Apostle Dundas Global Equity Fund – Class D ASX: ADEF

APOSTLE

Monthly Report – **October 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$5.7654
Fund Size (AUD)	AUD$2,548.50M
Class D Size	AUD$18.31M
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 – Partner
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)	1.54	0.83	6.25	24.90	16.74	7.55	12.16	11.79
Total (net)	1.47	0.60	5.77	23.78	15.70	6.59	11.16	10.79
Relative (gross)*	-2.00	-1.33	-3.56	-3.26	-3.10	-2.90	-1.19	0.73
Relative (net)**	-2.07	-1.56	-4.03	-4.37	-4.14	-3.86	-2.19	-0.27

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	1.25%
Turnover* (last 12 months)	10.67%
Price/Earnings	28.14
Price/Cash Flow	21.04x
Price/Book Value	5.69x
Beta (ex-ante)	0.93
Average market capitalisation	$267.18bn
Median market capitalisation	$80.90bn
Tracking error (1 year)	4.52

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	11.70
US$ 100 - 500bn	36.42
US$ 50 - 100bn	13.28
US$ 10 - 50bn	37.53
US$ 2 - 10bn	0.00

Top Ten Holdings by Capital (% weight)

Stock	Fund	Active Weight*
WW Grainger	3.95	3.89
Microsoft	3.51	-0.54
WR Berkley	3.03	3.01
Novo Nordisk	2.66	2.19
Sonova Holding	2.63	2.63
TSMC	2.42	2.42
Brown & Brown	2.38	2.38
Applied Materials	2.29	2.09
Atlas Copco	2.27	2.21
Alphabet	2.25	1.02
TOTAL	27.39	3.89

*Active Weight relative to the Index

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	5.52
Home Depot	3.53
Essilorluxottica	3.34
Diageo	3.14
Sage Group	3.09
TOTAL	18.63

Regional Allocation (%)

Country	Fund	Active Weight*
United States	58.74	-4.56
France	8.50	6.33
Switzerland	8.20	5.88
Sweden	5.34	4.49
Denmark	4.56	3.84
United Kingdom	3.01	-0.22
Japan	2.42	-3.30
Taiwan	2.34	0.17
Hong Kong	1.89	1.28
Netherlands	1.61	0.58
Singapore	1.30	0.92
India	1.02	-1.26
Other Countries	0.00	0.00

*Active Weight relative to the Index

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	24.09	-1.15
Health Care	22.77	12.29
Financials	20.45	4.17
Industrials	14.34	3.76
Consumer Discretionary	7.27	-3.31
Consumer Staples	4.08	-2.20
Communication Services	3.39	-4.90
Materials	2.54	-1.06
Energy	0.00	-3.99
Real Estate	0.00	-2.00
Utilities	0.00	-2.67
Cash	1.08	1.08

*Active Weight relative to the Index

Performance and Portfolio Comment

Market overview

Markets pared back in October, amid the escalating conflict in the Middle East, the approach of the US election, and fluctuations in central banks rate expectations. US equities were lower as the S&P 500 broke a streak of five-straight monthly gains, while the Nasdaq Composite was lower for the first time in three months. Big tech was mostly higher, notable Nividia, though Tesla finished the month lower despite higher-than-expected earnings. As a whole the Mag 7 outperformed this month, though there were mixed takeaways around the AI secular growth theme. There was a repricing of Fed rate cut expectations, while Fed officials continued to argue that they see further rate cuts ahead, but some have questions around the pace of the cuts.

European equity markets fell for the second consecutive month. The ECB cut its key rates by 25 bps in the first back-to-back rate cut in 13 years to take its deposit rate to 3.25% and marked a new phase in its easing cycle. This was in line with expectations and highlights the relatively more predictable path of European rate cuts relative to the US. The ECB's policy statement and comments from the policymakers signalled the debate has shifted more towards growth risks.

A big focus this month was on China's announcement of new stimulus measures to boost domestic demand, stabilise the property market and address local government and bank debt risks. In addition, President Xi emphasised meeting growth targets, signalling Beijing's commitment to countering the economic slowdown.

Geopolitical tensions briefly underpinned oil as Israel and Iran exchanged missile strikes, though outright conflict was contained for now and oil remains soft on weak China economic headwinds.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 23.78%, while the market returned 28.16%*. In October, the Fund returned 1.47% net of fees underperforming the market by 2.07%.

Asset allocation was negative as was, and by a more significant factor, stock selection. On an absolute basis all sectors posted a positive return. During the month, the largest positive contributions came having no exposure to the Real Estate and Utilities sectors. The overall contribution from all other sectors was negative. Health Care and IT were the worst culprits. In Health Care the Fund's ~12% overweight damaged performance this month, while the impact from stock selection was negligible. In IT, poor stock selection was the Fund's worst contribution. The Financials, Materials and Consumer sectors also saw disappointing stock selection effects this month.

On a regional basis, the contribution from Asia Pacific was somewhat indifferent. Stock section in North America was disappointing, albeit four of the top five stock contributors came from here. Being overweight Europe was a negative, however, it was stock selection in Europe that was the largest laggard, with the Fund's holdings in Denmark, the Netherlands, the UK and France underperforming.

Four of the top five stock contributors hailed from the US. The list was topped by the industrials supplier WW Grainger and the Taiwan-listed chip foundry TSMC. Also included were the online travel provider Bookings, the multinational financial services Visa and the fibre optic manufacturing company Amphenol.

The five stock detractors consisted of the Swedish multinational industrial stock Atlas Copco, the Dutch semiconductor equipment maker ASML, the Swiss dental specialist Straumann Holding, the French software solutions provider Dassault Systemes and finally the Swedish measurement technology group Hexagon.

Dividends

There were two dividend declarations with an average increase of 14.4%. The dividend announcements consisted of Brown & Brown 15.4% and Visa 13.5%.

Portfolio changes

There were no new investments or complete sales in October.

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

Contact us

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