

Apostle Dundas Global Equity Fund – Class D ASX: ADEF

ARSN 093 116 771

Monthly Report – January 2025



Investment Objective

- The target is to exceed the MSCI All Country World ex Australia Index by 2.5% p.a. after all fees and expenses on a rolling 5-year basis.
- Long term dividend growth and capital appreciation.
- To achieve lower volatility than the benchmark.

Investment Firm

Established in 2010, Dundas Global Investors (“Dundas”) is an independent Investment Management firm based in Edinburgh that manages a single investment strategy, global equities.

Dundas can best be categorised as Quality 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 sustainable 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, with satisfactory upside and good downside capture statistics.

Characteristics

Unit Price (NAV)	AUD\$6.3393
Fund Size (AUD)	AUD\$2,797.44M
Class D Size	AUD\$21.00M
Tax Losses Available (As at last distribution period)	AUD\$206.39M
Portfolio Inception Date	September 2012
Inception Date – Class D	February 2021
Companies in Portfolio	Targeting 50–65 holdings
Investment Manager	Dundas Global Investors
Management Fee	0.90% p.a. (incl. GST & RITC)
Portfolio Management Team	Alan McFarlane – Chair David Keir – Managing Partner James Curry – Partner Gavin Harvie – Partner Andrew Brown – Partner
Responsible Entity	K2 Asset Management Ltd
Custodian	State Street Australia Limited
Unit Registry	Boardroom Limited

Source: Dundas Global Investors as at 31/01/25

Performance

Return (%)	1 mth	3 mth	6 mth	1 yr	2 yr (p.a.)	3 yr (p.a.)	Incep. (p.a.)	^Portfolio Incep. p.a.
Total (gross)	4.45	10.20	11.12	20.66	21.96	11.09	14.12	12.59
Total (net)	4.37	9.96	10.62	19.59	20.87	10.10	13.10	11.58
Relative (gross)*	1.96	0.29	-1.17	-7.18	-3.46	-1.76	-1.06	0.74
Relative (net)**	1.88	0.04	-1.67	-8.26	-4.55	-2.75	-2.07	-0.26

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices for Class D and shown on a total return basis (net dividends reinvested). Class D commenced on 24 February 2021. *Relative (gross) calculated as the difference between the Fund's gross (of fees) return and that of the Solactive GBS Global Markets ex Australia Large & Mid Cap AUD Index. **Relative (Net) calculated as the difference between the Fund's net (of fees) return and that of the Solactive GBS Global Markets ex Australia Large & Mid Cap AUD Index. Past performance is not a reliable indicator of future performance. ^ Portfolio Inception p.a. returns refers to Class C of the Apostle Dundas Global Equity Fund from its inception date of 4 June 2015. Class C has the same management fee, hence the information would be comparable for Class D. Different future expenses and other factors between the classes may impact the returns of each class.

Portfolio Characteristics

No of Holdings	56
Dividend Yield	1.13%
Turnover* (last 12 months)	13.52%
Price/Earnings	30.34
Price/Cash Flow	22.31x
Price/Book Value	6.01x
Beta (ex-ante)	0.89
Average market capitalisation	\$301.20bn
Median market capitalisation	\$89.44bn
Tracking error (1 year)	4.78

*Turnover calculated as ((Purchases + Sales)/2) / average assets during the period. Source: Dundas Global Investors and Apostle Funds Management as at 31/01/25

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	14.05
US\$ 100 - 500bn	37.16
US\$ 50 - 100bn	13.97
US\$ 10 - 50bn	34.00
US\$ 2 - 10bn	0.00

Source: Dundas Global Investors as at 31/01/25

Top Ten Holdings by Capital (% weight)

Stock	Fund	
WW Grainger	3.63	3.57
Microsoft	3.53	-0.61
WR Berkley	2.99	2.97
Alphabet	2.82	1.49
Essilorluxottica	2.75	2.66
Visa	2.72	2.01
Sage Group	2.59	2.57
Atlas Copco	2.56	2.51
TSMC	2.54	2.54
American Express	2.50	2.28
TOTAL	28.62	21.98

* Active Weight relative to the Index. Source: Dundas Global Investors and Apostle Funds Management as at 31/01/25

Regional Allocation (%)

Country	Fund	Active Weight*
United States	58.41	-6.42
France	10.96	8.92
Switzerland	7.19	5.05
Sweden	5.85	5.04
Denmark	4.08	3.49
United Kingdom	2.59	-0.55
Taiwan	2.54	0.42
Japan	2.22	-3.42
Netherlands	1.71	0.71
Singapore	1.40	0.96
Hong Kong	1.28	0.71
India	0.94	-1.27
Other Countries	0.00	0.00

*Active Weight relative to the Index. Source: Dundas Global Investors and Apostle Funds Management as at 31/01/25

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	24.88	-1.46
Health Care	22.84	13.28
Financials	20.70	4.28
Industrials	13.33	3.00
Consumer Discretionary	7.27	-4.22
Communication Services	4.10	-4.40
Consumer Staples	3.74	-2.28
Materials	2.32	-0.87
Real Estate	0.00	-1.87
Utilities	0.00	-2.53
Energy	0.00	-3.74
Cash	0.82	0.82

*Active Weight relative to the Index. Source: Dundas Global Investors and Apostle Funds Management as at 31/01/25

Performance and Portfolio Comment

Market overview

Equities rebounded globally in January, with the S&P 500 and European indices like the STOXX 600, Germany's DAX, and Britain's FTSE hit all-time highs. In Asia, markets were mixed as China's DeepSeek AI model disrupted tech stocks. Commodities and currencies saw notable movements. Gold surged 7.1% to record highs, while Bitcoin futures rose 9.3%. The Dollar Index dipped 0.2%, with yen strength standing out. WTI crude gained 1.1%, reflecting concerns over Russian oil sanctions and potential Canadian oil tariffs. Trade and policy uncertainty shaped global sentiment. In the US, Trump's administration signalled potential 25% tariffs on Mexico, Canada, and China, though no immediate actions were taken.

