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 March 2021

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$1.6674
Fund Size	AUD$1,136.39M
Tax Losses Available (As at last distribution period)	AUD$351.64M
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 David Keir – Analyst Amer Mahmood –Associate
Responsible Entity	K2 Asset Management
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)	4.17	4.18	20.39	16.53	16.26	12.07
Total (net)	4.10	3.95	19.32	15.49	15.22	11.07
Relative*	(0.23)	(1.79)	(3.65)	4.14	2.75	1.92

*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	71
Dividend Yield	1.24%
Turnover* (last 12 months)	11.1%
Price/Earnings	32.6x
Price/Cash Flow	20.6x
Price/Book Value	5.3x
Beta (*ex-ante*)	0.80
Average market capitalisation	$173.71bn
Median market capitalisation	$57.21bn
Tracking error (1 year)	4.87

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	8.57
US$ 100 - 500bn	31.36
US$ 50 - 100bn	18.93
US$ 10 - 50bn	27.88
US$ 2 - 10bn	8.44

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	2.60	(0.19)
ASML	2.53	2.10
Abbott Laboratories	2.39	2.04
Taiwan Semiconductor ADR	2.18	1.35
Lonza Group	2.12	2.05
Accenture	2.12	1.83
Baxter International	2.05	1.98
Analog Devices	2.04	1.94
WW Grainger	2.03	2.00
Alphabet	2.00	0.99
TOTAL	22.06	16.10

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Costco Wholesale*	5.72
Reckitt Benckiser	3.70
DBS Group	3.38
Home Depot	3.35
Taiwan Semiconductor ADR	3.33
TOTAL	19.49

*Sources: Dundas, Bloomberg. *includes a special dividend.*

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	50.14	(7.04)
France	7.99	5.10
Switzerland	7.67	4.87
Japan	6.37	(0.29)
United Kingdom	5.72	1.95
Denmark	3.30	2.66
Emerging Markets	2.99	(10.05)
Netherlands	2.53	0.96
Sweden	2.25	1.32
Germany	1.33	(1.19)
Hong Kong	1.22	0.03
Singapore	1.06	0.76
Spain	1.06	0.42
Norway	0.79	0.62
Canada	0.76	(2.16)

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	28.58	6.95
Health Care	21.86	10.48
Consumer Staples	9.86	2.85
Financials	9.72	(4.20)
Consumer Discretionary	7.28	(5.64)
Industrials	7.18	(2.92)
Materials	5.44	0.71
Communication Services	5.26	(4.27)
Energy	-	(3.37)
Real Estate	-	(2.54)
Utilities	-	(2.89)
Cash	4.82	4.82

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

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Performance and Portfolio Comment – March 2021

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 4.40% in March. Market sentiment was driven by the accelerating vaccination programs in the UK, USA and Europe. This led to greater focus on improving economic activity, more travel and a return to work. Bond yields continued their rise but despite the drag of higher rates equities continued their gains of last year buoyed by an improving profit and dividend outlook. The US Dollar index rose against the major crosses. Gold was slightly lower and WTI Crude moved above $66/barrel mid-month but weakened in response to mounting global-demand concerns amid coronavirus challenges in Europe, declining 3.8% over the course of March.

North America was again the best performing major region (+5.52%) with Canadian markets (+6.62%) ahead of the US (+5.45%). Western Europe wasn't far behind (+5.17%) led by a strong performance from its major markets: UK (+6.19%), Germany (+5.89%), Netherlands (+5.09%), France (+4.20%), Switzerland (+4.03%). Asia Pacific was again the poorest performer (+0.07%) driven by another weaker performance from Chinese markets (-5.06%), while Japan gained 2.74%.

All eleven sectors delivered positive returns in March with Utilities (+9.25%) leading the market making up for its poor performance in February. Consumer Staples (+7.94%) also had a better month, followed by Industrials (+7.53%) and Materials (+6.07%). A further rise in bond yields lifted banks and life insurers within Financials (+6.06%), Real Estate rose 6.03% while Health Care (+4.10%) had a better month. Energy (+4.02%) was a relative underperformer as was Consumer Discretionary (+3.03%) led by a weaker performance from Autos and Amazon. Software and semiconductors were some of the underperforming groups in I.T. (+2.04%) while some of the bigger media names held Communication Services (+1.91%) down at the bottom.

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 20.39% while the benchmark index gained 24.04%. For the calendar year to date, the Fund returned 4.18% against a benchmark increase of 5.97%. In March the Fund rose 4.17%, a relative performance of -0.23%.

Sector allocation was responsible for the Fund's relative performance during the month. The main detractors were the Fund's Health Care and Consumer Staples holdings and lack of exposure to the top performing Utilities sector. Consumer Discretionary holdings again performed strongly, with stock selection in I.T. and Materials also contributing positively. By region, stock selection in the USA detracted from relative performance while over exposure to better performing European markets was positive. Asia Pacific was a minor positive as a lack of exposure to Chinese markets was offset by stock selection in Japan and Taiwan.

Top five contributors were led by US big box retailer **Home Depot** (+20.84%) who is continuing to benefit from the strong demand for home-improvement projects as well as its ongoing investments. Home Depot was joined by Industrial holdings **Assa Abloy** (+16.14%) and **Waste Management** (+18.83%). A very strong set of results and better outlook boosted tech consulting giant **Accenture** (+11.91%) while hospital supplier **Baxter International** (10.34%) should see sales re-accelerate as normal surgeries delayed due to the pandemic are resumed.

The five biggest detractors came from three sectors - Health Care, I.T. and Consumer Staples - and were: pharma outsourced manufacturer **Lonza** (-9.97%), leading chip foundry **Taiwan Semiconductor** (-4.18%), Japanese beauty company **Kosé** (-9.76%), payments giant **PayPal** (-5.01%) and industrial laser maker **IPG Photonics** (-5.70%). The majority of those featured were some of the Fund's strongest performers in 2020 with March seeing some further profit taking with no new earnings releases or major news flow.

Dividends

Dividend announcements during the month included a reinstatement from **Ross Stores**, the US discount clothes and homeware retailer, who suspended its quarterly dividend as the pandemic unfolded a year ago. Similarly, eyewear giant **EssilorLuxottica** confirmed a final dividend having cancelled its full year dividend this time last year ago as lockdowns shuttered opticians and sunglasses stores around the world. The Fund's Asian life insurance investments, Hong Kong listed **AIA** and the UK's **Prudential**, both rewarded shareholders with dividend increases. **Applied Materials**, the semiconductor equipment supplier, proposed a 9% dividend increase while two Swiss-listed companies - chocolatier **Lindt & Sprüngli** and laboratory equipment supplier **Tecan** - announced increases of 5%. On the disappointing side was engineering software maker, **Dassault Systemes**, who reduced its DPS by 20% in line with a fall in profits due to rising costs including a 27% increase in research & development spend.

Portfolio changes

There were no full sales made during March. Four new investments across three different sectors were made, three US-listed: financial markets data analytics provider **FactSet Research Systems**; e-commerce platform **eBay** and HR software solutions giant **Automatic Data Processing (ADP)**. Swedish measurement technology group **Hexagon** was also added to the Fund.

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