

# Dividend growth investing

Fuel for the investment marathon

September 2022



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# Dividend growth investors



Long term outperformance with lower volatility.\*

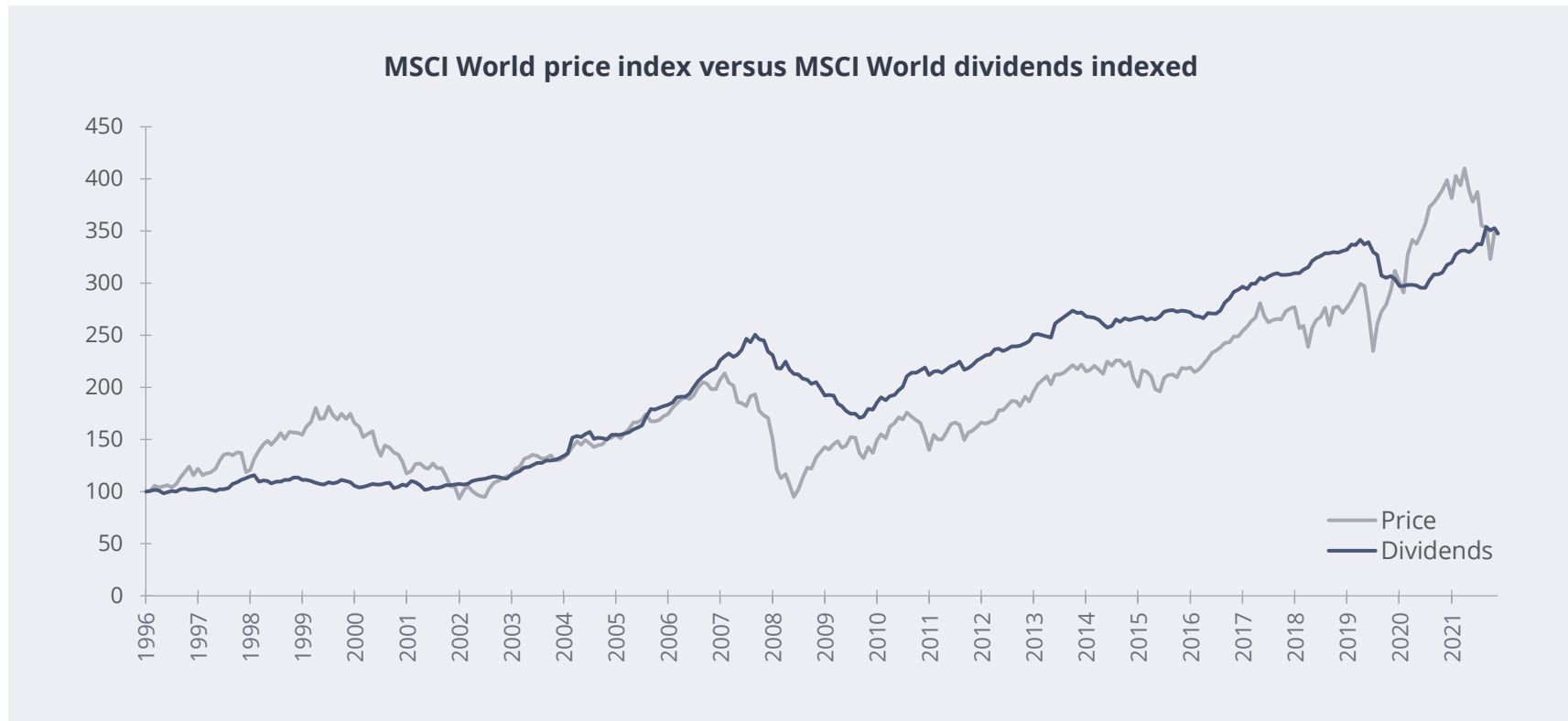


Independent partnership, co-investors alongside you.



Simple philosophy and process + hard work.

