

**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\$4.8901
Fund Size	AUD\$2,097.79M
Class D Size	AUD\$15.42M
Tax Losses Available (As at last distribution period)	AUD\$285.95M
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 p.a	5 yr p.a	7 yr p.a	Incep p.a
Total (gross)	-0.02	2.25	12.98	11.25	12.25	13.79	11.26
Total (net)	-0.09	2.02	11.97	10.26	11.25	12.78	10.27
Relative*	-2.39	-4.32	-4.26	-1.44	1.84	1.98	1.27

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	63
Dividend Yield	1.30%
Turnover* (last 12 months)	8.26%
Price/Earnings	27.3
Price/Cash Flow	20.3x
Price/Book Value	5.1x
Beta (ex-ante)	1.00
Average market capitalisation	\$216.16bn
Median market capitalisation	\$67.16bn
Tracking error (1 year)	4.23

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

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

Range	Fund
>US\$ 500bn	7.17
US\$ 100 - 500bn	33.14
US\$ 50 - 100bn	16.99
US\$ 10 - 50bn	36.54
US\$ 2 - 10bn	4.26

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

Stock	Fund	Active Weight*
Microsoft	3.42	-0.50
WW Grainger	3.10	3.05
Novo Nordisk	2.29	1.88
Accenture	2.23	1.90
Analog Devices	2.23	2.07
Alphabet	2.15	1.05
Atlas Copco	2.14	2.08
Sage Group	2.12	2.10
Abbott Laboratories	2.03	1.72
Applied Materials	2.01	1.81
TOTAL	23.73	17.17

\*Active weight relative to the Index\*.

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

Holding	Fund
DBS Group	4.63
Home Depot	3.91
Sage Group	3.49
Roche Holding	3.34
Analog Devices	3.17
TOTAL	18.54

**Regional Allocation (%)**

Country	Fund	Active Weight*
United States	56.45	-3.85
France	9.22	6.56
Switzerland	9.21	6.63
Sweden	4.74	3.89
Denmark	4.23	3.50
United Kingdom	3.34	-0.28
Japan	3.28	-3.01
Hong Kong	1.74	0.91
Netherlands	1.50	0.23
Taiwan	1.48	-0.27
Singapore	1.23	0.82
Germany	0.91	-1.10
India	0.77	-0.99
Other Countries	0.00	0.00

\*Active Weight relative to Index\*.

**Sector Exposure (%)**

Sector	Fund	Active Weight*
Information Technology	26.21	4.06
Health Care	21.28	9.67
Financials	16.54	1.28
Industrials	13.31	2.66
Consumer Discretionary	6.74	-4.82
Consumer Staples	5.83	-1.38
Communication Services	4.77	-3.00
Materials	3.41	-0.80
Energy	0.00	-4.69
Real Estate	0.00	-2.15
Utilities	0.00	-2.74
Cash	1.90	1.90

\*Active Weight relative to the Index\*.

**Performance and Portfolio Comment – July 2023**

**Market overview**

Global markets continued their advance in July, and market sentiment remained positive. Gains were supported by lower inflation in several developed markets and resilient GDP data. This raised hopes for a soft landing and supported a broad rally across most asset classes and regions.

In the US, economic data indicated robust growth and inflation started to fall. The Federal Reserve (the Fed) raised rates by 25bps, which was in line with market expectations. The Federal Open Market Committee offered no firm position on whether rates would rise further in September, although at present markets expect this latest rise to prove the peak for the current interest rate cycle. The S&P 500 index rose 3.2% in July, taking year to date returns to over 20%. The European Central Bank (ECB) also raised rates in July, increasing the deposit rate 25bps in line with its earlier guidance. Investors began to anticipate that the central bank might be close to the end of its rate-hiking cycle as inflationary pressures are falling. In the UK, wage data remained elevated, however inflation softened more than expected. In Asia Pacific, the Japanese equity market, while still the top performing regional market year to date, underperformed in July, suffering pressure from profit taking. The Chinese government announced its determination to shore up China's flagging economy with new initiatives to boost consumption.

Commodity prices reversed some of their year-to-date losses. The price of oil rallied, and Russia's cancellation of the Black Sea grain export deal contributed to price rises in certain agricultural commodities. However, European natural gas prices continued to fall as storage inventories reached seasonal highs.

**Performance overview**

Over the past 12 months, the Fund has posted a total return gross of fees of 12.98% while the market returned 17.24%\*. In July, the Fund declined by -0.02%, underperforming the market by 2.39%.

On an absolute basis all sectors posted a positive return over the month, and in a repeat of last month, the Fund's underperformance was the result of negative contributions from allocation and to a larger extent, weak stock selection. There is little to add from a positive contribution perspective as most of the additive elements to performance were minimal. For example, the contribution from positive stock selection within the Health Care and Communication Services sectors was negated by the negative impacts of the Fund's allocation to these sectors (overweight and underweight respectively). The IT sector delivered the biggest hit to performance, with poor stock selection the Fund's largest detractor, and the overweight to the sector also a negative. Stock selection within the Industrials, Financials, Consumer Discretionary and Materials all disappointed. Having no exposure to the Energy sector hurt performance this month, although there was some light relief from the Fund's other zero exposures (Utilities and Real Estate).

From a regional perspective, stock selection in the three major regions of investment for the Fund damaged performance. Europe in particular was anemic, with stock selection within Sweden, Switzerland, the Netherlands and France the main culprits. In Asia Pacific, it was the Fund's holdings in Japan, Hong Kong and Taiwan that negatively imparted performance, however, there was a positive from the Fund's single holding in Singapore (DBS Group).

Of the top five contributors, four were US-listed. Top of the list was human resources management software and services provider **Automatic Data Processing**, followed by digital payments firm **Paypal**, financial data provider **Factset**, the Singapore based **DBS Group** and finally gaming content specialist **Activision Blizzard**.

Heading up the bottom five detractors was Swedish measurement technology group **Hexagon**, followed by three US-listed stocks; the industrials stocks **WW Grainger** and **Equifax**, and the orthopaedics specialist **Stryker**. Also on the list was the Japanese industrial supplier **Misumi**.

**Dividends**

There were two dividend announcements in July, with an average increase of 65.5%. **Activision Blizzard** has announced a dividend of at least \$0.99, up 111% on last year. While the Microsoft takeover was in process, Activision Blizzard was prohibited from paying a dividend, but now that the U.S. regulator has lost their case and the UK Competition and Markets Authority has withdrawn most of their objections, Activision Blizzard has been given permission to make this large dividend increase. Furthermore, there is the potential to receive another \$0.99 before the end of the calendar year. Elsewhere, the US insurance brokerage firm **Marsh & McLennan** increased its dividend by 20%.

**Portfolio changes**

There were no new investments or complete sales in July.

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

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