# Apostle Dundas Global Equity Fund – Class D ASX: ADEF

THE NAME BEHIND THE NAMES

## Monthly Portfolio Information Sheet as at 31 May 2022

### Global Equity

**Investment Objective**

- Global Equity Market* 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 D (NAV) | AUD$4.2188 |
| Fund Size | AUD$1,783.49M |
| Class D Size | AUD$13.01M |
| Tax Losses Available (As at last distribution period) | AUD$ 325.21M |
| 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 | Russell Hogan – Managing Partner<br>Alan McFarlane – Senior Partner<br>James Curry – Partner<br>Gavin Harvie – Partner<br>David Keir – Partner<br>Amer Mahmood – Associate |
| Responsible Entity | K2 Asset Management |
| Custodian | State Street Australia Limited |
| Unit Registry | Boardroom 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) | -2.26 | -6.35 | -0.50 | 12.84 | 12.79 | 10.67 |
| Total (net) | -2.33 | -6.56 | -1.38 | 11.83 | 11.79 | 9.69 |
| Relative* | -1.47 | -1.37 | -0.98 | 2.36 | 2.96 | 1.12 |

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). Performance inception date is 4th June 2015. Class D of the Fund was created on 24th February 2021, has a similar fee structure to Class C and is hence comparable. 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 Global Equity Market* Index ex Australia. Past performance is not a reliable indicator of future performance.

**Portfolio Characteristics**

| | |
|---|---|
| No of Holdings | 66 |
| Dividend Yield | 1.35% |
| Turnover* (last 12 months) | 14.60% |
| Price/Earnings | 27.89 |
| Price/Cash Flow | 19.3x |
| Price/Book Value | 5.0x |
| Beta (*ex-ante*) | 1.06 |
| Average market capitalisation | $180.55bn |
| Median market capitalisation | $57.10bn |
| Tracking error (1 year) | 4.50 |

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

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

| Range | Fund |
|---|---|
| >US$ 500bn | 8.59 |
| US$ 100 - 500bn | 26.79 |
| US$ 50 - 100bn | 19.97 |
| US$ 10 - 50bn | 36.22 |
| US$ 2 - 10bn | 7.01 |

*Sources: Dundas, Bloomberg.*

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

| Stock | Fund | Active Weight* |
|---|---|---|
| Microsoft Corp | 3.06 | -0.20 |
| Accenture | 2.33 | 3.01 |
| Littelfuse | 2.27 | 2.27 |
| WW Grainger | 2.26 | 2.23 |
| Abbott Laboratories | 2.17 | 1.82 |
| Activision Blizzard | 2.09 | 2.02 |
| Sonova Holding | 2.09 | 2.06 |
| Analog Devices | 2.08 | 1.92 |
| Baxter International | 2.06 | 1.99 |
| Alphabet | 2.04 | 0.94 |
| TOTAL | 22.49 | 17.08 |

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

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

| Holding | Fund |
|---|---|
| DBS Group | 4.32 |
| Intel Corp | 4.20 |
| Sage Group | 3.58 |
| Home Depot | 3.49 |
| Roche Holding | 3.22 |
| TOTAL | 18.81 |

*Sources: Dundas, Bloomberg.*

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### Regional Allocation (%)

| Country | Fund | Active Weight* |
|---|---|---|
| United States | 59.04 | -1.25 |
| France | 8.14 | 5.36 |
| Switzerland | 6.86 | 3.94 |
| Sweden | 4.92 | 4.10 |
| United Kingdom | 4.04 | -0.23 |
| Denmark | 3.58 | 2.91 |
| Japan | 3.51 | -2.10 |
| Emerging Markets | 2.29 | -8.30 |
| Netherlands | 1.33 | 0.09 |
| Singapore | 1.19 | 0.83 |
| Canada | 1.18 | -2.20 |
| Hong Kong | 1.05 | 0.07 |
| Germany | 1.01 | 1.03 |
| Norway | 0.44 | 0.24 |

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

### Sector Exposure (%)

| Sector | Fund | Active Weight* |
|---|---|---|
| Information Technology | 32.57 | 10.83 |
| Health Care | 19.61 | 7.24 |
| Financials | 12.47 | -1.92 |
| Industrials | 10.92 | 1.45 |
| Consumer Discretionary | 8.18 | -2.89 |
| Communication Services | 5.35 | -2.59 |
| Consumer Staples | 5.06 | -2.24 |
| Materials | 4.43 | -0.30 |
| Energy | 0.00 | -5.19 |
| Real Estate | 0.00 | -2.68 |
| Utilities | 0.00 | -3.13 |
| Cash | 1.42 | 1.42 |

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

### Performance and Portfolio Comment – May 2022

**Market overview**

The ACWI ex Australia index fell 2.26% in May, when measured in Australian Dollars.

