

**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\$1.5205  |
| Fund Size  | AUD\$1,023.67M   |
| Tax Losses Available<br>(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<br>Alan McFarlane – Senior Partner<br>James Curry – Partner<br>Gavin Harvie – Partner<br>Katie Muir – Partner |
| Responsible Entity                                       | Equity Trustees Limited  |
| 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) | (1.75) | 1.70   | 10.11 | 14.93   | 12.07   | 11.05    |
| Total (net)   | (1.82) | 1.47   | 9.13  | 13.91   | 11.07   | 10.06    |
| Relative*     | (1.29) | (0.66) | 6.92  | 6.17    | 3.57    | 2.61     |

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 4<sup>th</sup> 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                | 66         |
| Dividend Yield                | 1.30%      |
| Turnover (last 12 months)     | 12.71%     |
| Price/Earnings                | 31.8x      |
| Price/Cash Flow               | 20.0x      |
| Price/Book Value              | 4.5x       |
| Beta (ex-ante)                | 0.77       |
| Average market capitalisation | \$151.81bn |
| Median market capitalisation  | \$53.28bn  |
| Tracking error (1 year)       | 5.85       |

Sources: Dundas, Bloomberg.

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

| Range            | Fund  |
|------------------|-------|
| >US\$ 500bn      | 6.90  |
| US\$ 100 - 500bn | 32.43 |
| US\$ 50 - 100bn  | 15.10 |
| US\$ 10 - 50bn   | 30.81 |
| US\$ 2 - 10bn    | 10.69 |

Sources: Dundas, Bloomberg.

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

| Stock                    | Fund  | Active Weight* |
|--------------------------|-------|----------------|
| Microsoft                | 3.00  | 0.03           |
| Lonza Group              | 2.82  | 2.73           |
| Taiwan Semiconductor ADR | 2.78  | 2.78           |
| Abbott Laboratories      | 2.59  | 2.21           |
| PayPal                   | 2.26  | 1.83           |
| Keyence                  | 2.24  | 2.07           |
| Costco Wholesale         | 2.20  | 1.87           |
| W.W. Grainger            | 2.19  | 2.15           |
| Sonova                   | 2.15  | 2.13           |
| Thermo Fisher Scientific | 2.10  | 1.72           |
| TOTAL                    | 24.32 | 19.54          |

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 | 5.16  |
| DBS Group                | 4.09  |
| Reckitt Benckiser        | 3.81  |
| Analog Devices           | 3.12  |
| Sage Group               | 3.08  |
| TOTAL                    | 19.27 |

Sources: Dundas, Bloomberg.

## Regional Allocation (%)

| Country          | Fund  | Active Weight* |
|------------------|-------|----------------|
| United States    | 47.15 | (10.35)        |
| Switzerland      | 8.78  | 5.74           |
| France           | 8.30  | 5.56           |
| Japan            | 8.26  | 1.19           |
| United Kingdom   | 5.78  | 2.07           |
| Emerging Markets | 4.24  | (8.72)         |
| Denmark          | 3.35  | 2.66           |
| Netherlands      | 1.86  | 0.54           |
| Germany          | 1.76  | (0.61)         |
| Spain            | 1.34  | 0.75           |
| Hong Kong        | 1.17  | (0.09)         |
| Sweden           | 1.15  | 0.31           |
| Canada           | 0.97  | (1.83)         |
| Singapore        | 0.91  | 0.63           |
| Norway           | 0.90  | 0.76           |

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

## Sector Exposure (%)

| Sector                 | Fund  | Active Weight* |
|------------------------|-------|----------------|
| Information Technology | 28.61 | 7.06           |
| Health Care            | 24.88 | 12.59          |
| Consumer Staples       | 10.70 | 2.83           |
| Financials             | 8.26  | (4.10)         |
| Industrials            | 7.16  | (2.55)         |
| Materials              | 5.94  | 1.41           |
| Consumer Discretionary | 5.52  | (7.66)         |
| Communication Services | 4.86  | (5.02)         |
| Energy                 | -     | (2.73)         |
| Real Estate            | -     | (2.66)         |
| Utilities              | -     | (3.25)         |
| Cash                   | 4.08  | 4.08           |

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

## Performance and Portfolio Comment – October 2020

### Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets fell 0.46% in October as COVID resurgence weighed on markets. Interest rates, measured by bond yields, rose with the yield curve steepening; the US Dollar currency index strengthened against the Euro but was weaker against the Japanese Yen; gold had its third consecutive monthly decline; and oil, measured by the WTI in US Dollars, fell 11.0% amid concerns about increasing supplies and rising COVID-related demand threats.

Asia Pacific was again the best performing major region rising a further 3.15% led by a strong performance from China (+8.09%) while its largest market Japan gained 0.42%. North America fell 0.66% with the US down 0.65% as negative sentiment around the rise in COVID cases was cushioned by optimism around treatments and vaccine progress. European markets fell 3.32% with increased COVID mitigation measures and restrictions hitting the UK (-3.33%), Switzerland (-2.70%), France (-3.00%) and Germany (8.42%).

Four of the eleven sectors delivered gains in October. Communication Services (+4.15%) was the best performer followed by Utilities (+3.88%), Financials (+1.19%) and Consumer Discretionary (+0.88%). With the drop in oil Energy was once again at the bottom of the pack (-3.84%). Also underperforming the broader market were Health Care (-2.74%), Information Technology (-2.43%), Consumer Staples (-1.75%) and Real Estate (-1.15%).

### Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 10.11% while the benchmark index gained 3.19%. For the calendar year to date, the Fund returned 5.85% against a benchmark decline of 0.79%. In October the Fund fell 1.75%, a relative performance of -1.29%.

Sector allocation and stock selection both contributed to the Fund's under performance. This was down to the Fund's Consumer Discretionary, Financials and Materials holdings, plus under exposure to the stronger performing Communication Services and Utilities sectors. However, the portfolio's Health Care stocks held up better than the benchmark's. By region, relative performance was driven by over exposure to European markets which were hit hard and US stock selection.

At a stock level the top contributors were chip maker **Taiwan Semiconductor** (+5.59%), laboratory equipment provider **Thermo Fisher Scientific** (+9.37%), circuit protection specialist **Littelfuse** (+13.92%), Japanese industrial supplier **Misumi** (+8.47%) and laser maker **IPG Photonics** (+11.67%). The five biggest detractors were led by enterprise resource planning software giant **SAP** (-30.13%) who cut its revenue and profit forecasts as the coronavirus resurgence depressed corporate spending despite the demand for cloud-based solutions accelerating. This news also impacted the shares of accounting software specialist **Sage** (-9.99%). Other detractors were consumer products supplier **International Flavors & Fragrances** (-14.43%), household products giant **Reckitt Benckiser** (-8.18%), and life insurer **Prudential** (-13.22%).

### Dividends

October saw four new dividend announcements from the Fund's holdings. **ASML**, the Netherlands-listed global leader in semiconductor technology, declared a 15% dividend increase with a strong set of financial results. Other declarations came from companies reinstating dividends that had been deferred earlier in the year. Swedish lock and security firm **Assa Abloy** and recycling specialist **Tomra Systems** both confirmed they would pay a dividend to shareholders and at a level 10% higher than the previous years while blood plasma therapies company **Grifols** announced an 11% increase to its final dividend payment for the 2019 financial year.

### Portfolio changes

There were no full sales or new purchases during the month.

### Contacts

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