

Global Equity

Investment Objective

- MSCI All Country World Index ex Australia + 2.5% per annum after all fees and expenses on a rolling five-year basis
- Capital and income growth to exceed MSCI ACWI and inflation
- To achieve lower volatility than the MSCI All Country World 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\$1.5161
Fund Size	AUD\$1,007.41M
Tax Losses Available (As at last distribution period)	AUD\$ 353.76M
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 Katie Muir – Partner
Responsible Entity	Equity Trustees Limited
Custodian/Registry	State Street Australia Limited

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr pa	5 yr pa	Incep pa
Total (gross)	1.25	1.49	12.94	18.15	12.65	11.33
Total (net)	1.18	1.26	11.93	17.09	11.64	10.34
Relative*	(1.67)	(1.96)	6.50	6.46	3.32	2.50

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 MSCI All Country World Index ex Australia. Past performance is not a reliable indicator of future performance.

Portfolio Characteristics

No of Holdings	66
Dividend Yield	1.24%
Turnover (last 12 months)	20.21%
Price/Earnings	32.4x
Price/Cash Flow	20.3x
Price/Book Value	4.5x
Beta (ex-ante)	0.79
Average market capitalisation	\$164.83bn
Median market capitalisation	\$57.23bn
Tracking error (1 year)	5.94

Sources: Dundas, Bloomberg.

Market Cap Exposure (% weight by capital)

Range	Fund
>USD 500bn	7.37
USD 100 - 500bn	32.56
USD 50 - 100bn	15.63
USD 10 - 50bn	33.16
USD 2 - 10bn	8.67

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.23	0.10
Lonza	2.80	2.71
Abbott Laboratories	2.60	2.23
Taiwan Semiconductor ADR	2.54	2.54
PayPal	2.39	1.95
Apple	2.25	(2.08)
W. W. Grainger	2.20	2.17
Accenture	2.19	1.90
Costco Wholesale	2.06	1.77
Sonova	2.06	2.03
TOTAL	24.34	15.34

Sources: Dundas, Bloomberg. *Active weight relative to the MSCI ACWI ex Australia.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Taiwan Semiconductor ADR	4.70
DBS Group	4.11
Reckitt Benckiser	3.95
Sage Group	3.20
Analog Devices	3.12
TOTAL	19.09

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	45.99	(12.08)
Switzerland	8.65	5.60
France	8.48	5.62
Japan	7.43	0.68
United Kingdom	6.50	2.64
Denmark	3.42	2.76
Emerging Markets	3.80	(7.79)
Ireland	2.19	1.20
Germany	2.19	(0.37)
Netherlands	1.86	0.57
Spain	1.31	0.68
Hong Kong	1.24	(0.05)
Sweden	1.20	0.36
Canada	1.15	(1.72)
Norway	1.06	0.90
Singapore	0.91	0.63

Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	29.64	7.55
Health Care	24.43	12.14
Consumer Staples	10.63	2.77
Financials	8.71	(3.79)
Industrials	7.19	(2.32)
Materials	6.18	1.78
Consumer Discretionary	5.62	(7.30)
Communication Services	4.98	(4.65)
Energy	-	(3.12)
Real Estate	-	(2.66)
Utilities	-	(3.02)
Cash	2.61	2.61

Sources: Dundas, Bloomberg. *Active Weight relative to the MSCI ACWI ex Australia.

Performance and Portfolio Comment – August 2020

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 2.92% in August and now sit only 0.25% lower than the level at the start of 2020. During the month the US Dollar currency index was down a further 1.2%, interest rates (measured by bond yields) rose while gold broke its five-month winning streak and WTI crude oil gained nearly 6% (all expressed in US\$).

North America was the best performing major region rising 4.19% with US equities finishing higher for a fifth straight month and hitting a new record high. Asia Pacific rose 1.96%, with a better performance from its largest market Japan (+4.37%) while China (+2.99%) continued its strong run. Europe lagged but still delivered a positive return (+1.07%) led by Germany (+3.34%) and France (+1.43%) while the UK was largely unchanged (+0.05%) and Switzerland fell (-0.60%).

August was another month with a wide dispersion in sector returns. Consumer Discretionary led the pack with a further gain of 8.83% as businesses leveraged to the economic reopening – retail, airlines, hotels and cruise lines did particularly well. Information Technology (+5.91%) continued its strong performance driven by the US big tech names. Good returns also came from Industrials (+5.05%) and Communication Services (+3.48%), with more modest performance from Materials (+1.59%) and Financials (+1.30%). The worst performer was Utilities, falling 4.63%. Energy (-1.82%) and Real Estate (-1.50%) continued their weak performance run while defensive sectors Health Care (-1.19%) and Consumer Staples (-0.36%) also lagged.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 12.94% while the benchmark index gained 6.44%. For the calendar year to date, the Fund returned 5.38% against a benchmark decline of 0.25%. In August the Fund rose 1.25%, a relative performance of -1.67%.

