

THE NAME BEHIND THE NAMES

Monthly Portfolio Information Sheet as at 31 May 2021

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\$1.7507
Fund Size	AUD\$1,200.22M
Tax Losses Available (As at last distribution period)	AUD\$351.64M
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 David Keir – Analyst Amer Mahmood – Associate
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)	2.11	9.54	18.06	16.91	15.66	12.65
Total (net)	2.04	9.30	17.01	15.87	14.63	11.65
Relative*	0.80	0.70	(3.43)	3.84	2.93	2.03

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	71
Dividend Yield	1.18%
Turnover* (last 12 months)	12.1%
Price/Earnings	33.0x
Price/Cash Flow	21.1x
Price/Book Value	5.6x
Beta (ex-ante)	0.85
Average market capitalisation	\$184.40bn
Median market capitalisation	\$61.16bn
Tracking error (1 year)	4.51

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	9.77
US\$ 100 - 500bn	32.21
US\$ 50 - 100bn	17.97
US\$ 10 - 50bn	31.87
US\$ 2 - 10bn	6.60

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
ASML	2.67	2.23
Microsoft	2.63	(0.15)
Sonova	2.49	2.46
Lonza	2.34	2.27
W.W. Grainger	2.23	2.20
Alphabet	2.23	1.13
Abbott Laboratories	2.22	1.90
Accenture	2.07	1.79
Analog Devices	2.07	1.98
Taiwan Semiconductor ADR	2.06	2.06
TOTAL	23.01	17.87

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Costco Wholesale*	5.70
Reckitt Benckiser	3.74
Home Depot	3.32
Taiwan Semiconductor ADR	3.24
Sage Group	3.10
TOTAL	19.10

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

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	50.94	(6.25)
France	8.81	5.81
Switzerland	8.58	5.71
United Kingdom	5.86	2.01
Japan	5.46	(0.65)
Denmark	3.55	2.88
Sweden	3.32	2.36
Emerging Markets	2.84	(10.28)
Netherlands	2.66	1.12
Germany	1.40	(1.08)
Hong Kong	1.23	0.09
Spain	1.08	0.38
Singapore	1.08	0.79
Norway	0.90	0.73
Canada	0.72	(2.32)

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	30.48	9.23
Health Care	22.35	10.94
Financials	10.46	(3.90)
Consumer Staples	9.38	2.35
Consumer Discretionary	7.96	(4.72)
Industrials	6.76	(3.45)
Materials	5.68	0.78
Communication Services	5.36	(4.13)
Energy	-	(3.34)
Real Estate	-	(2.56)
Utilities	-	(2.78)
Cash	1.57	1.57

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

Performance and Portfolio Comment – May 2021

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 1.31% in May. After a big rise in March, ten year US bond yields continued to slowly dip, dropping 10 basis points in April and a further 6 bps in May.

Western Europe was the best performing major region gaining 3.87% driven by a strong performance from France (+4.76%), followed by Switzerland (+4.54%), UK (+4.06%) and Germany (+3.09%). North America rose 0.55% with Canadian markets (+5.11%) ahead of the US (+0.29%). Asia Pacific wasn't far behind (+0.51%) with marginal gains from Japan (+1.27%) and China (0.51%) offset by poorer performance from Taiwan (-1.53%).

Seven of the eleven sectors delivered positive returns in May. Energy was the top performing sector (+5.82%) making up for its poorer performance in April. Financials (+4.82%) continued their positive run, as did Materials (+4.00%). Consumer Staples and Industrials returned 3.11% and 2.83%, respectively. Health Care (+2.02%) and Real Estate (+1.23%) also stayed in positive territory, while bottom performers were led by Consumer Discretionary (-1.43%) and joined by Information Technology (-1.07%), Utilities (-0.30%) and Communication Services (-0.27%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 18.06% while the benchmark index gained 21.49%. For the calendar year to date, the Fund returned 9.55% against a benchmark increase of 10.48%. In May the Fund rose 2.11%, a relative performance of 0.80%.

Stock selection was responsible for the Fund's relative performance during the month. The main contributors were the Fund's Consumer Discretionary and I.T. holdings. Industrials holdings again performed strongly, and Consumer Staples also contributed positively. Stock selection in Financials and a lack of exposure to the best performing Energy sector were the main detractors. Over exposure to Western Europe aided relative returns and stock selection in Asia Pacific and North America also contributed positively.

The top five stock contributors came from three sectors and were led by Swiss-listed hearing aid specialist **Sonova** (+19.84%). The next biggest contributors were Japanese industrial supplier **Misumi** (13.95%) and semiconductor manufacturer **Analog Devices** (+7.70%), followed by US industrial maintenance and repair supplier **W.W. Grainger** (+6.75%) and Swedish lock and security firm **Assa Abloy** (+7.50%). The five biggest detractors from three sectors were: hospital supplier **Baxter International** (-4.37%), US medical conglomerate **Abbott Laboratories** (-3.06%), tech consulting firm **Accenture** (-2.90%), media and entertainment giant **Walt Disney** (-4.16%) and Orthopaedics specialist **Stryker** (-3.01%).

Dividends

Seven of our portfolio businesses announced dividends in May with an average growth rate of 8%, excluding the 125% increase in **Grifols'** dividend due to last year's omission of their final dividend. **Baxter International** increased their dividend 14.3%, a remarkable achievement given the headwind of lower non-COVID relative hospital admissions. Baxter continues to reinvest in new therapies and systems that significantly improve hospital patient outcomes and safety while undergoing a dramatic internal process optimisation exercise to improve profitability. **Sage Group**, a UK-based developer of accounting and business management software increased their dividend just 2%. The slow dividend growth is caused by divestment of cash generative but low growth businesses, as well as high reinvestment in product innovation. We believe these actions are set to increase the sustainable growth potential of Sage and shareholders will soon be rewarded with an acceleration in distributions. At the portfolio level we continue to see dividend growth maintained by businesses that avoided COVID troubles or benefited from them, while the "floor" of dividend growth is rising as those that were negatively affected regain confidence in their strong, underlying franchises.

Portfolio changes

There were no full sales or new investments made during April.

Contacts

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