APOSTLE FUNDS MANAGEMENT

Australian PDS and New Zealand Clients

Apostle Dundas Global Equity Fund – Class C

THE NAME BEHIND THE NAMES

Monthly Portfolio Information Sheet as at 30 September 2021

Global Equity

Investment Objective

- Global Equity Market* 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 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 C (NAV)	AUD$1.9288
Fund Size	AUD$1,333.38M
Tax Losses Available (As at last distribution period)	AUD$325.21M
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
Unit Registry	Boardroom Limited

*Solactive GBS Global Markets ex Australia Large & Mid Cap

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr pa	5 yr pa	Incep pa
Total (gross)	(3.61)	4.70	25.96	17.39	18.57	13.76
Total (net)	(3.69)	4.47	24.84	16.34	17.52	12.75
Relative*	(0.59)	1.83	(0.41)	4.68	3.97	2.46

*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 Global Equity Market* Index ex Australia. Past performance is not a reliable indicator of future performance. *Solactive GBS Global Markets ex Australia Large & Mid Cap AUD Index*

Portfolio Characteristics

No of Holdings	73
Dividend Yield	1.22%
Turnover* (last 12 months)	11.52%
Price/Earnings	39.9x
Price/Cash Flow	22.6x
Price/Book Value	5.8x
Beta (*ex-ante*)	0.85
Average market capitalisation	$189.66bn
Median market capitalisation	$60.19bn
Tracking error (1 year)	5.02

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	9.04
US$ 100 - 500bn	30.74
US$ 50 - 100bn	19.98
US$ 10 - 50bn	31.08
US$ 2 - 10bn	7.89

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	2.86	(0.26)
Lonza Group	2.62	2.53
Sonova Holding	2.58	2.54
Alphabet	2.37	1.17
Accenture PLC	2.26	1.94
Littelfuse Inc	2.21	2.21
Abbott Laboratories	2.17	1.84
Misumi Group	2.14	2.12
Hexagon	2.08	2.03
Costco Wholesale	2.06	1.75
TOTAL	23.34	17.89

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Costco Wholesale	5.34
Reckitt Benckiser	3.33
Roche Holding	3.31
Home Depot	3.23
Taiwan Semiconductor ADR	3.00
TOTAL	18.21

Sources: Dundas, Bloomberg.

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	51.37	(7.50)
Switzerland	9.64	6.80
France	8.09	5.27
Japan	6.46	0.14
United Kingdom	5.35	1.65
Sweden	3.76	2.86
Denmark	3.65	2.97
Emerging Markets	2.59	(9.30)
Netherlands	1.69	(0.02)
Germany	1.33	(1.01)
Canada	1.29	(1.67)
Hong Kong	1.07	0.04
Singapore	1.02	0.71
Norway	0.88	0.70
Spain	0.55	(0.08)

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	32.09	9.43
Health Care	23.80	12.10
Financials	9.91	(4.07)
Consumer Staples	8.45	1.66
Consumer Discretionary	7.40	(5.13)
Industrials	7.03	(2.71)
Materials	5.03	0.58
Communication Services	5.01	(4.40)
Energy	0.00	(3.51)
Real Estate	0.00	(2.55)
Utilities	0.00	(2.66)
Cash	1.27	1.26

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

*Solactive GBS Global Markets ex Australia Large & Mid Cap

Performance and Portfolio Comment – September 2021

Market overview

The market optimism experienced over the course of previous months was stemmed by concerns of a continuation of decelerating economic growth, with the ACWI ex Australia index falling by 3.02% when measured in Australian Dollars.

North America lagged the market, with the S&P registering its first decline since January and its worst month since September 2020. There were a plethora of issues precipitating the sell-off including concerns around Fed tapering, persistent supply chain pressures sparking a swathe of corporate warnings, a more sluggish economic recovery still facing Delta headwinds, continued concerns about China, rising energy costs and steepening bond yields. Asia Pacific ended the month down, however its largest market Japan once more aiding returns. Meanwhile China was dragged lower amidst default worries of the mammoth real estate developer Evergrande, and power shortages which slowed production effecting a wide range of goods. Western Europe was the laggard of the major markets this month with rising energy prices and inflation pressures being of concern. Areas of the UK experienced fuel shortages due to a dearth of tanker-truck drivers.

Energy was by far the best performing sector, the only sector to post a positive return, as the market considered the imbalance between improving global demand and current output. Energy had its best month since February as crude oil rallied by nearly 10% in September as part of a global energy surge. Utilities and Materials performed poorly this month.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 25.96% while the index gained 26.37%. For the calendar year to date, the Fund returned 21.27% against a benchmark increase of 18.78%. In September the Fund fell by 3.61%, underperforming the benchmark by -0.59%.

The Fund's underperformance was primarily down to allocation effects. Having no exposure to the Energy sector, the runaway winner this month was the main culprit of the underperformance. The Fund's overweight to I.T. detracted as did stock selection within this sector. Stock selection within the Materials sector also disappointed. While the overweight to Health Care was detrimental to performance, this was more than offset by positive stock selection. Regionally, the Fund's stock selection within Asia Pacific was positive primarily due to the Fund's holdings in Japan; while allocation to this region and having no exposure to China also benefited the fund. Stock selection in Western Europe was a drag on relative performance.

Of the top five stock contributors, the top two were Japanese; the industrial supplier **Misumi** (+8.90%), and the blood diagnostics firm **Sysmex** (+11.14%). The other three were from the US, the hospital supplier **Baxter International** (+7.13%) which just announced the acquisition of Hill-Rom, the largest purchase in the company's history, the financial data provider **Factset** (+5.05%), and finally the semiconductor manufacturer **Analog Devices** (+3.99%).

The five biggest detractors were headed up by the Swiss pharma outsourced manufacturer **Lonza** (-10.05%), followed by the Danish global biotechnology company **Novozymes** (-14.09%) and the Swedish measurement technology group **Hexagon** (-9.15%). Two industrial stocks rounded out the list; the Norwegian recycling solutions specialist **Tomra Systems** (-13.66%) and US industrial maintenance and repair supplier **W.W. Grainger** (-8.30%).

Dividends

Dividend announcements in September were strong. **Close Brothers**, a high-quality commercial bank grew its dividend 50% YoY. The dividend is recovering from a reduction enforced by the regulator throughout the pandemic. Close Brothers has been performing well and profitability should continue to improve as the economic recovery broadens. **Microsoft** also grew its dividend 11% and **Accenture** 10%, both of which operate in the theme of commerce digitalisation through cloud computing. Despite Microsoft's scale at $170bn in revenue, growth is accelerating and profitability is improving. Not only is this driven by the 'work from home' transition, but is sustainable due to growing scale in cloud distribution channels and rising demand for services such as cybersecurity and productivity solutions. Deploying and integrating these services is difficult; Accenture addresses these challenges by helping clients to incorporate advanced software solutions. Similar to Microsoft, demand for Accenture's services is rising and broadening by region and sector.

Portfolio changes

There were no full sales made in September. One new investment was made: the US-listed world leader for electrical interconnected products company **Amphenol**, which works closely with its customers across industries such as automobiles, to create products and systems achieving specific client outcomes. Insurance giant Prudential completed its demerger of the US retirement services provider **Jackson Financial**, now a separate Fund holding.

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