APOSTLE FUNDS MANAGEMENT

THE NAME BEHIND THE NAMES

Australian PDS and New Zealand Clients

Apostle Dundas Global Equity Fund – Class C

Monthly Portfolio Information Sheet as at 31 January 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$1.9603
Fund Size	AUD$1,366.11M
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)	-7.20	0.01	24.27	21.74	18.49	13.35
Total (net)	-7.27	-0.21	23.16	20.65	17.43	12.34
Relative*	-5.39	-3.01	0.68	4.84	4.02	1.47

*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	1.13%
Turnover* (last 12 months)	16.84%
Price/Earnings	33.57
Price/Cash Flow	21.9x
Price/Book Value	5.6x
Beta (*ex-ante*)	0.91
Average market capitalisation	$203.10bn
Median market capitalisation	$55.14bn
Tracking error (1 year)	4.89

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	10.01
US$ 100 - 500bn	29.35
US$ 50 - 100bn	16.60
US$ 10 - 50bn	33.60
US$ 2 - 10bn	8.55

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	3.16	-0.23
Accenture	2.50	2.16
Alphabet	2.42	1.23
Sonova Holding	2.38	2.35
Apple	2.36	-2.05
Abbott Laboratories	2.34	2.00
Costco Wholesale	2.31	1.97
WW Grainger	2.31	2.27
Littelfuse Inc	2.19	2.19
Activision Blizzard	2.08	1.99
TOTAL	24.05	13.88

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Roche Holding	3.58
Home Depot	3.57
WR Berkley	3.54
DBS Group	3.34
Taiwan Semiconductor ADR	3.32
TOTAL	17.35

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	57.71	-2.56
France	8.25	5.41
Switzerland	7.40	4.49
Japan	4.71	-0.93
United Kingdom	3.94	0.15
Denmark	3.62	2.98
Sweden	3.34	2.46
Emerging Markets	2.63	-8.60
Netherlands	1.51	-0.12
Canada	1.27	-1.85
Singapore	1.19	0.87
Hong Kong	0.96	0.00
Norway	0.83	0.66
Germany	0.77	-1.45

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	31.95	8.80
Health Care	20.38	9.00
Financials	11.93	-2.54
Industrials	9.23	-0.31
Consumer Discretionary	7.47	-4.62
Consumer Staples	6.29	-0.67
Communication Services	5.78	-2.86
Materials	5.09	0.70
Energy	0.00	-4.04
Real Estate	0.00	-2.60
Utilities	0.00	-2.76
Cash	1.88	1.88

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

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

Performance and Portfolio Comment – January 2022

Market overview

The ACWI ex Australia index fell 1.80% in January, when measured in Australian Dollars.

After a strong 2021, it has been a difficult start to the new year for equity markets. Outlooks for inflation and monetary policy, geopolitical tensions in Eastern Europe, supply chain problems, rising oil prices, along with selling pressures on steep valuations all weighted heavily on market sentiment, leading to a sharp increase in volatility. US equities came under pressure in January with the S&P suffering its biggest monthly pullback since the depths of the pandemic in March. The Fed plans to end its asset purchase programme in March 2022. Thereafter, the market expects three quarter-point rate rises over the course of the rest of 2022 and the same again in 2023, with other central banks around the world embarking upon a new cycle of policy tightening. Rallying oil and gas prices, with the 17% rally in WTI crude, and higher US Treasury yields saw energy and financial stocks significantly outperform the rest of the market. Despite the S&P 500 earnings looking on track for a fourth straight quarter of 20%+ growth in Q4, a wide range of industries continue to highlight supply chain, wage and input price pressures.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 24.27% while the index gained 23.59%. In January the Fund fell gross of fees by 7.20%, underperforming the benchmark by 5.39%.

While the Fund's underperformance against the benchmark was a factor of both allocation and stock selection, it was the latter that was of most significance. During the month, the only positive posted for stock selection came from Communication Services, and that was of limited impact.

The largest detractor was Health Care, where the Fund's overweight was a negative and was much exasperated by poor stock selection. Stock selection within the industrial sector was also damaging for performance during the month. Having no exposure to the top performing sector, Energy, weighed on returns. Being underweight to the second-best performing sector, Financials, and stock selection within the sector detracted, although three of the five top stock contributors this month were financial stocks.

On a regional basis, stock selection within Western Europe was the largest detractor to performance with France, Switzerland, United Kingdom, Norway among the many culprits. In addition, stock selection in North America and Asia Pacific did not fare well in the month.

The top five stock contributors were led by gaming content conglomerate **Activision Blizzard** and the chip maker **Taiwan Semiconductor.** The remaining three reside in the financial sector; the Singapore based **DBS Group**, and two US listed stocks, insurance solutions provider **WR Berkley** and credit card service company **American Express**.

The top five detractors came from two sectors Health Care and Industrials. Topping the list were two Japanese stocks, the blood diagnostics firm **Sysmex** and industrial supplier **Misumi.** This was followed by the Norwegian recycling solutions specialist **Tomra Systems**, and the Swiss and French clinical diagnostics firms **Tecan** and **bioMerieux**.

Dividends

The world's largest luxury goods business **LVMH** continues to prosper with astute capital allocation policies focused on investing in high margin products and accretive M&A. It announced a 67% increase on 2020's dividend to €10 per share. **ASML** manufactures at scale Extreme Ultraviolet Lithography machines, used in critical steps of the semiconductor manufacturing process. Due to cutting edge applications, these continue to sell well, along with high demand for older technology. The company announced a 100% increase in the dividend reflecting the growth opportunities as well as the increasing breadth and strength of the business. **Diageo** continues its steady progress as the world's largest and best spirits business, it announced a 5% increase in the underlying dividend which can accelerate as the consumer recovery continues to take hold. **Lonza** has played a critical role in manufacturing the Moderna Covid-19 vaccine, at scale and profitably. It held its dividend this year, in line with its reinvestment strategy focused on capacity expansion. Revenue and core profits grew 20% YoY, with material growth anticipated in dividends as new capacity is utilised.

Portfolio changes

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

Contacts

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