Apostle Dundas Global Equity Fund – Class D ASX: ADEF

Monthly Report **– November 2024**

APOSTLE

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$6.0075
Fund Size (AUD)	AUD$2,656.35M
Class D Size	AUD$20.11M
Tax Losses Available (As at last distribution period)	AUD$215.36M
Portfolio Inception Date	September 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, 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)	4.28	5.38	9.61	22.76	16.85	7.49	13.13	12.17
Total (net)	4.20	5.15	9.12	21.66	15.80	6.53	12.12	11.17
Relative (gross)*	0.15	-2.43	-2.98	-5.22	-3.80	-3.22	-1.13	0.15
Relative (net)**	0.08	-2.67	-3.47	-6.32	-4.84	-4.18	-2.14	0.08

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	1.20%
Turnover* (last 12 months)	10.67%
Price/Earnings	29.22
Price/Cash Flow	21.64x
Price/Book Value	5.92x
Beta (ex-ante)	0.91
Average market capitalisation	$275.00bn
Median market capitalisation	$80.32bn
Tracking error (1 year)	4.70

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	11.57
US$ 100 - 500bn	35.03
US$ 50 - 100bn	16.44
US$ 10 - 50bn	35.86
US$ 2 - 10bn	0.00

Top Ten Holdings by Capital (% weight)

Stock	Fund	
Microsoft	4.14	4.07
WW Grainger	3.52	-0.54
WR Berkley	3.30	3.27
Novo Nordisk	2.48	2.48
Atlas Copco	2.48	2.04
Sonova Holding	2.41	2.19
Applied Materials	2.40	2.38
Brown & Brown	2.37	2.37
Essilorluxottica	2.31	1.62
American Express	2.26	2.26
TOTAL	27.68	22.14

*Active Weight relative to the Index

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	5.73
Home Depot	3.53
Essilorluxottica	3.25
Diageo	3.17
Sage Group	3.10
TOTAL	18.78

Regional Allocation (%)

Country	Fund	Active Weight*
United States	60.29	-4.67
Switzerland	8.00	6.00
France	7.60	5.42
Sweden	4.95	4.13
Denmark	4.25	3.58
United Kingdom	3.48	0.33
Japan	2.33	-3.21
Taiwan	2.26	0.26
Netherlands	1.75	1.19
Hong Kong	1.60	0.62
Singapore	1.36	0.97
India	1.04	-1.18
Other Countries	0.00	0.00

*Active Weight relative to the Index

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	24.09	-1.37
Health Care	21.98	12.04
Financials	21.36	4.70
Industrials	14.25	3.57
Consumer Discretionary	7.54	-3.49
Consumer Staples	3.92	-2.23
Communication Services	3.48	-4.66
Materials	2.28	-1.10
Energy	0.00	-3.94
Real Estate	0.00	-1.98
Utilities	0.00	-2.64
Cash	1.10	1.09

*Active Weight relative to the Index

Performance and Portfolio Comment

Market overview

November was a positive month for most developed markets, as investors received more certainty on policy following the election of Donald Trump as US President and positive news on global corporate earnings for the third quarter. The US election was won convincingly by Donald Trump, with a clean sweep for the Republican Party in the White House, the Senate and the House of Representatives. US equity markets have risen to all-time highs, as investors see Trump as a positive for corporate America with the agenda of tax cuts, trade tariffs, increased government spending and reduced regulation, all of which are expected to increase US corporate earnings.

Outside US markets, the election result was met with some caution. Emerging markets underperformed developed markets. Chinese equities declined due to concerns about a future trade conflict and the assessment that the previously announced government support measures are not yet sufficient to overcome the domestic real estate and confidence crisis.

Eurozone shares were virtually flat, and economic data from the region continued to point to weakness. The German coalition government collapsed after Chancellor Scholz sacked the finance minister. New elections will be held in February 2025. Towards the end of the month, concerns began to build over France's debt. French borrowing costs rose amid worries that the government would fail to obtain sufficient parliamentary support to pass a cost-cutting budget.

Commodity returns were slightly positive between profit taking on precious metals and growing concern about gas supply. A further reduction of Russian gas deliveries to Europe and the surprising closure of a large liquid natural gas (LNG) plant in Australia helped gas prices increase by more than 20% in November.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 21.66%, while the market returned 27.98%*. In November, the Fund returned 4.20% net of fees outperforming the market by 0.08%.

While stock selection was positive, it was negated by the effect of negative asset allocation, leading to the slight underperformance seen over the month. Financials was the strongest contributing sector, with the benefit from being overweight augmented by supportive stock selection. It was a similar story, albeit to a lesser extent, in the Communications Services sector. The Fund also profited from having no exposure to the Utilities and Real Estate sectors. At the opposite end of the scale, Health Care was the worst contributing sector and while performance was assisted by robust stock selection, the Fund's ~12% overweight was damaging. Being underweight the Consumer Discretionary sector hit performance, as did having no exposure to Energy.

On a regional basis, both allocation to and stock selection within Asia Pacific were positive contributors to performance. And while stock selection in North America was positive, the Fund's underweight to North America impaired performance. Being overweight Europe was the largest single detractor, with holdings in Sweden, Denmark, France and the UK the culprits, and the benefit from positive stock selection was not enough to balance the books.

Four of the top five stock contributors hailed from the US. The list was topped by the UK based accounting software firm Sage Group, followed by insurance solutions provider WR Berkley, industrials supplier WW Grainger, credit card service company American Express, and finally media and entertainment giant Walt Disney.

The five stock detractors came from the Health Care and IT sectors. The list included Swiss hearing aid maker Sonova, Swedish measurement technology group Hexagon, Taiwan-listed chip foundry TSMC, Danish multinational pharmaceutical firm Novo Nordisk and US semiconductor equipment maker Applied Materials.

Dividends

There were three dividend declarations with an average increase of 6.9%. The dividend announcements consisted of Automatic Data Processing 10.0%, Sage Group 5.9% and Coloplast 4.8%.

Portfolio changes

There were no new investments or complete sales in November.

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

Contact us

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