

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\$1.6675
Fund Size	AUD\$1,718.91M
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)	-2.82	1.39	-12.61	7.64	12.38	11.26	9.74
Total (net)	-2.89	1.16	-13.39	6.68	11.38	10.26	8.76
Relative*	0.68	1.70	-1.56	2.29	3.69	2.44	1.76

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	63
Dividend Yield	1.66%
Turnover* (last 12 months)	13.16%
Price/Earnings	24.24x
Price/Cash Flow	19.4x
Price/Book Value	4.6x
Beta (ex-ante)	1.01
Average market capitalisation	\$162.90bn
Median market capitalisation	\$59.86bn
Tracking error (1 year)	4.60

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	7.09
US\$ 100 - 500bn	24.88
US\$ 50 - 100bn	22.07
US\$ 10 - 50bn	35.40
US\$ 2 - 10bn	8.86

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	3.04	-0.41
WW Grainger	2.64	2.60
Activision Blizzard	2.36	2.25
Accenture	2.33	1.99
FactSet	2.21	2.21
Costco Wholesale	2.14	1.72
WR Berkley	2.12	2.09
Abbott Laboratories	2.07	1.73
Apple	2.06	-2.43
Novo Nordisk	2.01	1.68
TOTAL	22.98	13.43

Active weight relative to the Index.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Intel Corp	5.10
DBS Group	4.00
Roche	2.98
Home Depot	3.55
TSMC	2.28
TOTAL	17.91

Regional Allocation (%)

Country	Fund	Active Weight*
United States	59.89	-0.25
France	8.07	5.59
Switzerland	6.98	4.30
Sweden	4.54	3.68
United Kingdom	4.03	-0.04
Denmark	3.61	2.97
Japan	3.57	-2.51
Singapore	1.43	0.98
Taiwan	1.31	-0.31
Netherlands	1.14	0.04
Germany	1.04	-0.70
Hong Kong	0.98	0.06
Norway	0.88	0.65
India	0.84	-1.13
Other Countries	0.00	0.00

Active Weight relative to the Index.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	31.15	10.15
Health Care	17.69	4.70
Financials	13.42	-0.71
Industrials	11.49	1.67
Consumer Discretionary	8.45	-3.15
Communication Services	6.04	-1.51
Consumer Staples	5.90	-1.82
Materials	4.18	-0.11
Energy	0.00	-5.28
Real Estate	0.00	-2.44
Utilities	0.00	-3.18
Cash	1.68	1.68

Active Weight relative to the Index.

Performance and Portfolio Comment – September 2022

Market overview

Global equity markets faced further volatility during September. Investor sentiment focused on, among other things, increases in global interest rates, tightening financial conditions, geopolitical risk, energy security in Europe and the potential scenarios of economic hard landings.

US equities were lower in September with the S&P 500 posted its worst monthly performance since March 2020, while the Nasdaq was the worst since April (with its second worst month since 2008). It was the worst September performance for U.S. stocks since 2008, according to Dow Jones Market Data. Treasuries also posted a big selloff across the curve, with the 2Y yield up 80 bp in the month and the 10Y up 68 bp. The dollar continued to strengthen, and the dollar index was up 3.1%, hitting a 20 year high. As expected, the US Fed raised interest rates by 0.75% and implied that further large increases remain a possibility.

In the UK, financial market turmoil saw a surge in bond yields and a plunge in the pound triggered by the UK Government's fiscal stimulus. The Bank of England (BoE) intervened in the gilt market to ward off financial stability risks, by temporarily purchasing ultra-long-term Gilts in an unlimited amount to calm markets.

Eurozone inflation hit 10% in September, largely due to the energy price surge. This has led to further pressure on an already hawkish ECB, with policymakers flagging further rate hikes in the works. Russian President Putin authorised a "partial mobilisation" of reservists to fight in Ukraine and hinted that Russia could use nuclear weapons if its "territorial integrity" is threatened, while staged elections allowed Putin to illegally annex four Ukrainian regions in the latest escalation of the war.

China's zero-Covid policy has continued to slow its economy and strain global supply chains, causing the IMF to lower its estimate of China's 2022 economic growth to 3.3 percent, the lowest rate in four decades, excluding the Covid pandemic period of 2020.

Performance overview

Over the past 12 months, the Fund has posted a total return gross of fees of -12.61% while the market returned -11.05%*. In September, the Fund fell by 2.82%, overperforming the market by 68bps.

In absolute terms, all sectors bar Health Care finished lower over the month, with five beating the index and six below. For the fund, stock selection was positive over the month, however sector allocation was marginally negative. Stock selection within I.T. and Financials was the biggest contributor but the Fund's long-standing overweight to I.T. hurt performance. Stock selection in Health Care was the largest detractor, however from an allocation perspective, this sector was the largest contributor. The remaining five sectors had a marginal impact on performance during the month.

On a regional basis, stock selection in the US was the strongest contributor followed by the Fund's allocation to Asia Pacific. Overall the regional impact was relatively flat during the month.

The top five stock contributors came from three sectors, Financials, Health Care and Consumer Discretionary, with three from the US. Insurance solutions provider **WR Berkley** led the pack followed by US discount retailer **Ross Stores**. Also on the list was pharmaceutical and diagnostics firm **Roche**, Asian financial group **DBS** and insurance products broker **Brown & Brown**.

The top five detractors derive from three sectors, Industrials, I.T. and Consumer Discretionary. This included Norwegian recycling solutions specialist **Tomra Systems**, electronic manufacturing company **Littelfuse**, chip foundry **TSMC**, e-commerce platform **eBay** and **Intel**, the US-based semiconductor manufacturer.

Dividends

There were two dividend announcements in September. Global consultancy firm **Accenture** and technology giant **Microsoft** declared dividend increases of 15% and 10%, respectively.

Portfolio changes

The U.S. listed hospital supplier **Baxter International** was sold in September and 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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