

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\$5.080 |
| Fund Size | AUD\$1,425.39M |
| Class D Size | AUD\$11.13M |
| 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 Alan McFarlane – Senior Partner James Curry – Partner Gavin Harvie – Partner David Keir – Analyst Aman 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) | 4.49 | 2.65 | 29.75 | 23.13 | 20.14 | 14.49 |
| Total (net) | 4.41 | 2.42 | 28.60 | 22.03 | 19.07 | 13.47 |
| Relative* | 1.03 | 1.21 | 5.64 | 5.92 | 5.10 | 2.20 |

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 | 68 |
| Dividend Yield | 1.09% |
| Turnover* (last 12 months) | 16.84% |
| Price/Earnings | 32.80 |
| Price/Cash Flow | 23.1x |
| Price/Book Value | 5.9x |
| Beta (ex-ante) | 0.88 |
| Average market capitalisation | \$207.16bn |
| Median market capitalisation | \$52.15bn |
| Tracking error (1 year) | 4.64 |

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

Market Cap Exposure (% weight by capital)

| Range | Fund |
|------------------|-------|
| >US\$ 500bn | 9.63 |
| US\$ 100 - 500bn | 30.04 |
| US\$ 50 - 100bn | 13.65 |
| US\$ 10 - 50bn | 39.81 |
| US\$ 2 - 10bn | 5.31 |

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

| Stock | Fund | Active Weight* |
|---------------------|-------|----------------|
| Microsoft Corp | 3.20 | (0.37) |
| Alphabet | 2.42 | 1.17 |
| Sonova Holding | 2.41 | 2.38 |
| Accenture | 2.40 | 2.06 |
| Costco Wholesale | 2.35 | 1.99 |
| Littelfuse | 2.30 | 2.30 |
| Abbott Laboratories | 2.20 | 1.86 |
| WW Grainger | 2.14 | 2.10 |
| Home Depot | 2.13 | 1.49 |
| Apple | 2.12 | (2.04) |
| TOTAL | 23.68 | 12.94 |

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

Top Five Holdings by contribution to Dividend Yield (%)

| Holding | Fund |
|--------------------------|-------|
| Costco Wholesale* | 5.70 |
| Roche Holding | 3.54 |
| Home Depot | 3.43 |
| Taiwan Semiconductor ADR | 3.25 |
| DBS Group | 3.23 |
| TOTAL | 19.15 |

Sources: Dundas, Bloomberg. *includes a special dividend.

Regional Allocation (%)

| Country | Fund | Active Weight* |
|------------------|-------|----------------|
| United States | 56.31 | (4.46) |
| France | 8.45 | 5.70 |
| Switzerland | 7.77 | 4.87 |
| Japan | 5.81 | (0.01) |
| United Kingdom | 3.84 | 0.28 |
| Denmark | 3.77 | 3.11 |
| Sweden | 3.39 | 2.51 |
| Emerging Markets | 2.39 | (8.63) |
| Netherlands | 1.70 | 0.04 |
| Canada | 1.19 | (1.77) |
| Norway | 1.09 | 0.93 |
| Singapore | 0.95 | 0.66 |
| Hong Kong | 0.93 | (0.02) |
| Germany | 0.87 | (1.30) |

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

Sector Exposure (%)

| Sector | Fund | Active Weight* |
|------------------------|-------|----------------|
| Information Technology | 32.22 | 8.06 |
| Health Care | 20.94 | 9.54 |
| Financials | 11.15 | (2.38) |
| Industrials | 9.90 | 0.36 |
| Consumer Discretionary | 7.56 | (5.38) |
| Consumer Staples | 6.44 | (0.20) |
| Communication Services | 5.13 | (3.72) |
| Materials | 5.09 | 0.73 |
| Energy | 0.00 | (3.38) |
| Real Estate | 0.00 | (2.55) |
| Utilities | 0.00 | (2.64) |
| Cash | 1.56 | 1.56 |

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

Performance and Portfolio Comment – November 2021

Market overview

Irrespective of the late sell off in November, the ACWI ex Australia index rose 3.46% when measured in Australian Dollars.

Broadly positive news continued from Q3 earnings, with indications of robust build-up demand and a peaking of supply chain constraints. Nevertheless, ongoing concerns about Covid levels, especially in Europe and inflationary pressures due to the increased costs of production and transit played on market sentiment. The news late in the month of the new Omicron variant then weighted heavily on risk assets. I.T. was the best performing sector, and along with Consumer Discretionary and Utilities outperformed the index. Energy turbulence continued, and this was the worst performing sector over the month. Oil saw its worst monthly decline since March 2020, with WTI crude falling 20.8%. Communications Services had a difficult month, and along with Financials lagged the market.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 29.75% while the index gained 24.11%. For the calendar year to date, the Fund returned 29.15% gross of fees against a benchmark increase of 24.24%. In November the Fund rose gross of fees by 4.49%, outperforming the benchmark by 1.03%.

The Fund's relative outperformance was driven by both positive stock selection and allocation. Stock selection within Industrials, Consumer Staples and Health Care was particularly strong. Having no holdings in Energy, aided performance. The Fund's underweight to the poorly performing Communication Services was a positive, but it was not enough to mitigate the negative impact of stock selection within this sector. Particular weakness was seen in Activision Blizzard which is under investigation by the SEC regarding the adequacy of disclosures relating to sexual harassment and bullying in the workplace as well as state and federal lawsuits relating to these incidents. While the Fund's overweight to the best performance sector I.T. was positive, stock selection within the sector was the Fund's largest laggard.

Regionally, the Fund's overweight to the underperforming European markets was a small negative, however that was more than compensated by healthy stock selection, especially the holdings in France, Denmark and Norway. Stock selection within Asia Pacific was also constructive, specifically the Fund's Japanese stocks.

Of the top five stock contributors, one hailed from France and the four remaining were US listed stocks. Top of the list was the discount retailer **Costco**, followed by the French healthcare supplier **BioMerieux**, industrial supplier **W.W. Grainger**, the financial data provider **Factset** and finally the semiconductor manufacturer **Analog Devices**.

Similarly of the five biggest detractors, four were US listed stocks and one from the UK. **Apple** led the way, due to the Fund's relative underweight compared to the benchmark. Also on the list was the gaming content king **Activision Blizzard**, the digital payments firm **PayPal**, the UK based life insurer **Prudential** and the e-commerce platform **eBay**.

Dividends

November saw six new dividend declarations from the Fund's holdings. **DBS** increased its dividend 83% YoY to the same level as 2019. The previous cut was due to a government mandated retention of profits in the face of the pandemic. Having completed the large acquisition of Maxim, **Analog Devices** increased its dividend 11% YoY which is a continuation of its current quarterly dividend. **ADP** also announced a 12% increase to its quarterly dividend. **WR Berkley** increased its regular dividend by 8% p.a. while also paying out \$1.50 in special dividends, taking the full year dividend to \$2.03, for a yield of 2.5%. Other declarations came from **Sage** which declared an increase of 3% and **Coloplast** which increased its final dividend 6%.

Portfolio changes

One new purchase was made in the US based industrial stock **Equifax**. The global data, analytics and technology company, provides info solutions for businesses, governments and consumers, as well as employment services for employers. **Sundrug** was sold during November. The operator of drug stores in Japan has endured a significant slowdown in revenue growth in recent years, as the company has been outpaced in its store opening programmes, by industry peers.

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

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