

**Apostle Dundas Global Equity Fund**

**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
- Capital and income growth to exceed the benchmark and inflation
- To achieve lower volatility than the benchmark

**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 D (NAV)	AUD\$4.4324
Fund Size	AUD\$ 1,862.56M
Class D Size	AUD\$ 9.05M
Tax Losses Available (As at last distribution period)	AUD\$ 294.98M
Portfolio Inception Date	August 2012
Inception Date – Class D	February 2021
Companies in Portfolio	Targeting 60–100 holdings
Investment Manager	Dundas Global Investors
Management Fee	0.90%
Portfolio Management Team	Alan McFarlane – Senior Partner Russell Hogan – Partner James Curry – Partner Gavin Harvie – Partner David Keir – Partner
Responsible Entity	K2 Asset Management Ltd
Custodian	State Street Australia Limited
Unit Registry	Boardroom Limited

**Performance (%)**

AUD return	1 mth	3 mths	1 yr	3 yr Pa	5 yr pa	7 yr pa	Incep pa
Total (gross)	1.43	-1.56	-0.74	8.69	12.07	12.93	10.42
Total (net)	1.36	-1.78	-1.63	7.72	11.07	11.92	9.44
Relative*	-0.15	-0.78	0.88	1.69	3.22	2.28	1.73

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices for Class C and shown on a total return basis (net dividends reinvested). Date is for Class C from its inception date of 4th June 2015. Class D commenced on 24 February 2021 with the same management fee, hence the information would be comparable for Class D. Different future expenses between the classes may impact the returns of each class. \*Relative 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. Past performance is not a reliable indicator of future performance.

**Portfolio Characteristics**

No of Holdings	62
Dividend Yield	1.48%
Turnover* (last 12 months)	9.46%
Price/Earnings	25.3x
Price/Cash Flow	19.8x
Price/Book Value	5.1x
Beta (ex-ante)	1.00
Average market capitalisation	\$179.18bn
Median market capitalisation	\$62.62bn
Tracking error (1 year)	4.80

\*Turnover calculated as ((Purchases + Sales)/2) / average assets during the period.

**Market Cap Exposure (% weight by capital)**

Range	Fund
>US\$ 500bn	6.51
US\$ 100 - 500bn	27.24
US\$ 50 - 100bn	22.42
US\$ 10 - 50bn	34.74
US\$ 2 - 10bn	7.74

**Top Ten Holdings by Capital (%)**

Stock	Fund	Active Weight*
WW Grainger	3.20	3.15
Microsoft	2.89	-0.60
Novo Nordisk	2.53	2.14
Analog Devices	2.33	2.17
Littelfuse	2.24	2.24
Ross Stores	2.15	2.09
Accenture	2.13	1.81
Atlas Copco	2.04	1.99
Factset Research	2.04	2.04
Amphenol	2.00	1.92
TOTAL	23.57	18.97

\*Active weight relative to the Index\*.

**Top Five Holdings by contribution to Dividend Yield (%)**

Holding	Fund
DBS Group	4.26
Home Depot	3.58
Sage Group	3.27
Roche Holding	3.05
WR Berkley	2.95
TOTAL	17.11

**Regional Allocation (%)**

Country	Fund	Active Weight*
United States	56.01	-2.74
France	9.31	6.40
Switzerland	7.96	5.32
Sweden	5.26	4.31
United Kingdom	4.21	0.16
Denmark	3.99	3.24
Japan	3.90	-2.39
Taiwan	1.48	-0.29
Netherlands	1.47	0.21
Singapore	1.38	0.94
Hong Kong	1.11	0.19
Germany	0.97	-1.16
India	0.87	-0.87
Norway	0.71	0.48
Other Countries	0.00	0.00

\*Active Weight relative to Index\*.

**Sector Exposure (%)**

Sector	Fund	Active Weight*
Information Technology	30.80	9.10
Health Care	20.14	7.92
Industrials	13.47	2.83
Financials	13.21	-1.48
Consumer Discretionary	7.51	-3.65
Consumer Staples	5.66	-1.68
Communication Services	4.54	-2.73
Materials	3.31	-1.18
Energy	0.00	-5.33
Real Estate	0.00	-2.31
Utilities	0.00	-2.87
Cash	1.35	1.35

\*Active Weight relative to the Index\*.

