APOSTLE FUNDS MANAGEMENT

# Apostle Dundas Global Equity Fund – Class D ASX: ADEF

THE NAME BEHIND THE NAMES

## Monthly Portfolio Information Sheet as at 31 October 2021

### Global Equity

**Investment Objective**

- Global Equity Market* ex Australia + 2.5% per annum after all fees and expenses on a rolling five-year basis
- Capital and income growth to exceed the benchmark and inflation
- To achieve lower volatility than the Global Equity Market* 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$4.790 |
| Fund Size | AUD$1,361.13M |
| Class D Size | AUD$10.19M |
| Tax Losses Available (As at last distribution period) | AUD$ 325.21M |
| 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<br>Alan McFarlane – Senior Partner<br>James Curry – Partner<br>Gavin Harvie – Partner<br>David Keir – Analyst<br>Aman Mahmood – Associate |
| Responsible Entity | K2 Asset Management |
| Custodian | State Street Australia Limited |
| Unit Registry | Boardroom Limited |

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

### Performance (%)

| AUD return | 1 mth | 3 mths | 1 yr | 3 yr pa | 5 yr pa | Incep pa |
|---|---|---|---|---|---|---|
| Total (gross) | 1.93 | 1.21 | 30.67 | 21.06 | 19.70 | 13.90 |
| Total (net) | 1.85 | 0.98 | 29.51 | 19.98 | 18.63 | 12.89 |
| Relative* | 0.82 | 0.11 | 2.32 | 5.76 | 4.58 | 2.58 |

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 Global Equity Market* Index ex Australia. Past performance is not a reliable indicator of future performance.

### Portfolio Characteristics

| | |
|---|---|
| No of Holdings | 68 |
| Dividend Yield | 1.08% |
| Turnover* (last 12 months) | 15.35% |
| Price/Earnings | 32.4x |
| Price/Cash Flow | 22.7x |
| Price/Book Value | 5.9x |
| Beta (*ex-ante*) | 0.85 |
| Average market capitalisation | $206.69bn |
| Median market capitalisation | $60.41bn |
| Tracking error (1 year) | 4.95 |

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

### Market Cap Exposure (% weight by capital)

| Range | Fund |
|---|---|
| >US$ 500bn | 9.37 |
| US$ 100 - 500bn | 32.02 |
| US$ 50 - 100bn | 15.49 |
| US$ 10 - 50bn | 34.17 |
| US$ 2 - 10bn | 7.48 |

*Sources: Dundas, Bloomberg.*

### Top Ten Holdings by Capital (%)

| Stock | Fund | Active Weight* |
|---|---|---|
| Microsoft Corp | 3.17 | (0.33) |
| Lonza Group | 2.69 | 2.60 |
| Sonova Holding | 2.64 | 2.60 |
| Alphabet | 2.49 | 1.21 |
| Accenture PLC | 2.38 | 2.05 |
| Littelfuse Inc | 2.24 | 2.24 |
| Abbott Laboratories | 2.23 | 1.89 |
| Costco Wholesale | 2.12 | 1.80 |
| WW Grainger | 2.03 | 2.00 |
| Hexagon | 2.02 | 1.98 |
| TOTAL | 24.01 | 18.05 |

*Sources: Dundas, Bloomberg. *Active weight relative to the Index*.*

### Top Five Holdings by contribution to Dividend Yield (%)

| Holding | Fund |
|---|---|
| Costco Wholesale* | 5.71 |
| Roche Holding | 3.31 |
| Home Depot | 3.44 |
| Taiwan Semiconductor ADR | 3.19 |
| Abbot Laboratories | 3.16 |
| TOTAL | 19.09 |

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

## Monthly Portfolio Information Sheet as at 31 October 2021

### Regional Allocation (%)

| Country | Fund | Active Weight* |
|---|---|---|
| United States | 54.32 | (5.63) |
| Switzerland | 9.78 | 6.90 |
| France | 8.28 | 5.48 |
| Japan | 5.65 | (0.16) |
| United Kingdom | 3.95 | 0.30 |
| Denmark | 3.76 | 3.06 |
| Sweden | 3.61 | 2.70 |
| Emerging Markets | 2.35 | (8.86) |
| Netherlands | 1.72 | 0.00 |
| Canada | 1.25 | (1.78) |
| Norway | 1.02 | 0.85 |
| Singapore | 1.00 | 0.70 |
| Hong Kong | 0.98 | 0.01 |
| Germany | 0.85 | (1.40) |

