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 28 February 2022

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 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 C (NAV)	AUD$1.8445
Fund Size	AUD$1,286.37M
Tax Losses Available (As at last distribution period)	AUD$281.01M
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

*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)	-5.84	-9.87	16.40	16.67	16.87	12.18
Total (net)	-5.91	-10.07	15.36	15.63	15.83	11.18
Relative*	-0.28	-3.92	1.28	3.90	4.04	1.40

*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.*

Portfolio Characteristics

No of Holdings	68
Dividend Yield	1.16%
Turnover* (last 12 months)	16.84%
Price/Earnings	31.76
Price/Cash Flow	20.6x
Price/Book Value	5.2x
Beta (*ex-ante*)	1.01
Average market capitalisation	$194.26bn
Median market capitalisation	$55.58bn
Tracking error (1 year)	4.35

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	8.92
US$ 100 - 500bn	28.67
US$ 50 - 100bn	16.19
US$ 10 - 50bn	35.07
US$ 2 - 10bn	9.61

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	3.10	-0.25
Accenture	2.27	1.96
Costco Wholesale	2.22	1.86
Alphabet	2.22	1.00
Sonova Holding	2.12	2.09
Baxter International	2.12	2.05
Activision Blizzard	2.06	1.96
Abbott Laboratories	2.06	1.72
WW Grainger	2.04	2.01
Littelfuse	2.00	2.00
TOTAL	22.22	16.41

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Sage Group	4.03
Home Depot	3.61
Roche Holding	3.54
DBS Group	3.47
WR Berkley	3.31
TOTAL	17.96

Sources: Dundas, Bloomberg.

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	58.14	-2.12
France	8.15	5.36
Switzerland	7.24	4.32
Japan	4.88	-0.85
United Kingdom	4.23	0.12
Denmark	3.39	2.73
Sweden	3.35	2.52
Emerging Markets	2.35	-8.86
Netherlands	1.43	0.13
Singapore	1.21	0.89
Canada	1.16	-2.05
Germany	1.01	-1.12
Hong Kong	0.97	0.01
Norway	0.94	0.75

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	32.01	9.27
Health Care	19.87	8.23
Financials	11.69	-2.77
Industrials	9.38	-0.24
Consumer Discretionary	8.29	-3.56
Consumer Staples	6.22	-0.88
Communication Services	5.77	-2.63
Materials	5.22	0.63
Energy	0.00	-4.21
Real Estate	0.00	-2.57
Utilities	0.00	-2.82
Cash	1.55	1.55

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

Performance and Portfolio Comment – February 2022

Market overview
The ACWI ex Australia index fell 5.56% in February, when measured in Australian Dollars.

Equity markets experienced another difficult and unsettled month. The first half of the month was focused on expectations of interest rate hikes by the US Federal Reserve (Fed), the Bank of England (BoE) and the European Central Bank (ECB). Investors were concerned that the central banks may dampen growth in their efforts to get inflation under control. In the second half of the month, investors' attention was absorbed by the conflict in Ukraine. The Russian economic sanctions, both announced and threatened, had a clear economic impact on developed markets via food and energy prices. Russia is a significant exporter of commodities, accounting for 13% of global crude oil production, 17% of natural gas production and nearly a tenth of global wheat supplies. Brent oil ended the month at $100 per barrel and European natural gas prices rose 15% in February. Higher energy prices could fuel higher or at least more persistent inflation, eating into household incomes. Whether central banks react to higher energy prices by increasing the magnitude or speed of interest rate rises in order to combat inflation or reduce their pace of tightening in order to support the economy remains uncertain.

Performance overview
Over the past 12 months, the Fund has delivered a total return gross of fees of 16.40% while the index gained 15.12%. In February the Fund fell gross of fees by 5.84%, underperforming the benchmark by 0.28%.

The Fund's underperformance was primarily a factor of negative stock selection. I.T. was the biggest detractor, with poor stock selection and allocation effects. Materials and Industrials also disappointed from a stock selection perspective. Being underweight to the worst performing sector, Communication Services was a positive and stock selection within this sector was the largest contributor over the month. The Fund's long-standing overweight to Health Care was a positive, although that was mitigated by negative stock selection. Similar to previous months having no exposure to the top performing sector, Energy, had a negative impact on returns.

On a regional basis, stock selection within North American and Asia Pacific were the largest detractors to performance. Stock selection within Western Europe was strong with the Fund's two Swedish holding contributing robustly.

The top five stock contributors were led by the Swiss global hearing aid maker **Sonova** and the Japanese personal care company **Kosé.** The remaining three were US stocks, **Apple**, due to the Fund's relative underweight compared to the benchmark insurance solutions provider **WR Berkley**, and orthopaedics specialist **Stryker.**

The top five detractors were headed up by three I.T. stocks, the US digital payments giant **PayPal,** chip maker **Taiwan Semiconducto**r and tech consulting giant **Accenture.** Other key detractors were the US big box retailer **Home Depot** and the Japanese blood diagnostics firm **Sysmex.**

Dividends
There were 26 dividend declarations through the month of February. The average is 23% and 16% excluding **ASML**'s 100% and **LVMH**'s 67% increase. This compares favourably to a 7.5% inflation rate meaning real dividend growth remains high single digits to low double digits. Notable increases were **American Express** which increased its dividend 20%. The business has experienced much lower credit write-downs than anticipated, and a strong recovery in consumer spending by middle-class consumers. Furthermore, entertainment and travel remains depressed, 40% below pre-covid levels in the core US market. Thus, a continued recovery in these sectors will add further impetus to American Express' near term numbers. **Analog Devices** grew its dividend 11.3%. This large designer, manufacturer of analog semiconductors that converts real world signals into digital ones continues to execute wonderfully against a backdrop of 5G, autonomous/assisted driving, and industrial automation. Furthermore, its large acquisition of Maxim continues to go well and we expect the business to continue to go from strength to strength. **Brown & Brown**, the mid-sized US insurance broker grew its dividend 13.8% as its scale, but relative nimbleness allows the company to gain share from larger peers. Furthermore, a robust insurance pricing market bodes well for continues volumes of premiums written.

Portfolio changes
There were no full sales or new investments made during February.

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

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