Stock selection was the driver of relative performance with the Fund's I.T. holdings lagging those of the benchmark. Over exposure to Health Care and under exposure to the top performing Consumer Discretionary sector were the other main detractors while good stock selection in Financials and Communications Services plus no Utilities, Energy or Real Estate sector holdings were key contributors. By region, exposure to European markets and stock selection within Europe was the biggest driver of relative performance. Under exposure to strong North American markets and US stock selection also detracted whilst stock selection in Asia Pacific was the key positive.

The top stock performers were led by Norwegian-listed recycling and sorting specialist **Tomra Systems** (+15.10%) which was added to the Fund in January following a review of the waste management industry. Other top contributors were: two Japanese firms; beauty company **Kosé** (+13.38%) and blood diagnostics firm **Sysmex** (+10.07%); and Asian life insurers **AIA Group** (10.47%) and **Prudential** (+9.67%). The biggest detractors were Health Care investments; pharma outsourced manufacturer **Lonza** (-3.44%), clinical diagnostics firm **bioMerieux** (-9.41%) and blood plasma specialist **Grifols** (-9.83%). Other key detractors were chip maker **Taiwan Semiconductor** (-2.58%) and **Apple** (+17.98%), the latter due to its larger benchmark weighting.

Dividends

August saw six new dividend declarations. **Novo Nordisk**, the global leader in diabetes treatments, raised its interim dividend by 8.3%. Also providing shareholders with an increase were Asian life insurer **AIA Group** and consumer products supplier **International Flavors & Fragrances** (IFF). Global drinks giant Diageo maintained its final dividend at last year's level whilst Singaporean lender **DBS Group** cut its quarterly dividend by 40% after the local regulator requested a curb on bank payouts to ensure capital buffers remain ample given the economic uncertainty. Finally, UK-listed **Prudential**, which last year spun-out its asset management business **M&G plc** to shareholders as it focuses on the high growth market for Asian life insurance, announced a new capital allocation policy aligned with this new business strategy and declared a US Dollar denominated interim dividend.

Portfolio changes

There were no full sales or new purchases during the month.

Contacts

Apostle Funds Management Pty Limited
Level 25, 259 George St Sydney NSW 2000
T +61 2 8278 9554 F +61 2 9247 9976
www.apostlefm.com.au

Equity Trustees Limited
GPO Box 2307 Melbourne VIC 3001
T +61 3 8623 5000
www.eqt.com.au/~media/equitytrustees/files/instofunds/apostle/dundas-global-equity-fund-class-c-nz-pds.pdf

Apostle Funds Management Pty Limited ABN 16 129 922 612 AFSL No. 458375 (“Apostle”)

This document is issued by Apostle Funds Management Pty Limited (“Apostle”) (ABN 16 129 922 612) (AFSL No. 458375) and may be issued to retail clients under the license of Equity Trustees Limited. This material and the content of any offer document for the investment are principally governed by Australian rather than New Zealand law. This material may contain information provided directly by third parties which include Dundas Partners, LLP which is exempt from the requirement to hold an AFSL under the Corporations Act 2001 (Cth) in respect of financial services. Dundas Partners, LLP is regulated by the FCA under UK laws, which differ from Australian laws. Equity Trustees Limited (“Equity Trustees”) (ABN 46 004 031 298, AFSL 240975) is the Responsible Entity for the Apostle Dundas Global Equity Fund. Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX:EQT).

This material is for information purposes only. It is not an offer or a recommendation to invest and should not be relied upon by investors in making an investment decision. Offers to invest will only be made in the relevant offer document and this material is not intended to substitute for suitable disclosure documents which will outline the risks involved and other relevant information. Any investment carries potential risks and fees which are described in the relevant offer document. An investor should, before deciding whether to invest, consider the appropriateness of the investment, having regard to both the relevant offer document in its entirety and the investor’s objectives, financial situation and need. This information may not have been prepared taking into account your objectives, financial situation or needs. Please note that past investment performance is not a reliable indicator of future investment performance. No representation is made as to future performance or volatility of the investment. In particular, there is no guarantee that the investment objectives and investment strategy set out in this presentation may be successful. Any forward-looking statements, opinions and estimates provided in this material are based on assumptions and contingencies which are subject to change without notice and should not be relied upon as an indication of the future performance. Persons should rely solely upon their own investigations in respect of the subject matter discussed in this material. No representations or warranties, express or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this material. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available to Apostle. To the maximum extent permitted by law, all liability in reliance on this material is expressly disclaimed.

This document is strictly confidential and is intended solely for the use of the person to whom it has been delivered. It may not be reproduced, distributed or published, in whole or in part, without the prior approval of Apostle. Apostle may use a third party distributor to market the investment to New Zealand investors. Where this occurs, this material can only be provided to New Zealand persons that the New Zealand distributor is authorised to deal with under New Zealand law, and is not available to any person to whom it would be unlawful to make such offer or invitation.