

Global Equity

Investment Objective

- MSCI All Country World Index ex Australia + 2.5% per annum after all fees and expenses on a rolling five-year basis
- Capital and income growth to exceed MSCI ACWI and inflation
- To achieve lower volatility than the MSCI All Country World 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 C (NAV)	AUD\$1.5988
Fund Size	AUD\$1,078.95M
Tax Losses Available (As at last distribution period)	AUD\$ 353.76M
Portfolio Inception Date	August 2012
Inception Date – Class C	June 2015
Companies in Portfolio	Targeting 60–100 holdings
Investment Manager	Dundas Global Investors
Management Fee	0.90%
Buy/Sell Spread	15/15 (bps)
Portfolio Management Team	Russell Hogan – Managing Partner Alan McFarlane – Senior Partner James Curry – Partner Gavin Harvie – Partner Katie Muir – Partner
Responsible Entity	K2 Asset Management
Custodian/Registry	State Street Australia Limited

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr pa	5 yr pa	Incep pa
Total (gross)	5.23	5.69	10.34	15.55	13.70	11.91
Total (net)	5.15	5.46	9.36	14.52	12.68	10.91
Relative*	(1.76)	(0.72)	4.56	5.40	3.20	2.26

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices and shown on a total return basis (net dividends reinvested). Performance inception date is 4th June 2015. *Relative calculated as the difference between the Fund's gross (of fees) return and that of the MSCI All Country World Index ex Australia. Past performance is not a reliable indicator of future performance.

Portfolio Characteristics

No of Holdings	67
Dividend Yield	1.16%
Turnover (last 12 months)	13.48%
Price/Earnings	34.1x
Price/Cash Flow	20.3x
Price/Book Value	4.8x
Beta (ex-ante)	0.77
Average market capitalisation	\$165.49bn
Median market capitalisation	\$58.14bn
Tracking error (1 year)	5.95

Sources: Dundas, Bloomberg.

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	6.71
US\$ 100 - 500bn	32.87
US\$ 50 - 100bn	18.22
US\$ 10 - 50bn	29.05
US\$ 2 - 10bn	9.53

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	2.86	0.07
Taiwan Semiconductor ADR	2.70	2.70
Lonza Group	2.65	2.57
Abbott Laboratories	2.41	2.06
W.W. Grainger	2.36	2.33
PayPal	2.35	1.91
Keyence	2.29	2.12
Costco Wholesale	2.17	1.86
Accenture	2.13	1.84
Analog Devices	2.04	1.95
TOTAL	23.96	19.41

Sources: Dundas, Bloomberg. *Active weight relative to the MSCI ACWI ex Australia.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Taiwan Semiconductor ADR	5.01
Reckitt Benckiser	3.96
DBS Group	3.76
Sage Group	3.20
Analog Devices	3.14
TOTAL	19.07

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	48.37	(8.72)
France	8.45	5.44
Japan	8.40	1.39
Switzerland	8.13	5.14
United Kingdom	5.72	1.91
Emerging Markets	3.90	(8.75)
Denmark	3.05	2.37
Netherlands	2.02	0.63
Germany	1.70	(0.78)
Spain	1.28	0.59
Hong Kong	1.23	(0.01)
Sweden	1.16	0.28
Canada	1.05	(1.78)
Singapore	1.04	0.74
Norway	0.88	0.72

Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	29.87	8.22
Health Care	23.19	11.26
Consumer Staples	10.74	3.17
Financials	8.87	(4.20)
Industrials	7.25	(2.75)
Consumer Discretionary	5.81	(7.21)
Materials	5.73	1.16
Communication Services	4.90	(4.59)
Real Estate	-	(2.59)
Energy	-	(3.05)
Utilities	-	(3.06)
Cash	3.63	3.63

Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.

Performance and Portfolio Comment – November 2020

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 6.99% in November driven by several positive developments in the race to deliver a COVID vaccine. The US Dollar currency index was down 2.2%, gold lost nearly 6% in the market rally. And oil, measured by the WTI in US Dollars, jumped nearly 27%.

Europe was the best performing major region with a gain of 11.37% driven by a strong performance from France (+17.16%) and Germany (+11.68%) in particular. North America gained 6.35%, with the US market up 6.21% while Canada gained 8.57%. Asia Pacific delivered more modest gains (+4.63%) with its largest market Japan performing well (+7.19%) while China (-2.50%) gave back some of its strong performance so far this year.

All sectors delivered positive returns in November, however, there was almost a 20% dispersion between the top and bottom sector returns. With the jump in the oil price Energy was the top performer, returning 20.18%. Other pro-cyclical sectors followed; Financials gained 13.00%, Industrials rose 10.17% and Materials returned 7.82%. Despite this, global I.T. was resilient with a gain of 7.39% whilst Consumer Discretionary (+5.56%) lagged the overall market. Defensive sectors lagged; Utilities (+0.97%), Consumer Staples (+3.02%), Communication Services (+3.51%) and Health Care (+3.78%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 10.34% while the benchmark index gained 5.78%. For the calendar year to date, the Fund returned 11.38% against a benchmark increase of 6.15%. In November the Fund rose 5.23%, a relative performance of -1.76%.

Sector allocation and stock selection equally contributed to the Fund's relative performance during the month. The biggest detractor was the Fund's Health Care investments, whilst a lack of exposure to the stronger performance of commodity-linked Materials and Energy sectors also detracted. Key positives were the Fund's Consumer Discretionary and Communication Services holdings, plus no exposure to the poor performing Utilities sector. By region, the Fund's European holdings lagged in the strong market rally. However, Asian investments put in a strong performance and the Fund's US exposure also contributed positively.

The top five contributors were a mix of Financials and I.T. holdings; **American Express** (+23.87%), semiconductor supplier **Applied Materials** (+33.10%), tech giant **Apple** (+4.40%) due to the Fund's lower weighting than the benchmark's, life insurer **Prudential** (22.07%) and Singaporean lender **DBS Group** (21.19%). The five biggest detractors all came from the Health Care sector; laboratory suppliers **Tecan** (-11.68%) and **Thermo Fisher Scientific** (-6.34%), pharma outsourced manufacturer **Lonza** (-1.02%), hospital supplier **Baxter International** (-6.54%) and medical devices, treatments and diagnostics firm **Abbott Laboratories** (-1.88%).

Dividends

Announcements during the month included a special cash dividend of \$10 per share from discount membership retailer **Costco Wholesale**. The payment will be the fourth time in the last eight years that the company has paid a substantial special dividend, whilst over the past five years **Costco** has also grown its regular cash dividend by 13% per annum. Other declarations came from UK-listed accounting software maker **Sage** who increased its final dividend by 2% and Danish medical devices company **Coloplast**, with a final dividend increase of 8%.

Portfolio changes

There were no full sales in November. A new investment was made in US-listed **Keysight Technologies**, which specialises in testing and measurement solutions for Communications, Electronics and other industries.

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