

**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\$4.4551
Fund Size	AUD\$1,879.82M
Class D Size	AUD\$12.80M
Tax Losses Available (As at last distribution period)	<b>AUD\$ 325.21M</b>
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 – Partner Amer 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)	-1.22	-13.69	10.36	15.12	16.04	11.82
Total (net)	-1.30	-13.88	9.38	14.10	15.00	10.82
Relative*	0.21	-5.09	1.69	3.43	3.97	1.42

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	1.14%
Turnover* (last 12 months)	13.87%
Price/Earnings	27.79
Price/Cash Flow	20.7x
Price/Book Value	5.0x
Beta (ex-ante)	1.02
Average market capitalisation	\$199.79bn
Median market capitalisation	\$58.42bn
Tracking error (1 year)	4.44

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

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

Range	Fund
>US\$ 500bn	9.05
US\$ 100 - 500bn	30.30
US\$ 50 - 100bn	15.24
US\$ 10 - 50bn	35.00
US\$ 2 - 10bn	9.10

Sources: Dundas, Bloomberg.

**Top Ten Holdings by Capital (%)**

Stock	Fund	Active Weight*
Microsoft Corp	3.16	-0.23
Costco Wholesale	2.44	2.04
Accenture	2.40	2.07
Alphabet	2.27	1.04
Sonova Holding	2.27	2.23
WW Grainger	2.18	2.15
Apple	2.05	-2.37
Hexagon	2.00	1.96
Activision Blizzard	2.00	1.90
Abbott Laboratories	1.99	1.67
TOTAL	22.76	12.47

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

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

Holding	Fund
Sage Group	3.96
Home Depot	3.75
Roche Holding	3.61
DBS Group	3.48
Analog Devices	3.05
TOTAL	17.85

Sources: Dundas, Bloomberg.

**Regional Allocation (%)**

Country	Fund	Active Weight*
United States	58.24	-2.84
France	8.18	5.46
Switzerland	7.48	4.57
Japan	4.58	-0.97
United Kingdom	4.14	0.13
Denmark	3.55	2.88
Sweden	3.43	2.59
Emerging Markets	2.27	-8.68
Netherlands	1.43	0.17
Singapore	1.27	0.90
Canada	1.12	-2.20
Norway	1.01	0.82
Germany	1.01	-1.02
Hong Kong	0.97	0.05

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

**Sector Exposure (%)**

Sector	Fund	Active Weight*
Information Technology	32.17	9.39
Health Care	19.77	7.87
Financials	11.56	-2.65
Industrials	9.59	-0.04
Consumer Discretionary	8.21	-3.57
Consumer Staples	6.50	-0.44
Communication Services	5.63	-2.62
Materials	5.27	0.65
Energy	0.00	-4.34
Real Estate	0.00	-2.65
Utilities	0.00	-2.90
Cash	1.31	1.31

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

**Performance and Portfolio Comment – March 2022**

**Market overview**

The ACWI ex Australia index fell 1.44% in March, when measured in Australian Dollars.

Geopolitical uncertainty and concerns over rising inflation have dominated market sentiment in March. However, US equities rose this month, offering some recovery from the correction of the previous two months in which stocks dropped as much as 13% from all-time highs. The Federal Reserve raised interest rates for the first time in almost four years, having been near zero at the onset of the pandemic. Although the hike of 25bps was expected, there was little detail on plans to wind down the record \$9 trillion balance sheet. The European Central Bank confirmed the tapering of the pandemic emergency purchase programme (PEPP) will conclude in June and the asset purchase programme (APP) will gradually end over the third quarter, with hints that the first rate hike this year could arrive after the end of these asset purchases. Market concern remains that rapid tightening in the US and other countries will spark recessions. Hopes for a settlement between Russia and Ukraine ebbed during the month as Ukrainian President Zelensky said no quick resolution was expected and the country was preparing for new Russian attacks.

**Performance overview**

Over the past 12 months, the Fund has delivered a total return gross of fees of 10.36% while the index gained 8.68%. In March the Fund fell by gross of fees 1.22%, outperforming the benchmark by 21bps.

The Fund's slight outperformance relative to the benchmark was due to sector allocation, with stock selection negative over the month. Stock selection within the Health Care sector was the biggest detractor, albeit the positive contribution of the Fund's overweight did have a compensating effect. Similar to last month, I.T. disappointed with both negative stock selection and sector allocation. As the Energy sector continues to perform strongly, once again the top performing sector, having no exposure had a negative impact on returns. Stock selection within Financials and Consumer Staples was positive as was the Fund's underweight to both these sectors.

On a regional basis, stock selection within Europe was strong again this month, with Switzerland, Denmark, France and Germany contributing positively. North American and Asia Pacific were the largest detractors to performance.

The top five stock contributors were led by the US discount retailer **Costco**, followed by two stocks which also appeared in February's top five list; the Swiss global hearing aid maker **Sonova** and the US insurance solutions provider **WR Berkley**. The remaining two stocks were the US listed insurance and consulting giant **Marsh & McLennan** and the Danish multinational pharmaceutical firm **Novo Nordisk**.

The top five detractors were made up of four US and one Swiss stock, from three sectors, Health Care, I.T. and Communication Services. The list consisted of hospital supplier **Baxter International**, laser maker **IPG Photonics**, Swiss diagnostics businesses **Tecan**, electronic manufacturing company **Littelfuse**, and media and entertainment giant **Walt Disney**.

**Dividends**

There were 16 dividend declarations through the month of March. The average increase of declaration rate was 20%, which compares favourably to the 7.5% inflation rate, meaning real dividend growth remains high single digits to low double digits. Notable increases were **Ross Stores**, the US discount retailer which continues to trade very strongly, raising the dividend 9%. As a result of the reopening of the economy, disciplined store expansion and providing excellent value to consumers that need or want bargains, management continues to raise long run store growth targets. **eBay** increased its dividend 22% and gave a compelling capital markets day. Management detailed their desire to expand merchant and buyer services to drive value for network users and eBay through payments orchestration, inventory management and verification services.

**Portfolio changes**

There were no full sales or new investments made during March.

**Contacts**

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