

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\$1.5488
Fund Size	AUD\$1,041.63M
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)	2.23	5.15	13.30	17.65	13.90	11.61
Total (net)	2.15	4.91	12.29	16.60	12.88	10.61
Relative*	2.31	1.19	9.01	7.12	3.99	2.94

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	1.23%
Turnover (last 12 months)	13.68%
Price/Earnings	33.2x
Price/Cash Flow	20.3x
Price/Book Value	4.6x
Beta (ex-ante)	0.78
Average market capitalisation	\$157.44bn
Median market capitalisation	\$56.20bn
Tracking error (1 year)	6.01

Sources: Dundas, Bloomberg.

Market Cap Exposure (% weight by capital)

Range	Fund
>USD 500bn	6.76
USD 100 - 500bn	32.57
USD 50 - 100bn	15.65
USD 10 - 50bn	33.08
USD 2 - 10bn	8.84

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.02	0.02
Lonza Group	2.80	2.71
Taiwan Semiconductor ADR	2.61	2.61
Abbott Laboratories	2.60	2.22
PayPal	2.32	1.88
Sonova	2.24	2.21
Keyence	2.23	2.07
W.W. Grainger	2.16	2.13
Costco Wholesale	2.12	1.80
Accenture	2.08	1.79
TOTAL	24.18	19.44

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	5.06
DBS Group	4.16
Reckitt Benckiser	3.87
Analog Devices	3.17
Sage Group	3.13
TOTAL	19.38

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	47.19	(10.44)
Switzerland	8.95	5.85
France	8.48	5.67
Japan	7.99	0.98
United Kingdom	6.21	2.39
Denmark	3.47	2.78
Emerging Markets	3.94	(8.39)
Germany	2.15	(0.43)
Netherlands	1.84	0.53
Spain	1.39	0.78
Sweden	1.22	0.36
Hong Kong	1.18	(0.07)
Canada	1.08	(1.75)
Norway	0.94	0.78
Singapore	0.87	0.58

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	29.09	7.09
Health Care	25.02	12.46
Consumer Staples	10.70	2.71
Financials	8.42	(3.77)
Industrials	7.13	(2.54)
Materials	6.21	1.70
Consumer Discretionary	5.65	(7.34)
Communication Services	4.67	(4.78)
Energy	-	(2.83)
Real Estate	-	(2.68)
Utilities	-	(3.11)
Cash	3.10	3.10

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

Performance and Portfolio Comment – September 2020

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets fell 0.08% in September. Interest rates, measured by bond yields, were largely unchanged; the US Dollar currency index strengthened versus the Euro and Sterling rates; gold finished lower; and oil, measured by the WTI in US Dollars, lost its prior month gains, falling 5.6% and ending the month just above US\$40 per barrel.

Asia Pacific was the best performing major region rising 3.82% with strong performance from its largest market Japan (+4.16%) while China gained just 0.59%. Europe lagged the market returning -0.22% with Denmark (+4.47%), Sweden (+2.62%), Switzerland (+1.39%), and Germany (+0.07%) all delivering positive returns while the Netherlands and UK fell 0.74% and 0.75% respectively. North America fell 0.71%, with the USA down 0.66% following five straight monthly gains and Canada down 2.04%.

Four of the eleven sectors were lower in September with Energy the big laggard (-9.17%) and Financials continuing their struggle in an ultra-low interest rate world with loan loss provisions rising (-2.12%). This month's big theme was the weakness in the large-cap US tech space, with the group pulling back after having been the driving force behind the market's strong post-March rally, with the global I.T. sector ending the month down 0.54%. At the top there wasn't much between Industrials (+2.47%), Materials (+2.47%) and Utilities (+2.45%), joined in positive territory by Consumer Staples (+1.87%), Health Care (+1.60%), Real Estate (+0.43%) and Consumer Discretionary (+0.33%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 13.30% while the benchmark index gained 4.29%. For the calendar year to date, the Fund returned 7.73% against a benchmark decline of 0.33%. In September the Fund rose 2.23%, a relative performance of 2.31%.

Stock selection was the driver of relative performance with the Fund's Health Care, I.T., Consumer Staples, Materials, and Financials outperforming their benchmark sector counterparts. No exposure to the poor performing Energy sector continues to aid relative returns. The biggest detractor was under exposure to Industrials and Utilities sectors. By region, relative returns were down to a strong performance from Japanese holdings, stock selection within the US, and a good performance from French and Swiss holdings.

All but nine stocks positively contributed to relative performance during the month. The biggest contributor was **Keyence** (+16.52%), the Japanese company which designs and makes sensors, lasers and digital readers used in factory automation. The next biggest contributors were global hearing aid maker **Sonova** (+11.90%); diagnostics businesses **Tecan** (+13.71%) and **Sysmex** (+10.07%); and Japanese industrial supplier **Misumi** (+9.58%). The five biggest detractors were: life insurer **Prudential** (-9.54%); recycling solutions specialist **Tomra Systems** (-9.14%); online search giant **Alphabet** (-7.21%); hospital supplier **Baxter International** (-4.70%); and UK merchant bank **Close Brothers** (-9.42%).

Dividends

September saw four new dividend declarations from the Fund's holdings. Global IT consulting firm **Accenture** and software giant **Microsoft** both announced 10% dividend uplifts while **American Express** maintained its quarterly distribution at the same level. **Close Brothers**, the UK specialist lender, broker and wealth manager, reported full year results with the board proposing a final dividend having omitted its interim payment in March.

Portfolio changes

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

Contacts

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