

Global Equity

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 C (NAV)	AUD\$1.7170
Fund Size	AUD\$1,769.18M
Tax Losses Available (As at last distribution period)	AUD\$285.95M
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 – Partner
Responsible Entity	K2 Asset Management Ltd
Custodian/Registry	State Street Australia Limited

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr Pa	5 yr pa	7 yr pa	Incep pa
Total (gross)	-3.81	0.04	-13.33	9.36	13.81	11.18	10.29
Total (net)	-3.88	-0.18	-14.10	8.38	12.80	10.19	9.31
Relative*	-1.91	1.20	-2.80	2.04	3.68	2.23	1.68

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 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	64
Dividend Yield	1.53%
Turnover* (last 12 months)	11.95%
Price/Earnings	24.92x
Price/Cash Flow	20.3x
Price/Book Value	4.8x
Beta (ex-ante)	1.07
Average market capitalisation	\$179.55bn
Median market capitalisation	\$60.75bn
Tracking error (1 year)	4.12

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	7.30
US\$ 100 - 500bn	29.15
US\$ 50 - 100bn	17.42
US\$ 10 - 50bn	36.66
US\$ 2 - 10bn	7.84

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	3.11	-0.38
WW Grainger	2.72	2.67
Accenture	2.37	2.02
Activision Blizzard	2.27	2.17
Factset	2.18	2.18
Costco Wholesale	2.15	1.73
Apple	2.14	-2.47
Littelfuse	2.11	2.11
Alphabet	2.06	1.00
Abbott Laboratories	2.00	1.68
TOTAL	23.10	12.70

Active weight relative to the Index.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	4.04
Intel Corp	3.96
Home Depot	3.48
WR Berkley	3.26
Sage Group	3.07
TOTAL	17.81

Regional Allocation (%)

Country	Fund	Active Weight*
United States	60.31	0.39
France	7.85	5.42
Switzerland	6.67	4.09
Sweden	4.49	3.63
United Kingdom	3.86	-0.21
Japan	3.75	-2.41
Denmark	3.60	2.94
Taiwan	1.45	-0.29
Singapore	1.30	0.87
Netherlands	1.19	0.08
Norway	1.04	0.78
Hong Kong	1.04	0.10
Germany	1.01	-0.72
India	0.80	-1.10
Other Countries	0.00	0.00

Active Weight relative to the Index.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	31.31	9.54
Health Care	18.64	6.47
Financials	12.96	-0.93
Industrials	11.73	1.80
Consumer Discretionary	8.34	-3.36
Communication Services	5.61	-2.11
Consumer Staples	5.55	-1.99
Materials	4.22	-0.01
Energy	0.00	-5.27
Real Estate	0.00	-2.53
Utilities	0.00	-3.24
Cash	1.63	1.63

Active Weight relative to the Index.

Performance and Portfolio Comment – August 2022

Market overview

Central banks' commitment to bring inflation under control, irrespective of the inherent risks to the growth outlook continues to dampen the global equity markets. Having rebounded strongly in July, global equity markets came under pressure in August. Economic data published during the month highlighted the continued slowing of the global economy. However, the economic data was generally slightly better than expected and global inflation pressures eased on the back of lower commodity prices.

After six months of war in Ukraine, there is no sign of a ceasefire, and European recessionary fears are increasing as the region's energy crisis continues to intensify. Russia has continued to limit its gas exports, and implemented an unscheduled maintenance shutdown of the Nord Stream 1 pipeline, pushing average gas prices during the month to new all-time highs. In the US, while inflation seems to have passed its peak, with year on year CPI figures moving from 9.1% in June to 8.5% in July, core inflation is still above the Federal Reserve's target. This combined with strong wage inflation numbers, could convince the Fed to raise interest rates by another 75bps in September. The Chinese domestic economy continues to struggle, with data highlighting contractions in domestic demand and lingering weakness in the housing market.

In short, the level of uncertainty about the outlook for the global economy remains elevated.

Performance overview

Over the past 12 months, the Fund has posted a total return gross of fees of -13.33% while the market returned -10.53%*. In August, the Fund fell by 3.81%, underperforming the market by 191bps.

Both stock selection and allocation were negative over the month. There was a wide dispersion of sector returns in August. Only two sectors (Energy and Utilities – neither of which the Fund invests in) posted a positive return, albeit seven sectors delivered a higher return than the index.

Of the four that were behind the index, two (Real Estate – no exposure by the Fund, and Industrials) had no impact on performance. However, the remaining two sectors, I.T. and Health Care were the largest detractors to the Fund's monthly performance. Both the Fund's long held overweights to the sectors and stock selection within cost performance. Four of this month's five top detractors came from these sectors, albeit one I.T. stock (Paypal) and one Health Care stock (Tecan) made the list of the top five contributors. This month, Energy regained the best performing sector slot, and having no exposure to the sector was the largest detractor from an asset allocation perspective.

From a regional basis, there was a marginal allocation effect from the Fund's overweight to North America. By far, the most significant detractor to performance was Europe. In a reversal of fortune from last month, stock selection within the region was disappointing, and was the largest detractor. The myriad of culprits included the Fund's holdings in Switzerland, France, Sweden, the Netherlands and Germany.

The top five stock contributors were topped by three US stocks, the discount retailer **Ross Stores**, payments giant **PayPal** and industrial maintenance and repair supplier **W.W. Grainger**. Also on the list was the Japanese industrial supplier **Misumi** and the Swiss clinical diagnostics firm **Tecan**.

The top five detractors derive from three sectors. Health Care I.T. and Industrials, and two regions, the US and Europe. This included the Swiss global hearing aid maker **Sonova**, the US circuit protection specialist **Littelfuse**, the French healthcare supplier **BioMerieux**, the US semiconductor manufacturer **Analog Devices** and finally **Equifax**, the global data, analytics and technology company.

Dividends

There were five dividend announcements in August, with an average increase of 15%. Notable declarations came from US industrial manufacturer **Nordson**, and Danish pharmaceutical firm **Novo Nordisk**, which declared increases of 27% and 21%, respectively.

Portfolio changes

The Canadian Information Management Solutions company **Open Text** was sold in August, no new investments were made.

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

Disclaimer

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