

**Apostle Dundas Global Equity Fund**

**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**

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 D (NAV)	AUD\$4.2548
Fund Size	AUD\$ 1,795.19M
Class D Size	AUD\$ 13.54M
Tax Losses Available (As at last distribution period)	AUD\$ 285.95M
Portfolio Inception Date	August 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	Russell Hogan – Managing Partner Alan McFarlane – Senior Partner James Curry – Partner Gavin Harvie – Partner David Keir – Partner Julie Tay – Senior Investment Analyst
Responsible Entity	K2 Asset Management Ltd
Custodian	State Street Australia Limited
Unit Registry	Boardroom Limited

**Performance (%)**

AUD return	1 mth	3 mths	1 yr	3 yr Pa	5 yr pa	7 yr pa	Incep pa
Total (gross)	-5.54	4.61	-16.77	7.45	11.59	11.59	10.06
Total (net)	-5.61	4.38	-17.51	6.49	10.60	10.60	9.07
Relative*	-0.39	0.79	-4.00	2.36	3.37	2.42	1.81

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices for Class C and shown on a total return basis (net dividends reinvested). Performance inception date is 4th June 2015. Class D of the Fund was created on 24th February 2021, has a similar fee structure to Class C and is hence comparable. Different future expenses between the classes may impact the returns of each class. \*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. Past performance is not a reliable indicator of future performance.

**Portfolio Characteristics**

No of Holdings	62
Dividend Yield	1.48%
Turnover* (last 12 months)	7.96%
Price/Earnings	26.7x
Price/Cash Flow	20.9x
Price/Book Value	4.9x
Beta (ex-ante)	1.02
Average market capitalisation	\$171.11bn
Median market capitalisation	\$66.75bn
Tracking error (1 year)	4.96

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

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

Range	Fund
>US\$ 500bn	6.26
US\$ 100 - 500bn	28.30
US\$ 50 - 100bn	21.17
US\$ 10 - 50bn	34.74
US\$ 2 - 10bn	7.56

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

Stock	Fund	Active Weight*
Microsoft	2.84	-0.42
WW Grainger	2.71	2.66
Novo Nordisk	2.45	2.05
Ross Stores	2.30	2.23
Activision Blizzard	2.20	2.10
Accenture	2.19	1.86
WR Berkley	2.15	2.12
Abbott Laboratories	2.13	1.78
Analog Devices	2.12	1.96
Home Depot	2.08	1.48
TOTAL	23.17	17.82

\*Active weight relative to the Index\*.

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

Holding	Fund
Intel	4.94
DBS Group	4.19
Home Depot	3.52
Sage Group	3.10
Roche	3.04
TOTAL	18.79

**Regional Allocation (%)**

Country	Fund	Active Weight*
United States	58.71	0.08
France	8.98	6.22
Switzerland	5.50	2.76
Sweden	5.04	4.15
Denmark	3.98	3.23
Japan	3.75	-2.54
United Kingdom	3.26	-1.06
Hong Kong	2.12	1.14
Singapore	1.40	0.96
Netherlands	1.30	0.11
Taiwan	1.29	-0.35
Germany	1.04	-0.95
India	0.89	-0.99
Norway	0.76	0.51
Other Countries	0.00	0.00

\*Active Weight relative to Index\*.

**Sector Exposure (%)**

Sector	Fund	Active Weight*
Information Technology	30.84	10.51
Health Care	20.41	7.02
Financials	13.38	-1.32
Industrials	11.88	1.35
Consumer Discretionary	7.49	-3.08
Consumer Staples	5.48	-2.32
Communication Services	5.28	-1.70
Materials	3.29	-1.22
Energy	0.00	-5.64
Real Estate	0.00	-2.37
Utilities	0.00	-3.18
Cash	1.96	1.96

\*Active Weight relative to the Index\*.

**Performance and Portfolio Comment – December 2022**

**Market overview**

The final month of the year saw negative returns for equities, commodities and slightly negative returns for bonds as fears that have driven negative investor sentiment for most of 2022 returned: no end in sight for monetary tightening and uncertainty over the duration and severity of the economic slowdown that started in 2022. The hawkishness of the U.S. Federal Reserve has its December meeting set the tone for markets in December, even as there is clear evidence that inflationary pressures are easing across large swaths of the developed world. Still there are no signs of a pivot from any of the world's major central banks. European inflation appears to have peaked in October but remains well above the European Central Bank's targets. While the eurozone remains in a recession, optimism that the recession will not be as deep as initially feared surfaced in December.

The China Covid policy changes, downgrading the status of the Covid virus, which allowed for the easing of many of the restrictions on the local population, as well as international travel, drove a surge in infections that is expected to weigh on growth over the near term and make for a very bumpy reopening path.

**Performance overview**

Over the past 12 months, the Fund has posted a total return gross of fees of -16.77% while the market returned -12.77%\*. In December, the Fund declined by -5.54%, underperforming the market by 39bps.

The underperformance for the month was a combination of both allocation and stock selection. All sectors finished lower over the month. For the Fund, only two sectors, Health Care and Consumer Discretionary contributed positively; with stock selection in the Health Care sector the real stand out, and the Fund's overweight to the second best performing sector over the month also aided performance. At the other end of the scale, the Fund's overweight to the I.T. sector (the largest active weight) was a significant detractor from an allocation perspective, albeit stock selection was a marginal positive. Also disappointing was stock selection within the Consumer Staples sector, and the Fund's underweight to the sector was negative.

From a regional perspective, the strong showing from the overweight to the European market was all but negated by stock selection. While the effects of allocation to North America was positive, stock selection cost performance, and all five bottom contributors came from this region. The underweight to Asia Pacific was a detractor, and stock selection was also negative.

The Danish multinational pharmaceutical firm **Novo Nordisk** headed up the list of the five top contributors, followed by the US tech conglomerate **Apple**. Also on the list was the Swiss diagnostics businesses **Tecan**, the US gaming content specialist **Activision Blizzard** and finally the UK life insurer **Prudential**.

All of the five bottom contributors hailed from the US and were derived from three sectors, Financials, Consumer Staples and IT. The financial data provider **Factset** and discount retailer **Costco** topped the list. Completing the line-up was tech consulting giant **Accenture**, circuit protection specialist **Littelfuse** and semiconductor manufacturer **Applied Materials**.

**Dividends**

There were three dividend announcements in December with an average increase of 10.6%. **Zoetis**, a leader in medical therapies for companion animals and livestock, increased its dividend by 15.4%. World leading medical services company **Stryker**, which specialises in orthopaedic implants, surgical equipment and neurotechnology declared a 7.99% increase in its dividend. And finally, **Abbot Laboratories**, the healthcare conglomerate which focuses on cardiovascular implants, clinical diagnostics, diabetes monitoring, nutrition and generic pharmaceuticals, announced a dividend increase of 8.5%.

**Portfolio changes**

No new investments or complete sales were made in December.

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

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