# Where dividends go, share prices follow

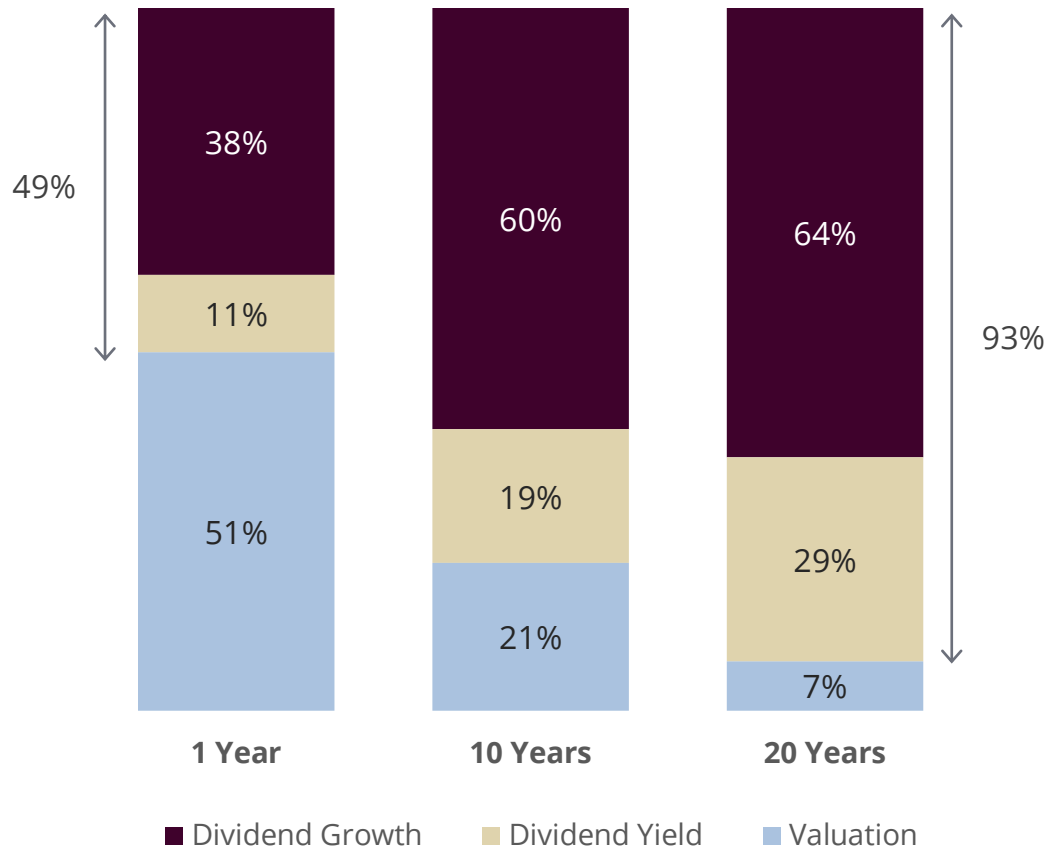


	<b>Annualised return</b>	<b>Standard deviation</b>
Price	4.8%	17.6%
Dividends	4.9%	9.3%
Total return	6.8%	18.0%

Data for the period December 1996 to July 2022.

# MSCI agrees

A decomposition of MSCI All Country World Index total return, analysis over period December 1994 to September 2015.



**MSCI** 

“As the investment horizon increases, the fundamentals (namely, dividend yield and dividend growth) become the dominant sources of performance, explaining more than 90% of total equity returns over 20 years\*”

# A decade's experience

	Average	Standard deviation
Dundas Global Equity Growth Composite dividend growth	10%	5.3%
MSCI ACWI dividend growth rate	5%	8.5%

Dividend growth calculations are based on the growth of dividends per share of stocks held in the portfolio translated into USD.

The average above is the simple average of every year since 2012, the inception of the Apostle Dundas Global Equity Fund.

