APOSTLE FUNDS MANAGEMENT

Apostle Dundas Global Equity Fund – Class D ASX: ADEF

THE NAME BEHIND THE NAMES

Monthly Portfolio Information Sheet as at 30 June 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 D (NAV)	AUD$4.58
Fund Size	AUD$1,277.21M
Class D Size	AUD$7.30M
Tax Losses Available (As at last distribution period)	AUD$ 351.64M
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	Russell Hogan – Managing Partner Alan McFarlane – Senior Partner James Curry – Partner Gavin Harvie – Partner David Keir – Analyst Aman Mahmood – Associate
Responsible Entity	K2 Asset Management
Custodian	State Street Australia Limited
Unit Registry	Boardroom Limited

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr pa	5 yr pa	Incep pa
Total (gross)	5.73	11.18	26.50	18.11	17.89	13.51
Total (net)	5.65	10.93	25.37	17.06	16.84	12.50
Relative*	1.21	2.22	(1.21)	4.05	3.39	1.68

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices for Class C and shown on a total return basis (net dividends reinvested). Performance inception date is 4th June 2015. Class D of the Fund was created on 24th February 2021, has a similar fee structure to Class C and is hence comparable. Different future expenses between the classes may impact the returns of each class. *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	1.21%
Turnover* (last 12 months)	7.91%
Price/Earnings	34.7x
Price/Cash Flow	22.2x
Price/Book Value	5.9x
Beta (*ex-ante*)	0.84
Average market capitalisation	$192.11bn
Median market capitalisation	$63.50bn
Tracking error (1 year)	4.59

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	10.07
US$ 100 - 500bn	31.94
US$ 50 - 100bn	19.13
US$ 10 - 50bn	30.48
US$ 2 - 10bn	6.42

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	2.78	(0.20)
ASML	2.66	2.21
Sonova	2.57	2.54
Lonza	2.49	2.41
Alphabet	2.25	1.12
Abbott Laboratories	2.15	1.84
Analog Devices	2.10	2.01
Accenture	2.10	1.82
W.W. Grainger	2.06	2.03
Taiwan Semiconductor ADR	2.05	1.25
TOTAL	23.22	17.03

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Costco Wholesale*	5.44
Reckitt Benckiser	3.49
Home Depot	3.24
Taiwan Semiconductor ADR	3.15
Analog Devices	2.92
TOTAL	18.23

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

Monthly Portfolio Information Sheet as at 30 June 2021

Regional Allocation (%)

Country	Fund	Active Weight*
United States	50.78	(7.25)
Switzerland	8.85	5.98
France	8.72	5.82
Japan	5.62	(0.40)
United Kingdom	5.48	1.80
Denmark	3.60	2.93
Sweden	3.25	2.33
Emerging Markets	2.77	(10.18)
Netherlands	2.66	1.12
Germany	1.41	(1.00)
Hong Kong	1.16	0.06
Singapore	1.02	0.74
Spain	1.02	0.37
Norway	0.93	0.77
Canada	0.76	(2.25)

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	30.87	8.64
Health Care	22.67	11.08
Financials	9.92	(3.79)
Consumer Staples	9.17	2.28
Consumer Discretionary	7.99	(4.86)
Industrials	6.55	(3.40)
Materials	5.63	0.99
Communication Services	5.24	(4.29)
Energy	-	(3.40)
Real Estate	-	(2.54)
Utilities	-	(2.65)
Cash	1.96	1.96

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

Performance and Portfolio Comment – June 2021

Market overview

Measured by the ACWI ex Australia index in Australian Dollars, global equity markets rose 4.52% in June.

North America was the best performing major region gaining 5.89% with the US market up 6.04% while Canada gained 3.43%. Asia Pacific rose 3.00% with its largest markets all delivering gains: Taiwan had a better month (3.77%), followed by China (+3.49%) and Japan (+2.81%). Western Europe was the poorest performer (+1.78%) with gains from Denmark (+4.84%), Switzerland (+4.49%) and Netherlands (+3.51%) offset by marginal returns from UK (+0.12%) and Sweden (+0.29%).

Nine of the eleven sectors delivered positive returns in June, with I.T. (+9.31%) leading the market, making up for its poorer performance in May. Energy (+6.54%) was again one of the top performing sectors, followed by Health Care (+6.21%) and Consumer Discretionary (+5.86%). Communication Services rose 5.02% while Real Estate and Consumer Staples returned 4.62% and 2.63%, respectively. Laggards relative to the overall market with modest gains were Industrials (+1.89%) and Utilities (+0.18%). Materials (-0.88%) put in the worst performance followed by Financials (-0.22%).

Performance overview

Over the past 12 months, the Fund has delivered a total return gross of fees of 26.50% while the benchmark index gained 27.71%. For the second quarter the Fund delivered a return of 11.18% which translates to an excess return of 2.22%. In June the Fund rose 5.73%, ahead of the benchmark which posted a return of 4.52%.

