

**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\$4.0314
Fund Size	AUD\$1,710.23M
Class D Size	AUD\$12.55M
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 – Partner 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	7 yr pa	Incep pa
Total (gross)	-4.10	-9.08	-9.75	9.00	12.74	10.55	9.89
Total (net)	-4.17	-9.29	-10.55	8.03	11.74	9.57	8.91
Relative*	0.30	-1.24	-1.66	1.99	3.32	1.81	1.15

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	65
Dividend Yield	1.34%
Turnover* (last 12 months)	14.69%
Price/Earnings	23.90
Price/Cash Flow	18.5x
Price/Book Value	4.8x
Beta (ex-ante)	1.06
Average market capitalisation	\$169.74bn
Median market capitalisation	\$54.99bn
Tracking error (1 year)	4.37

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

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

Range	Fund
>US\$ 500bn	7.17
US\$ 100 - 500bn	25.41
US\$ 50 - 100bn	19.89
US\$ 10 - 50bn	38.71
US\$ 2 - 10bn	7.33

Sources: Dundas, Bloomberg.

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

Stock	Fund	Active Weight*
Microsoft Corp	3.14	-0.21
Accenture	2.35	2.03
Littelfuse	2.32	2.32
Activision Blizzard	2.31	2.20
WW Grainer	2.29	2.25
Abbott Laboratories	2.18	1.83
Alphabet	2.12	0.98
WR Berkley	2.09	2.07
Novo Nordisk	2.08	1.74
Sonova Holding	2.04	2.01
TOTAL	22.93	17.22

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

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

Holding	Fund
DBS Group	4.24
Intel Corp	4.19
Roche Holding	3.22
Sage Group	3.43
Home Depot	3.60
TOTAL	18.68

Sources: Dundas, Bloomberg.

**Regional Allocation (%)**

Country	Fund	Active Weight*
United States	58.84	-1.50
France	8.08	5.38
Switzerland	6.90	3.96
Sweden	4.54	3.75
United Kingdom	3.94	-0.28
Denmark	3.80	3.12
Japan	3.46	-2.09
Emerging Markets	2.21	-9.36
Singapore	1.22	0.85
Hong Kong	1.20	0.11
Netherlands	1.20	0.00
Canada	1.18	-2.10
Germany	1.08	-0.84
Norway	0.87	0.66

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

**Sector Exposure (%)**

Sector	Fund	Active Weight*
Information Technology	31.75	10.52
Health Care	19.74	6.75
Financials	12.93	-1.18
Industrials	10.74	1.25
Consumer Discretionary	7.96	-3.21
Communication Services	5.55	-2.50
Consumer Staples	5.45	-2.20
Materials	4.40	0.00
Energy	0.00	-4.96
Real Estate	0.00	-2.75
Utilities	0.00	-3.21
Cash	1.49	1.49

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

**Performance and Portfolio Comment – June 2022**

**Market overview**

The ACWI ex Australia index fell 4.40% in June, when measured in Australian Dollars.

The dual fears of inflation and slowing economies are stalking the investment landscape. Markets now expect interest rates to rise to 3.4%, 3% and 1.6% in the US, UK and Europe, respectively, by next year. That increase in expectations for the path of interest rates has also contributed to a decline in equity valuations, along with concerns about the growth outlook. Recession fears have risen, due to the squeeze on consumers from higher prices and higher borrowing costs as central banks seek to fight inflation. Crude oil and fuel prices fell in June, but remained elevated. With the continued war in Ukraine the West continued to look for ways to further ban Russia's oil income, with the G7 pitching a price cap that analysts believe may ultimately have little impact. The S&P recorded its worst quarterly performance since the height of pandemic concerns in the first quarter of 2020, and it also logged its worst 1H performance since 1970. All sectors finished the month lower.

**Performance overview**

Over the past 12 months, the Fund has posted a total return gross of fees of -9.75% while the index fell by 8.08%. In June the Fund fell by 4.10%, outperforming the benchmark by 30bps.

Sector allocation was positive over the month, however stock selection was negative. The Fund's stock selection within the Health Care sector was the biggest detractor, but the Fund's overweight to the sector was positive. Stock selection within Consumer Discretionary was also negative and the Fund's overweight to I.T., one of the poorest performing sectors, hit performance. Stock selection within Financials was the strongest contributor. The Energy sector had a disappointing month, therefore having no exposure had a positive impact on returns. Despite Materials being the worst performer, the Fund's stock selection in this sector aided performance.

On a regional basis, stock selection within Europe was strong over the month with Germany, Denmark and France the biggest contributors. Despite all five of the top detractors coming from the US, stock selection and allocation in North America was relatively neutral. The largest detractor was the Fund's allocation to Asia Pacific and stock selection in this region. The Fund's single holding in Taiwan and Japanese holdings were the main culprits.

The top five stock contributors were led by the Danish multinational pharmaceutical firm **Novo Nordisk**, followed by discount retailer **Costco**, the gaming content conglomerate **Activision Blizzard**, the financial data provider **FactSet Research Systems** and the Hong-Kong based insurance firm **AIA Group**.

The top five detractors all hailed from the US and three sectors: Information Technology, Health Care and Consumer Discretionary. This included chip equipment manufacturer **Applied Materials**, the hospital supplier **Baxter International**, US discount retailer **Ross Stores**, the digital payments giant **PayPal**, and the e-commerce platform **eBay**.

**Dividends**

There was one dividend announcement in the month of June, **WR Berkley** declared an 8.5% increase in the underlying dividend as well as a special dividend equivalent to 100% of the underlying dividend. WR Berkley is a U.S. based property and casualty insurance underwriter focused on niche risks in a broad range of commercial spaces including industrial and cyber security. Prudent underweighting, and conservative balance sheet management supports profitability on both the underwriting and the investment portfolio. Management are compounding this profitability by entering new U.S. states and addressing new risks. Rising interest rates and strong cash flows allow the business to deploy capital in high return assets while prudent underwriting should support superior returns on capital if there is a downturn.

**Portfolio changes**

No new investments were made in June and one sale was made, the UK-listed commercial bank **Close Brothers**.

**Contacts**

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