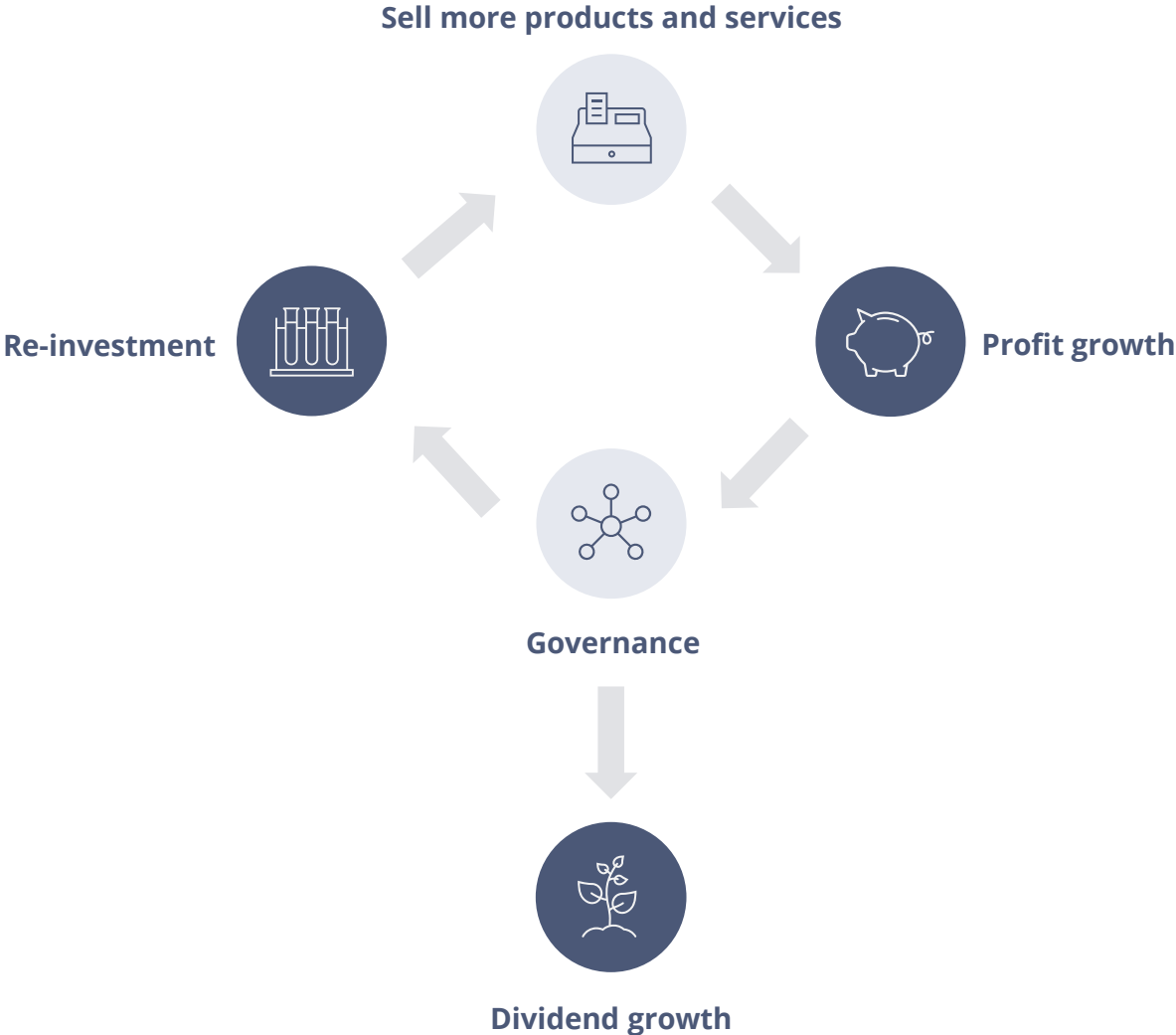
Dividend growth for the MSCI ACWI are based on the growth of dividends per share of the index based on MSCI information, all shown in USD.