*Sources: Dundas, Bloomberg. *Active Weight relative to Index*.*

### Sector Exposure (%)

| Sector | Fund | Active Weight* |
|---|---|---|
| Information Technology | 31.71 | 8.69 |
| Health Care | 22.68 | 11.13 |
| Financials | 11.50 | (2.54) |
| Industrials | 8.14 | (1.56) |
| Consumer Discretionary | 7.63 | (5.21) |
| Consumer Staples | 6.82 | 0.16 |
| Materials | 5.09 | 0.69 |
| Communication Services | 4.98 | (4.08) |
| Energy | 0.00 | (3.56) |
| Real Estate | 0.00 | (2.55) |
| Utilities | 0.00 | (2.64) |
| Cash | 1.47 | 1.47 |

*Sources: Dundas, Bloomberg. *Active Weight relative to the Index*.*

### Performance and Portfolio Comment – October 2021

***Market overview***

Markets rebounded from their September doldrums, with the index up 1.10%.

In a reversal of fortunes, North America topped the market this month. The S&P not only shrugging off last month's decline, it registered its strongest monthly return of 2021 and ended the month at a record high. While the debate continues over just how transitory current inflationary pressures are, and with tapering seemingly one step closer, treasuries weakened as the curve flattened. Consumer Discretionary was the best performing sector, largely bolstered by a more that 40% increase in Tesla's share price. Energy continued its climb, amid the ongoing concerns about underinvestment in future production capacity. Health Care, Consumer Staples and Communication Services were the most significant laggards this month. The Q3 earnings season focused on news of supply chain issues, input cost pressure along with tighter labour markets; but many companies also reported higher demand, supporting margins in the face of higher costs.

***Performance overview***

Over the past 12 months, the Fund has delivered a total return gross of fees of 30.67% while the index gained 28.35%. For the calendar year to date, the Fund returned 23.60% against a benchmark increase of 20.09%. In October the Fund rose by 1.93%, outperforming the benchmark by 0.82%.

The Fund's outperformance was driven by stock selection, with the Fund's Health Care holdings the biggest individual contributor. Communication Services performed well, with both the Fund's underweight and stock selection within the sector adding to performance. Stock selection within Industrials and Materials also benefitted the fund. The Fund's stock selection within I.T. detracted, although this was somewhat mitigated by the Fund's overweight to the sector. Regionally, the Fund's underweight to Asia Pacific was positive, as was the Fund's holdings in Japan. Although allocation to Western Europe was a negative, stock selection within the region was very robust. The Fund's holdings in France, Norway and Germany held up particularly well.

The top five stock contributors was headed up by the French global eyewear firm **EssilorLuxottica** (+2.56%), followed by two Swiss Health Care companies, hearing aid maker **Sonova Holdings** (+1.73%) and global pharma outsourced manufacturer **Lonza Group** (+1.71%). The list was rounded out by the Norwegian recycling solutions specialist **Tomra Systems** (+3.66%) and Japanese beauty company **Kosé Corp** (+4.59%).

The five biggest detractors came from three sectors I.T., Communication Services and Financials. The Financial underperformers were all US based, **Marsh & McLennan** (-2.71%), **Factset** (-2.35%) and new Fund purchase **Brown & Brown** (-2.27%). The other two detractors were Chip foundry **Taiwan Semiconductor** (+0.05%) and Google's parent company **Alphabet** (-3.34%).

***Dividends***

**Brown & Brown** increased its dividend by 11%. The company focuses on the brokerage of insurance products across generic Property & Casualty (P&C) lines, as well as niche markets. Brown & Brown has benefitted from a strong Covid recovery and the fallout from the failed mega-merger of Aon and Willis Towers Watson. **Amphenol** works closely with its customers across industries such as automobiles, to create products and systems achieving specific client outcomes. Improvement themes of industrial automation and electrification of the global economy, as well management's desire to distribute around 30% of profits to shareholders saw its dividend grow by 38%. **Visa**, the ubiquitous card and payments processor, increased its dividend by 17%. As commerce goes online Visa is set to benefit significantly which will drive the next decade or more of growth. **ASML** has spent decades developing the machine tools that make the worlds most sophisticated semiconductors. The business is prospering against a backdrop of growing demand for microchips, vital amid the current acute demand and supply gap. Management signalled their conviction to these trends by increasing the dividend by 16%, a dividend that has already doubled since 2017.

***Portfolio changes***

In October the residual holdings in **Jackson Financial**, resulting from a demerger from Prudential, and **Grifols** were sold. In addition, following a Fund review and annual stock reviews, five full sales were made; **Bristol-Myers Squibb, Reckitt Benckiser,** and **Waste Management**. Two new investments were made, both in the US, **Brown & Brown** and **Nordson Corp,** within the Financials and Industrials sectors respectively.

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

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