

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\$1.7157
Fund Size	AUD\$1,173.34M
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 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)	2.98	7.84	20.79	16.81	16.62	12.45
Total (net)	2.90	7.61	19.71	15.76	15.58	11.45
Relative*	0.08	(1.09)	(2.62)	4.29	2.97	1.92

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	71
Dividend Yield	1.20%
Turnover* (last 12 months)	12.1%
Price/Earnings	32.8x
Price/Cash Flow	20.7x
Price/Book Value	5.5x
Beta (ex-ante)	0.84
Average market capitalisation	\$184.66bn
Median market capitalisation	\$61.60bn
Tracking error (1 year)	4.58

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	10.19
US\$ 100 - 500bn	32.32
US\$ 50 - 100bn	17.99
US\$ 10 - 50bn	30.52
US\$ 2 - 10bn	7.71

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	2.73	(0.14)
ASML	2.66	2.22
Lonza Group	2.36	2.28
Abbott Laboratories	2.35	2.01
Alphabet	2.29	1.16
Accenture	2.18	1.89
WW Grainger	2.15	2.12
Sonova	2.14	2.11
Taiwan Semiconductor ADR	2.11	1.27
Baxter International	2.05	1.98
TOTAL	23.02	16.90

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Costco Wholesale*	5.78
Reckitt Benckiser	3.72
Home Depot	3.36
Taiwan Semiconductor ADR	3.23
Sage Group	3.05
TOTAL	19.14

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

Regional Allocation (%)

Country	Fund	Active Weight*
United States	51.95	(5.82)
France	8.72	5.78
Switzerland	8.21	5.43
United Kingdom	5.78	2.01
Japan	5.34	(0.96)
Denmark	3.54	2.89
Sweden	3.21	2.29
Emerging Markets	2.84	(9.99)
Netherlands	2.66	1.12
Germany	1.42	(1.06)
Hong Kong	1.26	0.10
Singapore	1.09	0.80
Spain	1.07	0.41
Norway	0.89	0.73
Canada	0.74	(2.20)

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	31.00	9.24
Health Care	22.40	11.07
Financials	10.55	(3.38)
Consumer Staples	9.23	2.34
Consumer Discretionary	7.91	(5.01)
Industrials	6.46	(3.56)
Materials	5.70	0.91
Communication Services	5.47	(4.23)
Energy	-	(3.24)
Real Estate	-	(2.56)
Utilities	-	(2.84)
Cash	1.27	1.27

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

Performance and Portfolio Comment – February 2021

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 2.90% in April. There was little change to the themes that have been driving markets recently namely continued Covid/vaccine optimism, on-going central bank support and fiscal stimulus, solid corporate earnings, resilient consumer spending and rebounding business confidence. After a big rise in March, ten-year US bond yields dropped back 10 basis points overall in April. The US Dollar was weaker against the major currency crosses. Gold was slightly lower and WTI Crude had another strong month, supported by optimism about global demand trend. WTI settled up 7.5% in US Dollar terms.

North America was again the best performing major region, gaining a further 3.90%, led by US markets (+3.94%) while Canada gained 3.19%. Western Europe (+3.34%) wasn't far behind with its largest markets all delivering gains: UK (+3.19%), France (+4.94%), Switzerland (+3.18%) and Germany (+2.12%). Asia Pacific fell 0.20%, with Japan falling 2.90% and China (+0.12%) marginally up.

Ten of the eleven sectors delivered positive returns in April with Energy (-1.09%) giving back some of its recent gains despite the positive oil price momentum. Communication Services (+4.71%) was the top performing sector, having been bottom of the pack in March. It was joined at the top by Materials (+4.33%), Real Estate (+4.04%) and Information Technology (+3.76%). Financials (+3.21%) also outperformed the broader market, while Consumer Discretionary (+2.94%) was in line. Laggards during the month with more modest gains were: Health Care (+2.57%), Industrials (+1.52%), Consumer Staples (+1.49%) and Utilities (+1.42%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 20.79% while the benchmark index gained 23.41%. For the calendar year to date, the Fund returned 7.28% against a benchmark increase of 9.04%. In April the Fund rose 2.98%, a relative performance of 0.08%.

Stock selection was responsible for the Fund's relative performance during the month, sector allocation was neutral. I.T. stock selection was the biggest detractor, offset by positive contributions from the Fund's Industrials, Consumer Staples and Financials holdings and no exposure to the bottom performing Energy sector. By region, the Fund's European holdings made the biggest positive contribution. Under exposure to the Asia Pacific region also aided relative returns while US stock selection and relative under exposure detracted.

The top five stock contributors came from four sectors and were: global pharma outsourced manufacturer **Lonza** (+11.84%), luxury conglomerate **LVMH** (+12.06%), Swiss hearing aid maker **Sonova** (+9.76%), Google's parent company **Alphabet** (+14.88%) and US listed insurance and consulting giant **Marsh & McLennan** (+10.27%).

The five biggest detractors came from three sectors. These were led by US-listed e-commerce platform **eBay** (-10.17%) and Japanese clinical diagnostics specialist **Sysmex** (-8.68%), followed by three of the Fund's semiconductor industry investments; chip makers **Taiwan Semiconductor** (-2.68%) and **Intel** (-11.36%), plus **Analog Devices** (-2.61%).

Dividends

After a busy first few months of the year in terms of new dividend declarations, there was just one new announcement in April. **Costco Wholesale**, the US members only discount retailer, increased its quarterly cash dividend to shareholders by 12.9%. This follows a 7.7% increase a year ago and a special cash dividend of \$10 per share declared in November 2020. Costco's unique and successful business model has supported a great track record of both ordinary dividend growth of around 10% per annum plus special dividends every few years to return excess cash to shareholders.

Portfolio changes

There were no full sales or new investments made during April.

Contacts

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