Australian PDS and New Zealand Clients

Apostle Dundas Global Equity Fund – Class C

THE NAME BEHIND THE NAMES

Monthly Portfolio Information Sheet as at 31 January 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$1.6114
Fund Size	AUD$1,089.07
Tax Losses Available (As at last distribution period)	AUD$ 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 Amen Mahmood - Analyst
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)	(0.52)	5.17	6.54	15.28	14.83	11.52
Total (net)	(0.60)	4.93	5.59	14.25	13.81	10.53
Relative*	(0.63)	(1.83)	4.29	5.35	3.06	2.17

*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	67
Dividend Yield	1.21%
Turnover* (last 12 months)	7.84%
Price/Earnings	33.7x
Price/Cash Flow	19.9x
Price/Book Value	4.8x
Beta (*ex-ante*)	0.78
Average market capitalisation	$176.66bn
Median market capitalisation	$55.75bn
Tracking error (1 year)	5.39

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	10.22
US$ 100 - 500bn	30.65
US$ 50 - 100bn	16.88
US$ 10 - 50bn	29.19
US$ 2 - 10bn	9.43

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Taiwan Semiconductor ADR	3.25	3.25
Microsoft	2.99	0.10
Abbott Laboratories	2.65	2.27
Lonza Group	2.60	2.52
PayPal	2.47	2.02
ASML	2.38	1.99
Keyence	2.31	2.14
Analog Devices	2.08	1.98
Apple	2.08	(1.83)
Accenture	1.99	1.72
TOTAL	24.80	16.16

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Costco Wholesale*	5.82
Taiwan Semiconductor	4.71
Reckitt Benckiser	3.76
DBS Group	3.50
Sage Group	3.08
TOTAL	20.88

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

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	47.83	(8.67)
Japan	8.40	1.53
France	8.24	5.42
Switzerland	8.01	5.10
United Kingdom	5.60	1.86
Emerging Markets	4.55	(9.20)
Denmark	3.01	2.35
Netherlands	2.38	0.89
Germany	1.66	(0.84)
Hong Kong	1.31	0.10
Spain	1.28	0.64
Sweden	1.16	0.26
Canada	1.03	(1.75)
Singapore	1.01	0.72
Norway	0.90	0.74

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	31.40	9.05
Health Care	23.22	11.15
Consumer Staples	10.07	2.91
Financials	8.62	(4.29)
Industrials	6.75	(2.82)
Consumer Discretionary	5.64	(7.66)
Materials	5.47	0.86
Communication Services	5.20	(4.28)
Energy	-	(3.07)
Real Estate	-	(2.49)
Utilities	-	(2.99)
Cash	3.64	3.64

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

Performance and Portfolio Comment – December 2020

Market overview

Measured by the ACWI ex Australia benchmark index in Australian Dollars, global equity markets rose 0.11% in January. Interest rates, measured by bond yields, rose as expectations for more fiscal stimulus pushed inflation expectations higher. The US Dollar index rose 0.7%, Gold fell and WTI Crude gained 7.6%.

Asia Pacific was the best performing major region (+3.10%) driven by a strong performance from Chinese markets (+8.66%) and Taiwan (+7.11%), while Japan fell 0.43%. North America fell 0.29%, with the US market down 0.25% as positive sentiment about the vaccine rollout, stimulus and corporate earnings were offset by concerns about new virus strains and rising inflation. Canadian markets fell 0.64%. Western Europe was the poorest performer (-1.15%) with the UK holding up the best (-0.52%) supported by its high-profile vaccine rollout, while criticism of the EU's vaccine handling impacted Germany (-1.29%) and France (-2.75%).

Five of the eleven sectors delivered positive returns in January. With the oil price rise, Energy fared best (+2.36%), followed by Communication Services (+1.74%), Health Care (+1.73%) and Consumer Discretionary (+1.44%) led by Auto OEMs and home builders. I.T. (+0.73%) also stayed in positive territory. Bottom performers were led by Consumer Staples (-3.45%), joined by Industrials (-1.92%), and Financials (-1.29%) despite steeper yield curves. In the middle of the pack were Utilities (-0.65%), Materials (-0.59%) and Real Estate (-0.08%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 6.54% while the benchmark index gained 2.25%. In January the Fund fell 0.52%, a relative performance of -0.63%.

Stock selection was responsible for the Fund's relative performance during the month. The main detractors were Consumer Discretionary, Communication Services and Financials holdings, while I.T. investments made the biggest positive contribution. By region, the Fund's lack of direct exposure to strong Chinese markets, Japanese and Swiss stock selection and over exposure to poorer performing European markets were the key detractors. A strong performance from Taiwanese and Dutch semiconductor investments were the biggest positives.

Top five contributors came from two sectors: IT and Health Care: Taiwan Semiconductor (+12.09%), the world's leading contract chip manufacturer, led the pack once again on continued rumours that it will be the likely beneficiary of Intel's move to outsource its latest graphics chips for personal computer gaming. US medical conglomerate Abbott Laboratories (+14.00%) reported a good set of Q4 and full year results, as did semiconductor equipment maker ASML (+10.40%). Other contributors were lab supplier Thermo Fisher Scientific (+10.06%) and infectious diseases specialist BioMerieux (10.34%).

The five biggest detractors came from four sectors: Industrials, Consumer Discretionary, Health Care and Financials. Market leading US industrial maintenance, repair and operating supplier W.W. Grainger (-10.25%) was again in the bottom spot as its peers reported profit declines due to a higher proportion of lower margin PPE sales and rising raw material costs. Lockdown-driven store closures continue to weigh on French-listed eyewear giant EssilorLuxottica (-8.39%) and Swiss-listed hearing aid maker Sonova (-6.40%). Orthopaedics specialist Stryker (-9.28%) reported full-year results, negatively impacted by the postponement of deferrable medical procedures. Finally, UK-listed life insurer Prudential (-12.04%) announced that it will demerge its US insurance business and raise fresh equity capital as it completes its transformation to focus exclusively on its high-growth Asia and Africa businesses.

Dividends

The Fund had a good start to the year in terms of dividend declarations from its holdings. Following its impressive set of full-year results ASML awarded shareholders with another 15% increase to its dividend per share (DPS). US-listed chip maker Intel, an ASML customer, announced a chip industry veteran as its new CEO and a dividend increase of 5%, signalling confidence in its ability to get back on track after recent challenges. After a period of investment in capacity and acquisitions, Swiss-listed global pharma outsourced manufacturer Lonza is now reaping the benefits supporting a 9% DPS increase. Finally, having cut its dividend during 2020 LVMH, the French-listed luxury conglomerate, declared a 54% increase to its final dividend taking its full-year DPS back up to the level it was before the pandemic.

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

K2 Asset Management
Level 32 101 Collins Street Melbourne
T +61 3 9691 6111
www.k2am.com.au

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