Investors remained cautious over how to fund Trump's tax cuts, with divisions in Congress over deficit reduction. In Asia, Deep Seek's AI disruption weighed on US and European tech stocks, prompting scrutiny over AI investment costs and pricing power. Meanwhile, China's economic policies remained focused on stimulating growth, though weaker data signalled ongoing struggles. Europe remained resilient, with bond yields falling as inflation cooled. The ECB cut rates by 25bps to 2.75%, reinforcing expectations for further easing. French and German inflation came in softer than expected, supporting the case for continued rate cuts.

The Federal Reserve kept rates steady at 4.25-4.50%, with Powell signalling patience. Markets now expect rate cuts by midyear, though the Fed remains cautious due to persistent inflation risks. US job growth was

much stronger than expected, reinforcing expectations of a slower path to rate cuts. In Europe, softer inflation readings boosted rate-cut expectations, while flat Eurozone GDP growth raised concerns over economic momentum.

Outlook

The outlook for dividend growth remains positive, with US technology firms increasingly prioritising capital returns to shareholders. Last year saw a record number of companies initiating dividends for the first time, including Alphabet, Salesforce, and Booking Holdings. We view this as a very positive shift in US corporate culture.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 19.59%, while the market returned 27.84%*. In January, the Fund returned 4.37% net of fees outperforming the market by 1.88%.

The relative outperformance was predominately driven by the Fund's holdings in the IT and Health Care sectors. Financials was the most significant detractor. Regionally, North America and Europe added value.

The top five contributors were Apple, Hexagon, EssilorLuxottica, Dassault Systemes and Thermo Fisher Scientific. The bottom five detractors were Booking, Novo Nordisk, HDFC Bank, WR Berkley and WW Grainger.

Dividends

There were five dividend declarations with an average increase of 4.0%. Three companies increased their dividends, Hexagon 7.7%, Atlas Copco 7.1%, and ASML Holding 4.9%, while both LVMH and Lonza Group held their dividends.

Portfolio changes

There were two changes to the Fund in January.

Diageo, the world's largest spirits business, was sold following its annual review which highlighted difficult trading across the spirits industry and elevated inventory positions in the wholesale channel. In addition, with Diageo's leverage and dividend pay-out ratio both above their long-term targets, the outlook for dividend growth is anaemic. Geberit, the Swiss based manufacturer of plumbing and sanitary products and systems, has only grown its dividend by 3% per annum over the last five years. With little prospect of an uplift in dividend growth and the valuation of the shares 20% above the long-term average, the shares were sold.

*Solactive GBS Global Markets ex Australia Large & Mid Cap AUD Index.

Contact us

Apostle Funds Management Pty Ltd

Level 14, 50 Pitt Street Sydney NSW 2000
 T: +61 2 8278 9554 F: +61 2 9247 9976
www.apostlefm.com.au

apostleclientservice@apostlefm.com.au

K2 Asset Management

Level 44 101 Collins Street Melbourne VIC 3000
 T: +61 3 9691 6111
www.k2am.com.au

This document has been prepared by Apostle Funds Management Pty Limited ("Apostle") (ABN 16 129 922 612) (AFSL No. 458375). The Apostle Dundas Global Equity Fund (ARSN 093 116 771) is issued by K2 Asset Management Ltd ("K2") (ABN 95 085 445 094) (AFSL No. 244393), a wholly owned subsidiary of K2 Asset Management Holdings Limited (ABN 59 124 636 782). This material and the content of any offer document for the investment are principally governed by Australian rather than New Zealand law. This material may contain information provided directly by third parties which include Dundas Partners, LLP (AFSL No. 527238).

This material is for information purposes only. Offers to invest will only be made in the product disclosure statement ("PDS") and this material is not intended to substitute the PDS which outlines the risks involved and other relevant information. You should also consider the Target Market Determination ("TMD") when ascertaining if the product is appropriate for your needs. Both the PDS and the TMD are available from <https://www.k2am.com.au/forms-apostle-Dundas>. It is not an offer or a recommendation to invest and it should not be relied upon by investors in making an investment decision. Offers to invest will only be made in the relevant offer document and this material is not intended to substitute suitable disclosure documents which will outline the risks involved and other relevant information. Any investment carries potential risks and fees which are described in the relevant offer document. An investor should, before deciding whether to invest, consider the appropriateness of the investment, having regard to both the relevant offer document in its entirety and the investor's objectives, financial situation and need. This information has not been prepared taking into account your objectives, financial situation or needs. Please note that past investment performance is not a reliable indicator of future investment performance. No representation is made as to future performance or volatility of the investment. In particular, there is no guarantee that the investment objectives and investment strategy set out in this presentation may be successful. Any forward-looking statements, opinions and estimates provided in this material are based on assumptions and contingencies which are subject to change without notice and should not be relied upon as an indication of the future performance. Persons should rely solely upon their own investigations in respect of the subject matter discussed in this material. No representations or warranties, expressed or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this material. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available to Apostle. To the maximum extent permitted by law, all liability in reliance on this material is expressly disclaimed.

This document is strictly confidential and is intended solely for the use of the person to whom it has been delivered. It may not be reproduced, distributed or published, in whole or in part, without the prior approval of Apostle. Third party distributors may be used to market the investment to New Zealand investors. Where this occurs, this material can only be provided to New Zealand persons that the New Zealand distributor is authorised to deal with under New Zealand law and is not available to any person to whom it would be unlawful to make such offer or invitation.