Stock selection and sector allocation were both responsible for the Fund's positive relative performance during the month. The Fund's Health Care holdings were the biggest contributor and being overweight to the sector aided returns. Good performance from Materials stocks compared to the benchmark also contributed positively, as did the portfolio's underweight to Financials. Stock selection in Communication Services and having no exposure to Energy, one of the top performing market sectors, were the main detractors. By region, strong stock selection in Western Europe and Asia Pacific – particularly in Switzerland, France, and Japan – made the biggest positive contribution, while the Fund's US holdings detracted.

The top five stock contributors came from three sectors: Health Care, I.T. and Consumer Discretionary and were global pharma outsourced manufacturer **Lonza** (+13.61%), Japanese clinical diagnostics specialist **Sysmex** (+20.20%), US-listed e-commerce platform **eBay** (+18.90%), Swiss-listed hearing aid specialist **Sonova** (+10.21%) and digital payments giant **PayPal** (+15.58%).Tech giant **Apple** (+13.32%) was the main detractor in June due to the Fund's relative underweight compared to the benchmark. The next biggest detractors were Asian life insurer **Prudential** (-8.31%), industrial maintenance and repair supplier **W.W. Grainger** (-2.29%), global paint and coatings specialist **PPG Industries** (-2.60%), and insurance solutions provider **WR Berkley** (-0.76%).

Dividends

We continued to see positive dividend trends across the portfolio this month. **TSMC**, the world's largest chip foundry and service provider to technology customers such as Apple and Nvidia, increased their dividend 10%. Based on very strong demand growth that looks to be outpacing supply for the coming years, this pace of dividend growth will likely be sustained. **WR Berkley** a US specialty P&C insurance business that has innovated in products like cyber insurance continues to perform very well, announcing an 8.3% growth in the underlying dividend as well as a special dividend of 50c a share, broadly equivalent to the 52c annual dividend. **Open Text**, a Canadian enterprise software developer announced a 15% dividend increase, driven by strong cash flows from their portfolio of established franchises while remaining optimistic on their ability to continue to do deals. **FactSet Research Systems** increased their dividend 6.5%, despite being somewhat slower than we expected, the business remains incredibly strong with ample scope to sustainably grow the dividend greater than 10% p.a. It is likely that this moderation in dividend growth is due to volatility in capital markets, the key end market for their customers, as well as rising scope for M&A.

Portfolio changes

There were no full sales or new investments made 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 VIC 3000
T +61 3 9691 6111
https://www.k2am.com.au/k2-etfs#apostle-dundas-global-equity-fund

Disclaimer

Apostle Funds Management Pty Limited ABN 16 129 922 612 AFSL No. 458375 ("Apostle")

This document has been prepared by Apostle Funds Management Pty Limited ("Apostle") (ABN 16 129 922 612) (AFSL No. 458375) and may be issued to retail clients under the license of K2 Asset Management Ltd ("K2")(ABN 95 085 445 094)(AFSL No. 244393). This material and the content of any offer document for the investment are principally governed by Australian rather than New Zealand law. This material may contain information provided directly by third parties which include Dundas Partners, LLP (AFSL No. 527238). K2 is the Responsible Entity of the Apostle Dundas Global Equity Fund. K2 is a subsidiary of K2 Asset Management Holdings Ltd (ABN 59 124 636 782).

This material is for information purposes only. It is not an offer or a recommendation to invest and it should not be relied upon by investors in making an investment decision. Offers to invest will only be made in the relevant offer document and this material is not intended to substitute suitable disclosure documents which will outline the risks involved and other relevant information. Any investment carries potential risks and fees which are described in the relevant offer document. An investor should, before deciding whether to invest, consider the appropriateness of the investment, having regard to both the relevant offer document in its entirety and the investor's objectives, financial situation and need. This information has not been prepared taking into account your objectives, financial situation or needs. Please note that past investment performance is not a reliable indicator of future investment performance. No representation is made as to future performance or volatility of the investment. In particular, there is no guarantee that the investment objectives and investment strategy set out in this presentation may be successful. Any forward-looking statements, opinions and estimates provided in this material are based on assumptions and contingencies which are subject to change without notice and should not be relied upon as an indication of the future performance. Persons should rely solely upon their own investigations in respect of the subject matter discussed in this material. No representations or warranties, expressed or implied, are made as to the accuracy or completeness of the information, opinions and conclusions contained in this material. In preparing these materials, we have relied upon and assumed, without independent verification, the accuracy and completeness of all information available to Apostle. To the maximum extent permitted by law, all liability in reliance on this material is expressly disclaimed.

This document is strictly confidential and is intended solely for the use of the person to whom it has been delivered. It may not be reproduced, distributed or published, in whole or in part, without the prior approval of Apostle. Third party distributors may be used to market the investment to New Zealand investors. Where this occurs, this material can only be provided to New Zealand persons that the New Zealand distributor is authorised to deal with under New Zealand law, and is not available to any person to whom it would be unlawful to make such offer or invitation.