Standard deviation is calculated on these series.

The date range is from December 2012 to December 2021.

Data in USD

# How businesses grow dividends sustainably



# ASML, the engine of global chip manufacturing

Purchased August 2012

2012 revenue = €4.7bn, 2021 = €18.6bn, 16% p.a. growth



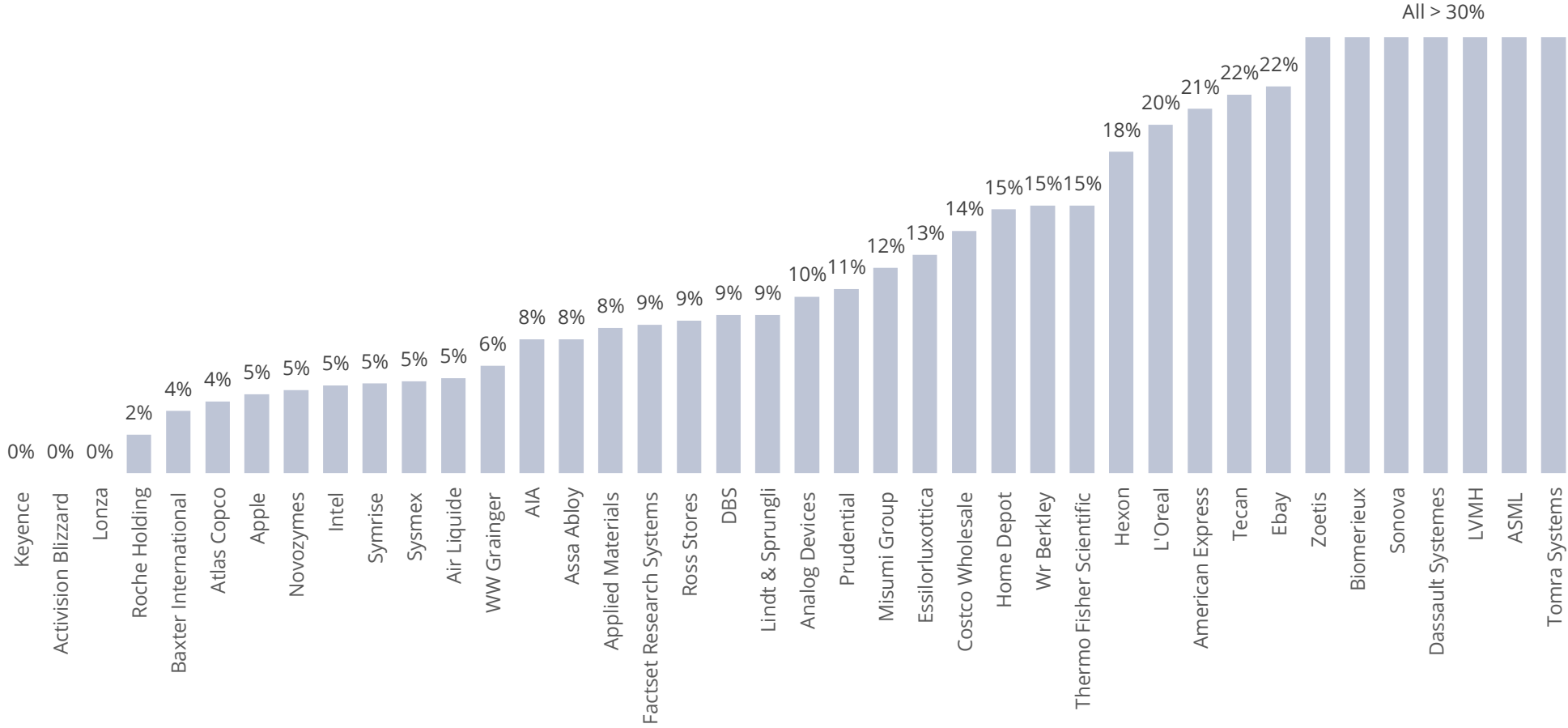
Data is annualised at 31<sup>st</sup> July 2022.

