

## 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

Established in 2010, Dundas Global Investors (“Dundas”) is an independent Investment Management firm based in Edinburgh that manages a single investment strategy, global equities.

Dundas can best be categorised as Quality 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 sustainable 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, with satisfactory upside and good downside capture statistics.

## Characteristics

|   |   |
|---|---|
| Unit Price (NAV)                                      | AUD\$5.6821   |
| Fund Size (AUD)                                       | AUD\$2,508.73M  |
| Class D Size  | AUD\$17.94M   |
| Tax Losses Available (As at last distribution period) | AUD\$215.36M  |
| Portfolio Inception Date                              | September 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,<br>James Curry – Partner,<br>Gavin Harvie – Partner,<br>David Keir – Partner,<br>Andy Brown – Investment Manager |
| Responsible Entity                                    | K2 Asset Management Ltd   |
| Custodian   | State Street Australia Limited  |
| Unit Registry   | Boardroom Limited   |

## Performance

| Return (%)        | 1 mth | 3 mth | 6 mth | 1yr   | 2yr (p.a.) | 3yr (p.a.) | Incep. (p.a.) | ^Portfolio Incep. p.a. |
|-------------------|-------|-------|-------|-------|------------|------------|---------------|------------------------|
| Total (gross)     | -0.47 | 3.21  | 0.27  | 22.73 | 19.49      | 7.68       | 11.99         | 11.72                  |
| Total (net)       | -0.55 | 2.98  | -0.18 | 21.63 | 18.43      | 6.72       | 10.99         | 10.72                  |
| Relative (gross)* | -0.48 | 0.73  | -2.84 | 0.25  | -2.06      | -1.85      | -0.61         | 0.97                   |
| Relative (net)**  | -0.56 | 0.49  | -3.29 | -0.85 | -3.13      | -2.81      | -1.60         | -0.03                  |

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices for Class D and shown on a total return basis (net dividends reinvested). Class D commenced on 24 February 2021. \*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. \*\*Relative (Net) calculated as the difference between the Fund’s net (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 Inception p.a. returns refers to Class C of the Apostle Dundas Global Equity Fund from its inception date of 4th June 2015. Class C has the same management fee, hence the information would be comparable for Class D. Different future expenses and other factors between the classes may impact the returns of each class.

## Portfolio Characteristics

|                               |            |
|-------------------------------|------------|
| No of Holdings                | 60         |
| Dividend Yield                | 1.21%      |
| Turnover* (last 12 months)    | 11.97%     |
| Price/Earnings                | 28.22      |
| Price/Cash Flow               | 20.45x     |
| Price/Book Value              | 5.62x      |
| Beta (ex-ante)                | 0.95       |
| Average market capitalisation | \$275.44bn |
| Median market capitalisation  | \$86.43bn  |
| Tracking error (1 year)       | 4.41       |

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

## Market Cap Exposure (% weight by capital)

| Range            | Fund  |
|------------------|-------|
| >US\$ 500bn      | 13.78 |
| US\$ 100 - 500bn | 33.82 |
| US\$ 50 - 100bn  | 15.01 |
| US\$ 10 - 50bn   | 36.40 |
| US\$ 2 - 10bn    | 0.00  |

## Top Ten Holdings by Capital (% weight)

| Stock             | Fund        |
|-------------------|-------------|
| Microsoft         | 3.56 -0.63  |
| WW Grainger       | 3.55 3.50   |
| WR Berkley        | 2.89 2.87   |
| Novo Nordisk      | 2.71 2.22   |
| Atlas Copco       | 2.57 2.50   |
| Sonova Holding    | 2.49 2.49   |
| Applied Materials | 2.44 2.22   |
| Brown & Brown     | 2.26 2.26   |
| Essilorluxottica  | 2.17 2.08   |
| American Express  | 2.14 1.93   |
| TOTAL             | 26.78 21.44 |

\*Active Weight relative to the Index

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

| Holding          | Fund  |
|------------------|-------|
| DBS Group        | 5.63  |
| Home Depot       | 3.49  |
| Essilorluxottica | 3.40  |
| Diageo           | 3.24  |
| Sage Group       | 3.18  |
| TOTAL            | 18.94 |

