APOSTLE FUNDS MANAGEMENT

Australian PDS and New Zealand Clients

Apostle Dundas Global Equity Fund – Class C

THE NAME BEHIND THE NAMES

Monthly Portfolio Information Sheet as at 28 February 2021

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$1.6018
Tax Losses Available (As at last distribution period)	AUD$351.64M
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 David Keir – Analyst Amer Mahmood –Associate
Responsible Entity	K2 Asset Management
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)	0.53	0.47	11.13	15.24	15.18	11.46
Total (net)	0.46	0.25	10.14	14.21	14.15	10.47
Relative*	(0.86)	(0.93)	2.58	4.63	2.73	1.98

*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	1.35%
Turnover* (last 12 months)	10.45%
Price/Earnings	31.7x
Price/Cash Flow	19.5x
Price/Book Value	5.0x
Beta (*ex-ante*)	0.80
Average market capitalisation	$178.98bn
Median market capitalisation	$58.55bn
Tracking error (1 year)	5.29

*Sources: Dundas, Bloomberg. *Turnover calculated as ((Purchases + Sales)/2) / average assets during the period.*

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	9.39
US$ 100 - 500bn	32.76
US$ 50 - 100bn	17.11
US$ 10 - 50bn	28.12
US$ 2 - 10bn	9.00

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	2.96	0.13
Lonza Group	2.54	2.46
Abbott Laboratories	2.53	2.18
ASML	2.49	2.08
Taiwan Semiconductor ADR	2.46	2.46
Analog Devices	2.17	2.08
Alphabet	2.09	1.06
Accenture	2.04	1.77
Baxter International	2.01	1.94
Sonova	2.01	1.98
TOTAL	23.30	18.13

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Costco Wholesale*	5.73
Reckitt Benckiser	3.75
Taiwan Semiconductor ADR	3.44
DBS Group	3.42
Home Depot	3.27
TOTAL	19.60

*Sources: Dundas, Bloomberg. *includes a special dividend.*

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	49.05	(7.56)
Switzerland	8.24	5.42
France	8.19	5.30
Japan	6.99	0.16
United Kingdom	5.71	1.98
Emerging Markets	3.59	(9.95)
Denmark	3.55	2.90
Netherlands	2.49	0.95
Sweden	1.67	0.77
Germany	1.57	(0.92)
Hong Kong	1.34	0.11
Spain	1.08	0.42
Singapore	1.05	0.76
Canada	1.01	(1.86)
Norway	0.83	0.67

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	29.24	7.12
Health Care	23.10	11.64
Consumer Staples	10.21	3.41
Financials	9.40	(4.34)
Industrials	7.09	(2.66)
Consumer Discretionary	6.25	(6.77)
Communication Services	5.64	(4.11)
Materials	5.45	0.76
Energy	-	(3.39)
Real Estate	-	(2.50)
Utilities	-	(2.77)
Cash	3.63	3.63

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

Performance and Portfolio Comment – February 2021

Market overview

Measured by the MSCI ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 1.39% in February. Rising inflation expectations and large fiscal stimulus packages pushed interest rates, measured by bond yields, higher again despite central banks maintaining a dovish stance. While coronavirus vaccine program rollouts and approvals were positive for the US and UK, Europe continued to lag. The US Dollar index rose 0.3%, Gold fell and WTI Crude, expressed in US Dollars, jumped nearly 18%.

North America was the best performing major region (+1.78%) with Canadian markets (+4.39%) beating the US (+1.65%). European markets had a better month (+1.66%), with the strongest performance from France (+4.27%) followed by the UK (+1.56%) and Germany (+1.23%), while Swiss markets fell 1.86%. Asia Pacific lagged (+0.21%) as China (-2.09%) gave back some of its early year gains, Japan rose marginally (+0.60%) and Taiwan continued its strong run (+3.70%).

Seven of the eleven sectors delivered positive returns in February. Energy (+12.67%) was again in the top spot with the rally in oil prices. Financials (+8.00%) benefited from steeper yield curves led by Banks. Communication Services (+4.26%) saw some high-profile media gainers. Industrials (+3.43%) was boosted by good performance from airlines and machinery, industrial metals helped Materials (+2.72%), and Real Estate gained 1.92%. A more mixed performance from I.T. (+0.37%), with falls in big tech while semiconductors extended their run, and Consumer Discretionary (-0.89%), with those leveraged to economic reopening faring best. Utilities put in the worst performance (-5.89%), joined at the bottom by Health Care (-3.68%) and Consumer Staples (-3.45%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 11.13% while the benchmark index gained 8.55%. For the calendar year to date, the Fund was flat against a benchmark increase of 1.50%. In February the Fund rose 0.53%, a relative performance of -0.86%.

Sector allocation was responsible for the Fund's relative performance during the month. The main detractors were the Fund's over exposure to Health Care and lack of exposure to the top performing Energy sector, plus stock selection within Industrials. Consumer Discretionary was the biggest positive – both stock selection and under exposure to the sector – together with I.T. stock selection and a lack of exposure to Utilities. By region, stock selection in Europe and Asia Pacific detracted – Japan, France and Switzerland in particular – with US stock selection the key positive.

Top five stock contributors came from three sectors: IT, Financials and Consumer Discretionary: tech giant **Apple** (-8.80%) features due to the Fund's relative underweight compared to the benchmark index. PayPal (+9.90%) bucked the big tech sell-off with another strong month. Asian life insurer **Prudential** (+21.20%) and global eyewear firm **EssilorLuxottica** (+14.24%) recovered after poor performance in January, while semiconductor equipment maker **Applied Materials** (+21.37%) continues to benefit from accelerating industry demand trends driven by AI and the digital economy.

The five biggest detractors feature some of the Fund's best performers in 2020, with all but one a Health Care sector holding. Infectious diseases specialist **BioMérieux** (-18.31%) reported a record set of full year results while Japanese-listed **Sysmex** (-11.77%) reported lower sales for its blood and urine tests due to COVID-19, while announcing the launch of a surgical robot unit. US-listed life sciences supplier **Thermo Fisher Scientific** (-12.49%) reported 2020 revenues +26% boosted by its COVID-19 tests, increased its dividend by 18% and completed a bolt-on acquisition of Mesa Biotech. Other detractors were Japanese sensor maker **Keyence** (-12.29%) and **Tecan** (-13.84%), which makes automated testing machines used in hospitals and labs.

Dividends

The Fund continued its busy start to the year in terms of dividend declarations. 17 companies announced new dividends in February, with median growth in dividend per shares of 5.5% expressed in local currencies. 13 holdings increased dividends with seven of these delivering increases of more than 9%. This group included **BioMérieux**, the French-listed diagnostics business, which cut its dividend in 2020 as the pandemic was unfolding using the cash saved for philanthropic causes in the fight against the virus. Supported by strong financial results, management declared a dividend 77% higher than its pre-COVID level. Four companies held dividends at the same level. These included **Taiwan Semiconductor (TSMC)**, which has ramped up its investment in manufacturing capacity and R&D facilities, and **DBS Group**, the Singaporean lender which cut its dividend in 2020 on guidance from the local regulator to all banks operating in the region.

Portfolio changes

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

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