

Apostle Dundas Global Equity Fund – Class D

Monthly Report – April 2024



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

Established in 2010, Dundas Global Investors (“Dundas”) is an independent Investment Management firm based in Edinburgh that manages a single investment strategy, global equities.

Dundas can best be categorised as Quality 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 sustainable 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, with satisfactory upside and good downside capture statistics.

Characteristics

| | |
|---|---|
| Unit Price (NAV) | AUD\$5.4756 |
| Fund Size (AUD) | AUD\$2,377.54M |
| Class D Size | AUD\$16.48M |
| Tax Losses Available (As at last distribution period) | AUD\$257.32M |
| Portfolio Inception Date | August 2012 |
| Inception Date – Class D | February 2021 |
| Companies in Portfolio | Targeting 60–100 holdings |
| Investment Manager | Dundas Global Investors |
| Management Fee | 0.90% |
| Portfolio Management Team | Alan McFarlane – Senior Partner, James Curry – Partner, Gavin Harvie – Partner, David Keir – Partner, and Andy Brown – Investment Manager |
| Responsible Entity | K2 Asset Management Ltd |
| Custodian | State Street Australia Limited |
| Unit Registry | Boardroom Limited |

Performance

| Return (%) | 1 mth | 3 mth | 6 mth | 1 yr | 2 yr (p.a.) | 3 yr (p.a.) | Incep. (p.a.) | ^Portfolio Incep. p.a. |
|-------------------|-------|-------|-------|-------|-------------|-------------|---------------|------------------------|
| Total (gross) | -4.17 | 3.05 | 17.55 | 15.40 | 13.90 | 10.50 | 12.06 | 11.74 |
| Total (net) | -4.24 | 2.82 | 17.03 | 14.37 | 12.89 | 9.51 | 11.07 | 10.74 |
| Relative (gross)* | -1.40 | -2.88 | 0.84 | -4.50 | -0.90 | -0.05 | -0.23 | 1.18 |
| Relative (net)** | -1.47 | -3.11 | 0.32 | -5.53 | -1.91 | -1.04 | -1.22 | 0.18 |

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices for Class D and shown on a total return basis (net dividends reinvested). Class D commenced on 24 February 2021. *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.**Relative (Net) calculated as the difference between the Fund’s net (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 Inception pa returns refers to Class C of the Apostle Dundas Global Equity Fund from its inception date of 4th June 2015. Class C has the same management fee, hence the information would be comparable for Class D. Different future expenses and other factors between the classes may impact the returns of each class.

Portfolio Characteristics

| | |
|-------------------------------|------------|
| No of Holdings | 60 |
| Dividend Yield | 1.27% |
| Turnover* (last 12 months) | 14.1% |
| Price/Earnings | 27.87 |
| Price/Cash Flow | 20.11x |
| Price/Book Value | 5.34x |
| Beta (ex-ante) | 1.01 |
| Average market capitalisation | \$239.37bn |
| Median market capitalisation | \$72.77bn |
| Tracking error (1 year) | 4.29 |

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

Market Cap Exposure (% weight by capital)

| Range | Fund |
|------------------|-------|
| >US\$ 500bn | 14.18 |
| US\$ 100 - 500bn | 25.64 |
| US\$ 50 - 100bn | 19.81 |
| US\$ 10 - 50bn | 38.56 |
| US\$ 2 - 10bn | 0.97 |

Top Ten Holdings by Capital (% weight)

| Stock | Fund | Active Weight* |
|-------------------|-------|----------------|
| Microsoft | 3.64 | -0.61 |
| WW Grainger | 3.55 | 3.49 |
| Novo Nordisk | 3.36 | 2.79 |
| Atlas Copco | 2.67 | 2.61 |
| WR Berkley | 2.62 | 2.60 |
| Applied Materials | 2.42 | 2.22 |
| Sage Group | 2.36 | 2.34 |
| Amphenol Corp | 2.30 | 2.21 |
| ASML Holding | 2.30 | 1.78 |
| Essilorluxottica | 2.22 | 2.13 |
| TOTAL | 27.43 | 21.55 |

*Active Weight relative to the Index

Top Five Holdings by contribution to Dividend Yield (%)

| Holding | Fund |
|------------------|-------|
| DBS Group | 4.53 |
| Home Depot | 3.78 |
| Essilorluxottica | 3.53 |
| Diageo | 3.34 |
| Sonova Holding | 3.16 |
| TOTAL | 18.34 |

