

Global Equity

Investment Objective

- Global Equity Market* Index ex Australia + 2.5% per annum after all fees and expenses on a rolling five-year basis
- Capital and income growth to exceed the benchmark and inflation
- To achieve lower volatility than the Global Equity Market* 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\$1.7646
Fund Size	AUD\$1,823.52M
Tax Losses Available (As at last distribution period)	AUD\$325.21M
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 – Partner Amer Mahmood –Associate
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

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

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr pa	5 yr pa	Incep pa
Total (gross)	-3.00	-9.79	3.95	12.50	14.16	11.18
Total (net)	-3.08	-9.98	3.03	11.50	13.14	10.19
Relative*	-0.17	-0.23	1.33	3.45	3.54	1.37

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 Global Equity Market Index ex Australia. Past performance is not a reliable indicator of future performance.

Portfolio Characteristics

No of Holdings	68
Dividend Yield	1.23%
Turnover* (last 12 months)	11.44%
Price/Earnings	26.58
Price/Cash Flow	20.0x
Price/Book Value	4.9x
Beta (ex-ante)	1.03
Average market capitalisation	\$179.17bn
Median market capitalisation	\$51.71bn
Tracking error (1 year)	4.29

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	7.16
US\$ 100 - 500bn	28.33
US\$ 50 - 100bn	17.60
US\$ 10 - 50bn	35.00
US\$ 2 - 10bn	9.10

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	3.10	-0.22
Costco Wholesale	2.45	2.06
Accenture	2.33	2.01
WW Grainger	2.31	2.27
Sonova Holding	2.15	2.12
Abbott Laboratories	2.09	1.75
Activision Blizzard	2.06	1.96
Alphabet	2.04	0.94
Apple	2.02	-2.32
Hexagon	2.01	1.97
TOTAL	22.56	12.53

Sources: Dundas, Bloomberg. *Active weight relative to the Index*.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	4.02
Sage Group	3.78
Home Depot	3.75
Roche Holding	3.43
Analog Devices	3.03
TOTAL	18.03

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	58.34	-2.08
France	8.24	5.47
Switzerland	7.07	4.07
Japan	4.41	-1.11
United Kingdom	4.35	0.15
Denmark	3.85	3.14
Sweden	3.47	2.64
Emerging Markets	2.21	-8.68
Netherlands	1.33	0.11
Singapore	1.29	0.92
Canada	1.16	-2.19
Germany	1.09	-0.93
Hong Kong	1.00	0.04
Norway	0.86	0.66

Sources: Dundas, Bloomberg. *Active Weight relative to the Index*.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	31.74	9.77
Health Care	19.59	7.26
Financials	11.61	-2.52
Industrials	9.39	-0.14
Consumer Discretionary	8.69	-2.72
Consumer Staples	6.70	-0.86
Materials	5.62	0.89
Communication Services	5.31	-2.55
Energy	0.00	-4.66
Real Estate	0.00	-2.77
Utilities	0.00	-3.05
Cash	1.35	1.35

Sources: Dundas, Bloomberg. *Active Weight relative to the Index*.

Performance and Portfolio Comment – April 2022

Market overview

The ACWI ex Australia index fell 1.83% in April, when measured in Australian Dollars.

Tighter monetary policy, geopolitical tensions and lockdowns in China dragged down equities in April. The backup in global bond yields remained a headwind for stocks. In the US, the S&P experienced its largest monthly decline since March 2020. The US dollar surged to its highest level in two decades as the market discounted an even more aggressive path of hiking ahead. The Fed signalled it remains committed to taming inflation, opening the door for a 50bp interest rate hike in May and June. The ECB is faced with slowing growth and surging inflation. The annual inflation rate in the Euro Area remains the highest on record as the war in Ukraine and sanctions on Russia pushed fuel and natural gas prices to record high levels. The ECB is likely to end its bond purchase scheme in early quarter three and raise rates before the end of 2022. On the political stage, Macron defeated his far-right rival Marine Le Pen to be re-elected president of France. China's GDP rose 4.8% compared with the same period a year earlier, but official data revealed a contraction in consumer activity as lockdown measures to counter the spread of Covid-19 weighed on the country's outlook. Japanese yen hit a 20-year low (¥129.39 against the dollar) after the Bank of Japan vowed to keep bond yields at zero. The International Monetary Fund (IMF) cut its global growth forecast for 2022 to 3.2% due to the war in Ukraine. In the case of an embargo on Russian oil and gas, growth could deteriorate further.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 3.95% while the index gained 2.62%. In April the Fund fell by 3.00%, underperforming the benchmark by 17bps.

Stock selection was positive over the month, however allocation was negative. Being underweight the worst performance sector over the month, Communication Services, had a positive allocation impact, although stock selection all but eroded this gain. The sector had trailed the market this month with Netflix, Meta, Disney, Alphabet all weak (the latter two stocks held in the Fund), although Twitter bucked the trend on the back of the Elon Musk privatisation deal. Information Technology also had a disappointing month with lacklustre results by tech heavyweights weighing on markets, the Fund's worst performance stock over the month, PayPal came from this sector. Stock selection within the Health Care sector was disappointing, although there was some compensation for the Fund's long-standing overweight to the sector.

From a regional basis, stock selection within North America was the strongest contributors over the month, albeit four of the five Fund's top stock detractors came from this region. The Fund's allocation to Asia Pacific was negative as was stock selection, with the Fund's single holding in Taiwan and India as well as the Japanese holdings disappointing.

The top five stock contributors were led by the US discount retailer **Ross Stores**, the Danish multinational pharmaceutical company **Novo Nordisk** and the accounting software firm **Sage**. The last two stocks on the list were the French materials stock **Air Liquide** and the multinational beverage firm **Diageo**.

Of the top five detractors, four were from the US and one from Switzerland. This included the digital payments giant **PayPal**, insurance products broker **Brown & Brown**, the industrial stock **Equifax**, media and entertainment giant **Walt Disney** and the Swiss diagnostics businesses **Tecan**.

Dividends

Of the twelve dividend declarations during the month of April, one was notable. As part of **HDFC Bank's** capital normalisation strategy, it has resumed paying dividends at its desired rate after government intervention in shareholder returns during the pandemic. This resulted in a 130% increase in the dividend per share, returning around 20% of profits. In the short term we expect volatility in the distribution given the companies merger with Housing Developing and Finance Corporation, a mortgage focused lender. This will bring a lower cost of capital to the group, significant cross selling opportunities and a long run of profitable growth from which to grow dividends.

Portfolio changes

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

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

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