Data represented in Euros.



# H1 2022 – 18% average dividend growth

Restoration + underlying growth



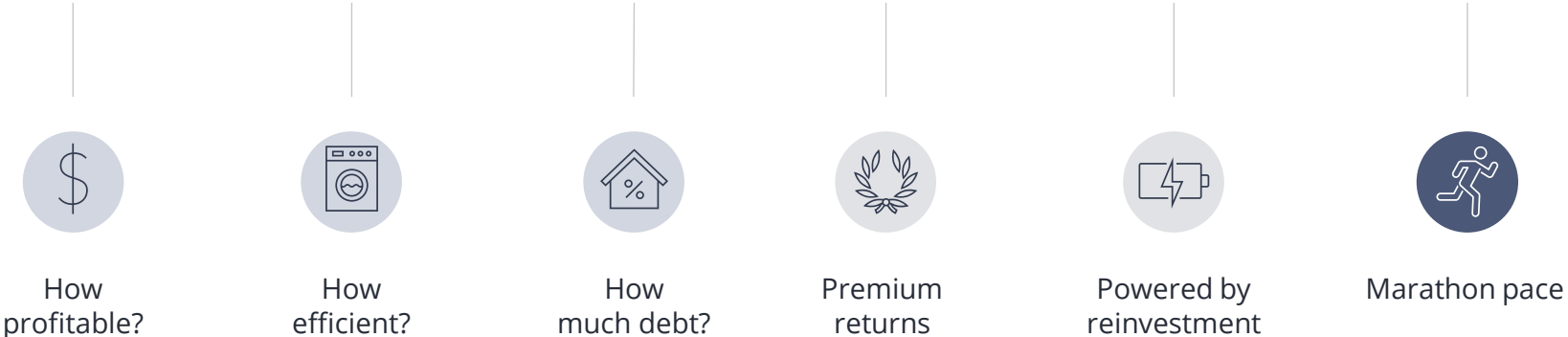
Data as of 30<sup>th</sup> June 2022.

Local currency

# Maintaining the dividend growth pace

	Net income as % of sales	Asset Turnover	Financial leverage	Return on equity	Retention rate	Dividend growth implied
Dundas Global Equity Growth	( 14.3 x 0.7 x 1.8 ) = 18.3				67%	12.3%
MSCI ACWI	( 10.8 x 0.6 x 2.1 ) = 14.9				52%	7.8%

Note: May not multiply due to rounding. Based on Bloomberg trailing 12-month data except for Retention rate which is based on the forward valuation metrics.



Data as at 30<sup>th</sup> June 2022.

# Research process



## Sifting the 3,000+ stock universe

Review + research,  
Farming + hunting

One world  
globalists

## Deep dive

450 companies p.a.

## Discuss & learn

Generalists hunting  
as a pack

A global investment  
mosaic

## Buy or avoid?

Continuous portfolio  
improvement

Dividend growth,  
valuation &  
diversification.

## Monitor

Hold or sell?

# Performance – Class C

Index is the MSCI All Country World Index ex Australia.

	1 year	3 years	5 years	7 years	Since inception
Gross Total Return	-9.75	9.00	12.74	10.55	9.89
Net	-10.55	8.03	11.74	9.57	8.91
Index	-8.08	7.00	9.42	8.74	8.74
Difference	-1.66	1.99	3.32	1.81	1.15

Notes: All figures are percentages expressed in Australian Dollars (AUD). Total return figures include net dividends reinvested. The Fund is unhedged. Performance inception date is 4<sup>th</sup> June 2015. Performance for periods greater than one year is shown on an annualised basis. The difference between 'Gross' and 'Net' is the Fund's fees. 'Difference' is calculated as Fund gross return minus Index return. Past performance is not an indicator of future performance.