**Performance and Portfolio Comment – February 2023**

**Market overview**

In February US equities gave back some of their previous month's gains. US treasuries were weaker with the curve flattening, and after four monthly declines the US dollar was stronger outperforming other major currencies. Oil saw its fourth consecutive monthly fall with WTI crude posting monthly drops in eight out the last nine months. The European Central Bank (ECB), Bank of England and Federal Reserve (the Fed) all announced rate hikes at the start of the month, in line with expectations. The broad message that emerged from the accompanying statements, with some nuances, was that despite the recent decline, inflation remains too high and the central banks' job is not done yet. Emerging market (EM) equities posted negative returns in February and underperformed global equities. China lagged the index by some margin. In part this was due to profit-taking after strong returns recently and as enthusiasm about its re-opening faded somewhat. The underperformance was also driven by geopolitical tensions between itself and the US following the shooting down of a Chinese high-altitude balloon in US airspace.

**Performance overview**

Over the past 12 months, the Fund has posted a total return gross of fees of -0.74% while the market returned -1.62%\*. In February, the Fund gained 1.43%, underperforming the market by -0.15%.

The underperformance for the month was a result of negative stock selection, allocation was positive in the month. In absolute terms the I.T. sector was the best performing sector over the month. While the Fund's overweight to I.T. benefited from an allocation perspective, stock selection was poor, with three of the bottom five detractors coming from this sector. Stock selection within the Financials and Consumer Discretionary sectors was also disappointing. Health Care was the strongest Fund contributor, benefiting from positive stock selection, albeit the Fund's overweight to the sector detracted somewhat.

On a regional basis, allocation to Asia Pacific was the largest contributor, although stock selection was a slight negative. Allocation to Europe was positive over the month, however this was negated by the stock selection negative impact. Stock selection within North America was the main drag on performance.

The top five contributors came from three sectors, I.T., Health Care and Industrials, with three stocks US listed. The list was topped by the industrials supplier **WW Grainger** and semiconductor company **Analog Devices**, followed by two Health Care stocks **Lonza Group** and **Novo Nordisk** listed in Switzerland and Denmark respectively, and finally the semiconductor equipment maker **Applied Materials**.

The bottom five detractors all hailed from the US, and included three I.T. and two Industrial stocks. The list was headed up by the electronics test and measurement equipment manufacturer **Keysight Technologies**, the industrial technology company **Nordson**, and **Apple**, due to the Fund's relative underweight compared to the benchmark. Also included were **Equifax**, the global data, analytics and technology company, and content delivery network (CDN), cybersecurity and cloud service company **Akamai Technologies**.

**Dividends**

There were 13 dividend announcements in February with an average increase of 14.5%. **Essilorluxottica** and **L'Oréal** issued dividends of 28.7% and 25.0% respectively. Eight dividend increases were between 10.0% and 20.0%, [**NovoNordisk** 19.2%, **DBS Group** 16.7%, **Thermo Fisher** 16.7%, **Assa Abloy** 14.3%, **eBay** 13.6%, **Analog Devices** 13.2%, **Air Liquide** 11.9% and **Home Depot** 10.0%]. Norwegian recycling solutions specialist **Tomra Systems** declared a 9.0% increase while the US discount retailer **Ross Stores** recorded a 8.1% increase. Finally, the Swiss Health Care stock **Roche Holding** posted an increase of 2.2%.

**Portfolio changes**

US semiconductor manufacturer Intel was sold in February, and no new investments were made.

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

**Contacts**

Apostle Funds Management Pty Limited  
Level 14, 50 Pitt St Sydney NSW 2000  
T +61 2 8278 9554 F +61 2 9247 9976  
[www.apostlefm.com.au](http://www.apostlefm.com.au)

K2 Asset Management  
Level 32 101 Collins Street Melbourne VIC 3000  
T +61 3 9691 6111  
<https://www.k2am.com.au/k2-etfs#apostle-dundas-global-equity-fund>

**Disclaimer**

**Apostle Funds Management Pty Limited ABN 16 129 922 612 AFSL No. 458375 (“Apostle”)**

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. 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 product disclosure statement (“PDS”) available from <https://www.k2am.com.au/forms-apostle- Dundas> and this material is not intended to substitute the PDS which outlines the risks involved and other relevant information. Any investment carries potential risks and fees which are described in the PDS. You should also consider the Target Market Determination that issued when ascertaining if the product is appropriate for your needs. An investor should, before deciding whether to invest, consider the appropriateness of the investment, having regard to both the PDS 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.