficiary. Joining **Intel** at the bottom were two other semiconductor holdings; **Analog Devices** (-10.09%) and **ASML** (-7.33%). Other detractors were Japanese beauty company **Kosé** (-19.88%) and blood plasma specialist **Grifols** (-7.63%).

Dividends

July saw five new dividend declarations; three increases, one hold and one omission. **WW Grainger**, the leading distributor of maintenance, repair, and operating (MRO) products and services predominantly in the USA and Canada, raised its quarterly dividend 6.25%. Also providing shareholders with dividend increases were paint and coatings manufacturer **PPG Industries** (+5.88%) and insurance and consulting giant **Marsh & McLennan** (+2.2%). US-listed Littelfuse held its quarterly cash dividend at the previous level while blood plasma specialist Grifols omitted its final dividend. Of the 66 companies currently held within the Fund, 12 have either made dividend revisions, deferrals or cancellations due to the current COVID-19 related business uncertainty, with the majority of the portfolio's holdings increasing or continuing to pay dividends as normal.

Portfolio changes

There were no full sales or new purchases during the month.

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