## Regional Allocation (%)

| Country         | Fund  | Active Weight* |
|-----------------|-------|----------------|
| United States   | 57.23 | -5.20          |
| Switzerland     | 8.68  | 6.74           |
| France          | 8.42  | 5.96           |
| Sweden          | 5.46  | 4.96           |
| Denmark         | 5.35  | 3.99           |
| United Kingdom  | 3.15  | -0.11          |
| Japan           | 2.40  | -3.47          |
| Taiwan          | 2.15  | 0.06           |
| Netherlands     | 2.11  | 1.41           |
| Hong Kong       | 1.78  | 0.78           |
| Singapore       | 1.22  | 0.89           |
| India           | 0.97  | -1.44          |
| Other Countries | 0.00  | 0.00           |

\*Active Weight relative to the Index

## Sector Exposure (%)

| Sector                 | Fund  | Active Weight* |
|------------------------|-------|----------------|
| Information Technology | 24.56 | -0.39          |
| Health Care            | 22.99 | 12.20          |
| Financials             | 19.74 | 3.84           |
| Industrials            | 14.19 | 3.46           |
| Consumer Discretionary | 7.29  | -3.37          |
| Consumer Staples       | 4.35  | -2.12          |
| Communication Services | 3.18  | -4.92          |
| Materials              | 2.71  | -1.02          |
| Energy                 | 0.00  | -3.95          |
| Real Estate            | 0.00  | -2.04          |
| Utilities              | 0.00  | -2.70          |
| Cash                   | 0.99  | 0.99           |

\*Active Weight relative to the Index

## Performance and Portfolio Comment

### Market overview

US equities finished higher and the S&P and Nasdaq both ended the month up over 20% year to date. There were a number of developments that boosted risk appetite in September. The Federal Reserve lowered interest rates for the first time in more than four years with a more aggressive than expected 50 bp rate cut. Jerome Powell, the head of the bank, said the move was "strong" and signalled further easing ahead.

In Europe, the European Central Bank and Swiss National Bank both reduced their respective policy rates by 0.25%, to 3.50% and 1.00%. The Bank of England remained on hold, with the base rate at 5.00%.

China's central bank unveiled a major package of measures aimed at reviving the country's flagging economy. The plans include lowering borrowings costs and allowing banks to increase their lending. The move comes after a series of disappointing data that has increased expectations that China will miss its own 5% growth target this year. Further measures aimed to boost China's crisis-hit property market include cutting interest rates for existing mortgages and lowering minimum down payments on all types of homes to 15%.

In the geopolitical sphere, hostilities in the Middle East spread to Lebanon, despite calls by Western nations for a ceasefire. Meanwhile, Putin continued to threaten escalation, particularly if Ukraine was permitted to use long-range missiles to strike the aggressor. US politics remained in the spotlight, but it was marred by another assassination attempt on Donald Trump.

### Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 21.63%, while the market returned 22.48%. In September, the Fund returned -0.55% net of fees underperforming the market by -0.56%.

While stock selection was positive, the negative impact from asset allocation caused the underperformance for the month. Not having any exposure to Energy, the worst performing sector, was the largest contributor to performance. The impact from stock selection within the Financials sectors was also a benefit. Although the selection of stocks in Health Care was positive, the Fund's overweight to the sector was the worst contributor. Being underweight the Communication Services and the Consumer Discretionary sectors weighted negatively on performance.

On a regional basis, there was a slight positive from stock selection in Asia Pacific, but this was negated by the Fund's underweight to the region. Being overweight in Europe was the largest detractor, with the holdings in Switzerland and Denmark the culprits, however stock selection was positive. Stock selection in North America was disappointing and three of the five stock detractors hailed from the region.

The top five stock contributors consisted of Asian life insurers AIA Group, the US industrials supplier WW Grainger, the Swedish multinational industrial stock Atlas Copco, Swiss dental specialist Straumann Holding and finally the US listed financial data provider FactSet.

The list of top five stock detractors was topped by the Danish multinational pharmaceutical firm Novo Nordisk, followed by US insurance solutions provider WR Berkley and Dutch semiconductor equipment maker ASML. Also on the list were two US listed stocks, the global data, analytics and technology company Equifax and the fibre optic manufacturing company Amphenol.

### Dividends

There were two dividend declarations with an average increase of 12.7%. The dividend announcements consisted of Accenture 14.7% and Microsoft 10.7%.

### Portfolio changes

There were no new investments or complete sales in September.

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

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