

Global Equity

Investment Objective

- Global Equity Market* ex Australia + 2.5% per annum after all fees and expenses on a rolling five-year basis
- Capital and income growth to exceed the benchmark 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 D (NAV)	AUD\$5.210
Fund Size	AUD\$1,472.35M
Class D Size	AUD\$11.78M
Tax Losses Available (As at last distribution period)	AUD\$ 325.21M
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 – Analyst Amer Mahmood – Associate
Responsible Entity	K2 Asset Management
Custodian	State Street Australia Limited
Unit Registry	Boardroom Limited

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

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr pa	5 yr pa	Incep pa
Total (gross)	3.14	9.84	33.20	25.60	19.93	14.83
Total (net)	3.06	9.60	32.02	24.48	18.86	13.80
Relative*	1.73	3.77	7.03	5.85	4.95	0.93

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 Global Equity Market* Index ex Australia. Past performance is not a reliable indicator of future performance.

Portfolio Characteristics

No of Holdings	68
Dividend Yield	1.02%
Turnover* (last 12 months)	16.84%
Price/Earnings	39.73
Price/Cash Flow	23.9x
Price/Book Value	6.1x
Beta (ex-ante)	0.87
Average market capitalisation	\$217.21bn
Median market capitalisation	\$57.27bn
Tracking error (1 year)	4.72

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	9.37
US\$ 100 - 500bn	33.22
US\$ 50 - 100bn	13.20
US\$ 10 - 50bn	37.29
US\$ 2 - 10bn	5.18

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	3.07	(0.41)
Accenture	2.63	2.25
Sonova Holding	2.39	2.36
Costco Wholesale	2.34	1.97
Abbott Laboratories	2.32	1.96
Alphabet	2.32	1.11
Littelfuse	2.29	2.29
WW Grainger	2.17	2.14
Apple	2.15	(2.10)
Home Depot	2.08	1.45
TOTAL	23.76	13.02

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Roche Holding	3.65
Home Depot	3.55
WR Berkley	3.53
Taiwan Semiconductor ADR	3.36
DBS Group	3.33
TOTAL	17.42

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	56.55	(4.10)
France	8.32	5.51
Switzerland	7.77	4.78
Japan	5.53	(0.10)
United Kingdom	3.94	0.30
Denmark	3.82	3.14
Sweden	3.49	2.55
Emerging Markets	2.30	(8.61)
Netherlands	1.63	(0.03)
Canada	1.13	(1.87)
Norway	1.08	0.91
Singapore	0.99	0.69
Germany	0.87	(1.33)
Hong Kong	0.84	(0.07)

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	32.03	8.10
Health Care	21.21	9.51
Financials	11.11	(2.39)
Industrials	9.72	0.01
Consumer Discretionary	7.44	(5.04)
Consumer Staples	6.45	(0.37)
Materials	5.18	0.73
Communication Services	5.14	(3.55)
Energy	0.00	(3.40)
Real Estate	0.00	(2.62)
Utilities	0.00	(2.72)
Cash	1.73	1.73

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

Performance and Portfolio Comment – December 2021

Market overview

The ACWI ex Australia index rose 1.41% in December, when measured in Australian Dollars.

The Fed announced that it would begin reducing asset purchases by \$30bn per month (up from the \$15bn previously announced). During the month, the Fed removed “transitory” in reference to inflation as annualised CPI rose to 6.8%, a level not seen since June 1982, and signalled that it expects to start increasing interest rates in 2022. While the Omicron Covid variant has resulted in a record number of cases globally, infections so far appear milder than previous waves. Virus-related restrictions and staffing issues have led to concerns of rising input costs and labour difficulties, along with consumers near their limit in absorbing price increases, suggesting dynamics which could weigh on corporate profit margins. However, some commentators note that there are signals this month that indicate a peaking around inflation, supply chain issues and shortages.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 33.20% while the index gained 26.17%. In December the Fund rose gross of fees by 3.14%, outperforming the benchmark by 1.73%.

Both sector allocation and stock selection were positive, with stock selection once again the principal driver of the Fund’s outperformance. While the Fund’s overweight to the Information Technology sector was a slight detractor, stock selection within the sector was the largest contributor to the Fund’s outperformance. Stock selection within the Consumer Discretionary, Communications Services and Financials sectors was strong. The Fund’s long-standing overweight to the Health Care sector aided performance. Stock selection within Consumer Staples and Industrials were a drag on performance.

On a regional basis, stock selection within North America was a significant contributor, with four of the five top stock contributors for the month coming from the region. The Fund’s overweight to Western Europe was a positive, as was the underweight to Asia Pacific.

The top five stock contributors derived from three sectors, Information Technology, Health Care and Communication Services. Top of the list was the tech consulting giant **Accenture**, followed by two Health Care stocks **Baxter International** and **Abbott Laboratories**. Gaming content conglomerate **Activision Blizzard** and UK based accounting software firm **Sage** rounded out the list.

The top five stock detractors consisted of the Japanese industrial supplier **Misumi**, two US based securities, the semiconductor company **Analog Devices** and the e-commerce platform **eBay**, the French clinical diagnostics firm **bioMerieux** and US industrial stock **Nordson**.

Dividends

Zoetis, a leader in medical therapies for companion animals and livestock, continues to achieve a significant operating leverage and as a result increased the dividend 30%. Zoetis has been beneficiary of the pandemic due to a rise in companion animals as households were forced to shelter due to lockdown measures. New Fund holding, **Nordson**, also grew its dividend by 31% in December. The industrial technology company designs and manufactures equipment for precision dispensing, fluid control & related processes involving proprietary technology. The economic recovery from the pandemic has seen a rise in demand for equipment installations. **Abbott Laboratories** announced a relatively modest 4.4% growth in dividend, the 49th consecutive year of growth. The healthcare conglomerate focuses on cardiovascular implants, clinical diagnostics, diabetes monitoring, nutrition and generic pharmaceuticals. Its clinical diagnostics franchises were extremely important in fighting the pandemic as they launched 13 different detection kits. World leading medical services company **Stryker** also announced a 10.3% increase in the dividend as well as a large acquisition focused on connected medical devices. Stryker specialises in orthopaedic implants, surgical equipment and neurotechnology and the business continues to be driven by innovation and rising demand due to demographic trends.

Portfolio changes

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

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