

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\$4.3690
Fund Size	AUD\$1,854.12M
Class D Size	AUD\$13.69M
Tax Losses Available (As at last distribution period)	AUD\$ 285.95M
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	7 yr pa	Incep pa
Total (gross)	8.45	1.65	-7.17	11.04	15.20	11.17	11.02
Total (net)	8.37	1.43	-8.00	10.05	14.17	10.18	10.03
Relative*	3.02	1.66	-1.37	2.89	4.33	2.45	1.57

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	65
Dividend Yield	1.45%
Turnover* (last 12 months)	11.38%
Price/Earnings	25.54
Price/Cash Flow	20.7x
Price/Book Value	5.1x
Beta (ex-ante)	1.05
Average market capitalisation	\$186.87bn
Median market capitalisation	\$58.59bn
Tracking error (1 year)	4.47

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	7.24
US\$ 100 - 500bn	30.02
US\$ 50 - 100bn	17.56
US\$ 10 - 50bn	36.13
US\$ 2 - 10bn	7.67

Sources: Dundas, Bloomberg.

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft Corp	3.12	-0.31
WW Grainger	2.49	2.45
Accenture	2.36	2.03
Littelfuse	2.32	2.32
Activision Blizzard	2.16	2.05
Analog Devices	2.09	2.05
Sonova Holding	2.09	2.05
Costco Wholesale	2.08	1.67
Apple	2.06	-2.48
Alphabet	2.06	0.92
TOTAL	22.83	12.63

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

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	3.89
Intel Corp	3.82
Home Depot	3.28
WR Berkley	3.19
Sage Group	3.14
TOTAL	17.32

Sources: Dundas, Bloomberg.

Regional Allocation (%)

Country	Fund	Active Weight*
United States	58.85	-2.83
France	7.98	5.30
Switzerland	6.95	4.08
Sweden	4.77	3.95
United Kingdom	3.87	-0.22
Japan	3.66	-1.83
Denmark	3.64	2.94
Emerging Markets	2.21	-7.94
Netherlands	1.29	0.05
Singapore	1.19	0.82
Canada	1.17	-2.06
Germany	1.05	-0.79
Hong Kong	1.01	-0.04
Norway	0.99	0.78

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

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	32.53	10.27
Health Care	19.17	6.69
Financials	12.28	-1.44
Industrials	11.48	1.81
Consumer Discretionary	8.07	-3.62
Consumer Staples	5.48	-1.95
Communication Services	5.36	-2.29
Materials	4.26	-0.01
Energy	0.00	-4.94
Real Estate	0.00	-2.73
Utilities	0.00	-3.14
Cash	1.37	1.37

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

Performance and Portfolio Comment – July 2022

Market overview

The ACWI ex Australia index rose 5.44% in July, when measured in Australian Dollars.

Equity markets staged a recovery rally in July, and in the US the S&P saw its highest rise since November 2020, despite economic data continuing to deteriorate. Economically sensitive parts of the market led the way with gains for the I.T., Consumer Discretionary and Industrials sectors. By contrast, Consumer Staples, Health Care and Communication Services sectors lagged. Inflation continued to accelerate across the world, however, markets increasingly priced in interest rate intervention from Central Banks. As anticipated, the Federal Reserve (Fed) hiked interest rates by 75 basis points (bps); however, chair Jerome Powell subsequently commented that the pace of policy tightening is likely to relent from here. And in Europe, high inflation pushed the European Central Bank (ECB) to deliver its first interest rate increase in over a decade, taking the eurozone out of negative rates. The continuing fears that Russia might shut off gas supplies to Europe has been driving much of the recent dramatic rise in oil prices, however high prices do reduce demand, and oil prices have retreated roughly 20% from their peak. Still, oil prices remain volatile. Wheat prices saw some relief, driven by an agreement between Russia and Ukraine to allow merchant ships to use their ports again, which is bringing back supply from two of the world's most important wheat producers. Market events in Japan were overshadowed by the assassination of the highly influential former Prime Minister Shinzo Abe. Economic data released in China was mixed, and problems in the property market continued to spread.

Performance overview

Over the past 12 months, the Fund has posted a total return gross of fees of -7.17% while the index fell -5.80%. In July, the Fund rose by 8.45%, outperforming the benchmark by 302bps.

Both stock selection and allocation over the month were positive, and the majority of the Fund's outperformance attributable to the stock selection effect. Stock selection within the Industrial sector made the strongest contribution, with two of the Fund's top five contributors (W.W. Grainger and Atlas Copco) hailing from this sector. Although two of the Fund's top five detractors came from Health Care, overall selection from this sector aided performance, however the Fund's long-standing overweight to the sector detracted. There was no negative stock selection from any of the eight sectors the Fund invests in, albeit the positive effect from stock selection in Consumer Discretionary and Financials was marginal. The overweight to I.T., which was the best performing sector over the month, contributed positively, as did stock selection.

From a regional basis, stock selection within Europe was the largest contributor, with the Fund's holdings in Switzerland, Sweden, France, United Kingdom and Norway leading the way. Allocation to Asia Pacific, along with stock selection boosted performance this month, with the Fund's Japanese holdings holding up well, assisted by the Fund's single holdings in India and Taiwan.

The top five stock contributors came from two sectors, Industrials and I.T., with four listed in the US and one in Sweden. The list was led by two industrial stocks, **W.W. Grainger** and the Swedish stock **Atlas Copco**. Also on the list were electrical interconnected products company **Amphenol**, the semiconductor manufacturer **Analog Devices**, and payments giant **PayPal**.

The top five detractors derive from three sectors. Financials, Health Care and I.T., and two domiciles the US and Hong Kong. This included the insurance solutions provider **WR Berkley**, hospital supplier **Baxter International**, the tech conglomerate **Apple**, Asian life insurers **AIA Group** and finally medical specialist **Abbott Laboratories**.

Dividends

There were three dividend announcements in the month of July. **Marsh & McLennan** is a diversified professional services conglomerate focused on insurance brokerage, business & investment consulting. Good brokerage volumes, strong pricing and innovation in cyber security has supported their pandemic recovery. The company announced a 10.3% increase in the quarterly dividend and the shares remain attractively valued. **PPG Industries** is one of the world's largest manufacturers and distributors of paints, coating and specialty materials. More than half of revenue is derived from maintenance of existing assets, providing a stable cash flow profile for growth, and announced a 5.1% increase in the quarterly dividend which is cautious but prudent given the economic uncertainty and high input cost inflation. **Diageo** is the world's largest manufacturer of whiskey, while having a large portfolio of other spirits. The business has performed well through the pandemic, and has accelerated through the reopening as consumers have been able to return to bars and restaurants. The weakening of reporting currency, GBP, has also been significant as a major source of profits in the U.S. spirits business. Diageo announced a 5% increase in the quarterly dividend.

Portfolio changes

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

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