Data as at 30th June 2022.

Currency: AUD

# Diversification

GICS Sector Exposure	Fund %	Index %	Active %*
Information Technology	31.75	21.23	10.52
Health Care	19.74	12.99	6.75
Financials	12.93	14.11	-1.18
Industrials	10.74	9.49	1.25
Consumer Discretionary	7.96	11.17	-3.21
Communication Services	5.55	8.05	-2.50
Consumer Staples	5.45	7.65	-2.20
Materials	4.40	4.40	0.00
Energy	0.00	4.96	-4.96
Real Estate	0.00	2.75	-2.75
Utilities	0.00	3.21	-3.21

Top 10 Holdings	Weight %	Sector	Country
Microsoft	3.14	I.T.	USA
Accenture	2.35	I.T.	Ireland
Littelfuse	2.32	I.T.	USA
Activision Blizzard	2.31	Comms. Services	USA
WW Grainger	2.29	Industrials	USA
Abbott Laboratories	2.18	Health Care	USA
Alphabet	2.12	Comms. Services	USA
WR Berkley	2.09	Financials	USA
Novo Nordisk	2.08	Health Care	Denmark
Sonova	2.04	Health Care	Switzerland
<b>TOTAL</b>	<b>22.93</b>		

Economic Driver**	Fund %
Corporate Software	7.98
Connected Devices	6.81
Chronic Care	4.71
Healthcare Technology	4.69
Premiumisation	4.62
Clinical Diagnostics	4.03
Industrial Automation	3.98
Professional Information Services	3.79
Demographics	3.73
Discount Retailer	3.42
Other 25	50.88

Regional exposure	Fund %	Index %
Europe	32.75	17.57
North America	57.67	63.91
Asia	8.09	17.82

Data as at 30<sup>th</sup> June 2022.

Sources: Bloomberg, MSCI. Index is the MSCI ACWI. \*Active is the difference between the strategy and index weights and may not calculate exactly due to rounding. Notes: Dundas Global Equity Growth represented by the first funded portfolio in the composite. Weight % is by capital allocation. \*\*Economic drivers created by Dundas.