Markets continued to be dominated by worries over rising inflation and a potentially faster pace of central bank tightening, as well as the ongoing war in Ukraine. US equities ended May largely flat. The Fed stressed its commitment to bringing inflation down via a "softish" landing rather than a recession, while also suggesting the possibility of a pause in the hiking path later this year to evaluate the impact of its tightening activity. The energy sector was lifted by strong performance from oil & gas constituents. Utilities and financials also made gains. Consumer-linked sectors – both discretionary and staples were weaker, with major food and household product retailers declining on concerns over inflation's effect on households. The expected inflation increase in the Euro Area is adding pressure on the European Central Bank to raise interest rates. As the war in Ukraine continued, EU leaders agreed a partial embargo of Russian oil imports which is due to take effect by the end of the year. The Q1 earnings season continued to furnish evidence of pressures from inflation-aware consumers, a tight labour market, and ongoing supply chain woes. While China began to lift lockdown measures in Shanghai, attention focused on concerns about how much demand destruction could be repaired by policy support (including tax relief, a cut in mortgage rates, and some targeted industry support).

**Performance overview**

Over the past 12 months, the Fund has posted a total return gross of fees of -0.50% while the index gained 0.49%. In May the Fund fell by 2.26%, underperforming the benchmark by 147ps.

Both stock selection and allocation over the month were negative. The Fund's stock selection within the IT sector made the strongest contribution, with three of the Fund's top five contributors (Littelfuse, Analog Devices and Apple), coming from this sector. However, allocation to the sector did detract slightly. Stock selection within the Consumer Discretionary, and Financials sectors were disappointing. Being underweight to Consumer Staples, one of the worst performing sectors, was a positive from an allocation consideration, however stock selection within the sector was the Fund's largest detractor during the month. The Energy sector was the best performing sector by some way amid ongoing robust demand for oil, and therefore the Fund's lack of exposure continues to hit performance.

From a regional basis, stock selection within North America was the strongest contributor over the month, and all five of the Fund's top stock contributors came from this region. Stock selection within Europe was the largest detractor, with a myriad of countries including Switzerland, Germany, Denmark, Sweden, France and the UK adding to the damage. The Fund's allocation to Asia Pacific was negative as was stock selection, with the Fund's Japanese holdings the main culprit, this was somewhat mitigated by the Fund's single holdings in India and Taiwan.

The top five stock contributors hailed from the US and three sectors, IT, Financial and Health Care. This included the circuit protection specialist **Littelfuse,** the semiconductor manufacturer **Analog Devices,** the insurance solutions provider **WR Berkley,** the hospital supplier **Baxter International** and the tech giant **Apple**.

The top five detractors, were led by two US discount retailers **Ross Stores** and **Costco,** following by the UK accounting software firm **Sage**, the Japanese industrial supplier **Misumi** and finally the Swedish measurement technology group **Hexagon.**

**Dividends**

There were six dividend announcements in the month of May with an average growth rate of 10.7%. Notable changes were **Sonova** and **Misumi.** Sonova is a leader in addressing hearing loss through hearing aids and implants, distributed through their own network of fitting stores. The company announced a 36% increase in the full year dividend driven by continued recovery in demand from the pandemic as well as recent technology investments supporting new higher priced product launches. Misumi is focused on digitising the manufacturing and purchase of factory automation equipment and maintenance, repair and operations consumables. Continued investments through the pandemic, as well as cost rationalisations have led to a sharp recovery in revenue and profits. Management announced a 120% increase in the dividend in 2021 from 2020 and have also indicated an intention to grow the 2022 dividend in-line with earnings of around 12%.

***Portfolio changes***

Three sales were made in May, the US stocks **IFF** and **IPG Photonics,** and the Japanese beauty company **Kosé.** One purchase was made, the Swedish industrial stock **Atlas Copco**.

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

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