Regional Allocation (%)

| Country | Fund | Active Weight* |
|-----------------|-------|----------------|
| United States | 56.44 | -5.10 |
| France | 9.10 | 6.54 |
| Switzerland | 7.86 | 5.57 |
| Sweden | 5.69 | 4.80 |
| Denmark | 5.65 | 4.77 |
| United Kingdom | 3.77 | 0.23 |
| Japan | 2.32 | -3.93 |
| Netherlands | 2.30 | 1.05 |
| Hong Kong | 2.02 | 1.39 |
| Taiwan | 1.89 | -0.06 |
| Singapore | 1.12 | 0.76 |
| India | 1.01 | -1.17 |
| Other Countries | 0.00 | 0.00 |

*Active Weight relative to the Index

Sector Exposure (%)

| Sector | Fund | Active Weight* |
|------------------------|-------|----------------|
| Information Technology | 25.58 | 2.01 |
| Health Care | 22.33 | 11.23 |
| Financials | 18.75 | 2.92 |
| Industrials | 14.45 | 3.58 |
| Consumer Discretionary | 6.80 | -4.04 |
| Consumer Staples | 4.83 | -1.78 |
| Communication Services | 3.47 | -4.48 |
| Materials | 2.95 | -1.00 |
| Energy | 0.00 | -4.72 |
| Real Estate | 0.00 | -1.94 |
| Utilities | 0.00 | -2.61 |
| Cash | 0.84 | 0.84 |

*Active Weight relative to the Index

Performance and Portfolio Comment

Market overview

April was a tough month for equity markets. US equities were down over the month, with major indices giving back some ground after the notable gains in the first quarter. A major narrative was the hawkish repricing of Fed rate-cut odds, with the market moving away from last month's high confidence in three cuts in 2024, shifting to thoughts that the Fed may only ease by 25bp later in the year. There remain real worries that the Fed will struggle to get inflation sustainably down to its 2% target, and that the easing cycle could be long delayed. European equity markets were mostly lower in April. The headline eurozone inflation rate declined by more than expected, while core inflation also dropped, raising hopes of the European Central Bank cutting rates at the next policy meeting in June, provided inflation data continued to ease.

When questioned on whether the hotter-than-expected US inflation data will sway its policy decision ECB president Christine Lagarde stated that "we are data-dependent, not Fed-dependent". China stimulus hopes continued to underpin broader support for the metals market, with some analysts noting there seems to be signs of the country's economic slowdown bottoming even if there remain worries about its property market. A resilient economic environment and the danger of escalation in the Middle East boosted commodity prices. A combination of rising energy prices, and lower interest rate sensitivity also supported the value segment of the equity market, which outperformed the growth segment on a relative basis. The economic backdrop remains supportive to corporate earnings and the first quarter earnings season has seen companies broadly beat expectations, albeit against a low bar. Markets were, however, more willing than usual to punish companies that missed estimates as investors looked to see if earnings justified the last six months of valuation expansion.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 14.37%, while the market returned 19.90%*. In April, the Fund returned -4.24% net of fees underperforming the market by 1.47%.

The Fund underperformed its index this month due to negative stock selection and to a lesser extent negative allocation. On an absolute basis, all sectors bar Utilities and Energy delivered negative returns, and having no exposure to either sector impacted performance. For the Fund, only IT and Communication Services posted positive stock selection. Over the month, IT was the strongest contributor, with positive stock selection, although the Fund's overweight was a slight negative. It was stock selection within the Consumer Discretionary and Industrials sectors that caused the most damage to performance.

On a regional basis, stock selection within Europe was the largest detractor from performance, with the Fund's holdings in the UK, France, Switzerland and Denmark the main culprits. The overweight to the region did add some benefit to performance. Stock selection in the US was negative. Allocation to and stock selection within Asia Pacific was a small positive.

The list of top five stock contributors was headed up by Swedish multinational industrial stock Atlas Copco followed by two US-listed stocks, optic manufacturing company Amphenol and recent purchase Resmed. Also on the list was Asian life insurers AIA Group and the Danish multinational pharmaceutical firm Novo Nordisk.

All bottom five stock detractors were US-listed and consisted of insurance solutions provider WR Berkley, two industrials stocks, Equifax and WW Grainger, tech consulting giant Accenture and finally the discount retailer Ross Stores.

Dividends

There were six dividend announcements in April, with an average increase of 6.5%. The dividends declarations comprised of Costco 13.7%, WW Grainger 10.2%, Nasdaq 9.1%, Novonosis 3.3%, HDFC bank 2.6% and finally Keyence which held its dividend.

Portfolio changes

In April, the US-listed Booking, the online travel provider was purchased, and the industrial technology manufacturing company Littelfuse was sold.

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

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