# Portfolio composition

	Fund	Index		Fund	Index		Fund	Index
<b>Communication Services</b>	<b>5.55</b>	<b>8.05</b>	<b>Health Care</b>	<b>19.74</b>	<b>12.99</b>	<b>Information Technology</b>	<b>31.75</b>	<b>21.23</b>
ACTIVISION BLIZZARD INC	2.31	0.11	ABBOTT LABORATORIES	2.18	0.35	ACCENTURE PLC-CL A	2.35	0.32
ALPHABET INC-CL C	2.12	1.14	BAXTER INTERNATIONAL INC	1.89	0.06	AKAMAI TECHNOLOGIES INC	0.72	0.03
WALT DISNEY CO/THE	1.12	0.32	BIOMERIEUX	1.53	0.01	AMPHENOL CORP-CL A	1.75	0.07
<b>Consumer Discretionary</b>	<b>7.96</b>	<b>11.17</b>	COLOPLAST-B	0.70	0.02	ANALOG DEVICES INC	1.95	0.14
EBAY INC	1.57	0.04	LONZA GROUP AG-REG	1.27	0.07	APPLE INC	1.91	4.09
ESSILORLUXOTTICA	1.70	0.08	NOVO NORDISK A/S-B	2.08	0.34	APPLIED MATERIALS INC	1.45	0.15
HOME DEPOT INC	1.86	0.52	ROCHE HOLDING AG-GENUSSCHEIN	1.48	0.43	ASML HOLDING NV	1.20	0.36
LVMH MOET HENNESSY LOUIS VUI	1.38	0.31	SONOVA HOLDING AG-REG	2.04	0.03	AUTOMATIC DATA PROCESSING	1.57	0.16
ROSS STORES INC	1.44	0.05	STRYKER CORP	1.25	0.12	DASSAULT SYSTEMES SE	1.19	0.04
<b>Consumer Staples</b>	<b>5.45</b>	<b>7.65</b>	SYSMEX CORP	1.28	0.02	HEXAGON AB-B SHS	1.74	0.04
CHOCOLADEFABRIKEN LINDT-PC	1.09	0.02	TECAN GROUP AG-REG	1.03	0.00	INTEL CORP	1.47	0.28
COSTCO WHOLESALE CORP	2.03	0.39	THERMO FISHER SCIENTIFIC INC	2.01	0.39	IPG PHOTONICS CORP	0.00	0.01
DIAGEO PLC	1.44	0.18	ZOETIS INC	1.01	0.15	KEYENCE CORP	0.69	0.12
KOSE CORP	0.00	0.01	<b>Industrials</b>	<b>10.74</b>	<b>9.49</b>	KEYSIGHT TECHNOLOGIES IN	1.22	0.05
L'OREAL	0.89	0.15	ASSA ABLOY AB-B	1.32	0.04	LITTELFUSE INC	2.32	0.00
<b>Energy</b>	<b>0.00</b>	<b>4.96</b>	ATLAS COPCO AB-A SHS	1.48	0.05	MICROSOFT CORP	3.14	3.35
<b>Financials</b>	<b>12.93</b>	<b>14.11</b>	EQUIFAX INC	1.70	0.04	OPEN TEXT CORP	1.18	0.02
AIA GROUP LTD	1.20	0.24	MISUMI GROUP INC	1.49	0.01	PAYPAL HOLDINGS INC	1.22	0.14
AMERICAN EXPRESS CO	1.13	0.16	NORDSON CORP	1.60	0.02	SAGE GROUP PLC/THE	1.63	0.01
BROWN & BROWN INC	1.73	0.03	TOMRA SYSTEMS ASA	0.87	0.00	TAIWAN SEMICONDUCTOR-SP ADR	1.47	0.00
CLOSE BROTHERS GROUP PLC	0.00	0.00	WW GRAINGER INC	2.29	0.04	VISA INC-CLASS A SHARES	1.57	0.60
DBS GROUP HOLDINGS LTD	1.22	0.07				<b>Materials</b>	<b>4.40</b>	<b>4.40</b>
FACTSET RESEARCH SYSTEMS INC	1.99	0.03				AIR LIQUIDE SA	1.38	0.13
HDFC BANK LTD-ADR	0.74	0.00				INTL FLAVORS & FRAGRANCES	0.00	0.06
MARSH & MCLENNAN COS	1.94	0.14				NOVOZYMES A/S-B SHARES	1.02	0.02
PRUDENTIAL PLC	0.87	0.06				PPG INDUSTRIES INC	0.92	0.05
WR BERKLEY CORP	2.09	0.03				SYMRISE AG	1.08	0.03
						<b>Real Estate</b>	<b>0.00</b>	<b>2.75</b>
						<b>Utilities</b>	<b>0.00</b>	<b>3.21</b>
						<b>Cash</b>	<b>1.49</b>	

Data as at 30th June 2022.

Currency: AUD

# Summary

## Dundas Global Investors

- Independent partnership based in Edinburgh, UK
- 16 partners & staff, we invest alongside our clients.

## Dividend growth investors

- Over the long-term, dividend growth is the largest and least volatile component of total return.
- Where dividends go, share prices follow.
- Dundas place great emphasis on the management choices of the companies invested in, this is evidenced by the portfolio's high ESG scoring by external rating firms.

## Apostle Dundas Global Equity Fund

- Launched August 2012, A\$1.8B AUM
- 65 current holdings >\$2bn





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