

Global Equity

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

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\$4.3369
Fund Size	AUD\$ 1,826.78M
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 Julie Tay – Senior Investment Analyst
Responsible Entity	K2 Asset Management Ltd
Custodian	State Street Australia Limited
Unit Registry	Boardroom Limited

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr Pa	5 yr pa	7 yr pa	Incep pa
Total (gross)	6.40	-0.53	-8.77	9.49	12.60	11.24	10.55
Total (net)	6.32	-0.76	-9.58	8.52	11.59	10.25	9.56
Relative*	-0.14	-1.39	-2.61	2.10	3.49	2.39	1.73

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 Solactive GBS Global Markets ex Australia Large & Mid Cap AUD Index. Past performance is not a reliable indicator of future performance.

Portfolio Characteristics

No of Holdings	62
Dividend Yield	1.58%
Turnover* (last 12 months)	10.16%
Price/Earnings	25.8x
Price/Cash Flow	20.5x
Price/Book Value	4.8x
Beta (ex-ante)	1.02
Average market capitalisation	\$135.19bn
Median market capitalisation	\$59.58bn
Tracking error (1 year)	4.74

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	6.88
US\$ 100 - 500bn	27.65
US\$ 50 - 100bn	21.39
US\$ 10 - 50bn	34.73
US\$ 2 - 10bn	7.42

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
WW Grainger	2.97	2.92
Microsoft	2.86	-0.39
Accenture	2.43	2.07
WR Berkley	2.30	2.27
Factset Research Systems	2.22	2.22
Activision Blizzard	2.18	2.08
Apple	2.16	-2.55
Costco Wholesale	2.14	1.72
Amphenol	2.08	1.99
Novo Nordisk	2.06	1.72
TOTAL	23.41	14.06

Active weight relative to the Index.

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
Intel	5.05
DBS Group	4.03
Home Depot	3.52
WR Berkley	3.33
Sage Group	3.07
TOTAL	19.00

Regional Allocation (%)

Country	Fund	Active Weight*
United States	59.62	-1.55
France	8.32	5.75
Switzerland	6.94	4.30
Sweden	4.88	4.01
United Kingdom	3.85	-0.24
Japan	3.71	-2.19
Denmark	3.66	2.99
Singapore	1.40	0.98
Netherlands	1.19	0.09
Taiwan	1.12	-0.32
Germany	1.02	-0.78
India	0.85	-1.05
Hong Kong	0.84	0.09
Norway	0.76	0.51
Other Countries	0.00	0.00

Active Weight relative to Index.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	31.76	10.55
Health Care	19.53	6.22
Financials	13.30	-1.01
Industrials	11.85	1.66
Consumer Discretionary	6.97	-3.93
Communication Services	5.84	-1.16
Consumer Staples	5.62	-2.02
Materials	3.29	-0.97
Energy	0.00	-5.85
Real Estate	0.00	-2.27
Utilities	0.00	-3.06
Cash	1.85	1.85

Active Weight relative to the Index.

Performance and Portfolio Comment – October 2022

Market overview

Equity markets recovered some ground during October. Investor sentiment continues to focus on global central bank policy as interest rate hikes continued in October, in addition to concerns around escalating geopolitical tensions and the impact of ongoing Chinese covid lockdowns. US equities had a better month following back-to-back declines with the S&P and Nasdaq posting the second-best monthly performances this year. Treasuries were weaker with the ends of the curve the worst; two year and 10-year yields were up by more than 25 bps. The biggest US tech companies were also in focus as almost \$1 trillion in market cap was wiped from valuations following results. October saw the end of the Truss government in the UK as Rishi Sunak was appointed Prime Minister. Eurozone inflation hit a new record high of 10.7% in October with the energy crisis being the biggest contributor. A ramp in China Covid restrictions continues to exacerbate global growth concerns.

Performance overview

Over the past 12 months, the Fund has posted a total return gross of fees of -8.77% while the market returned -6.16%*. In October, the Fund rose by 6.40%, underperforming the market by 14bps.

Sector allocation was positive during the month whilst stock selection negatively impacted performance. There was a wide dispersion of sector returns in October. Only two sectors (Real Estate and Utilities – neither of which the Fund invests in) posted negative returns. Stock selection within Consumer Discretionary made the strongest positive contribution and the Fund's underweight to the sector also aided performance. Not holding any Real Estate or Utilities stocks had a positive impact, however having no exposure to Energy, the top performing sector during the month, was the largest detractor. Stock selection within Financials, Health Care, Industrials and Consumer Staples also cost performance.

From a regional perspective, the Fund's allocation to Asia Pacific was the strongest contributor while stock selection in Europe and North America had the biggest negative impact during the month.

The top five stock contributors derived from five sectors, four of which are from the US. Insurance solutions provider **WR Berkley** and US discount retailer **Ross Stores** appeared in the top five again this month. Also on the list was industrials supplier **WW Grainger**, eyewear specialist **EssilorLuxottica** and electronic manufacturing company **Amphenol**. Taiwan-listed chip foundry **TSMC** and Norwegian recycling solutions specialist **Tomra Systems** featured in the top five detractors for another month. Also at the bottom of the pack were entertainment giant **Activision Blizzard**, insurance product broker **Brown & Brown** and software solutions provider **Dassault Systemes**.

Dividends

There were three dividend announcements in October with an average increase of 12.4%. The multinational financial services **Visa** declared a dividend increase of 20%. In addition, the US insurance brokerage firm **Brown & Brown** and the US listed stock, **Amphenol**, which produces electronic and fiber optic connectors, declared dividend increases of 12.2% and 5%, respectively.

Portfolio changes

The U.S. listed materials stock **PPG Industries** was sold in October and no new investments were made.

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

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