

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

Established in 2010, Dundas Global Investors (“Dundas”) is an independent Investment Management firm based in Edinburgh that manages a single investment strategy, global equities.

Dundas can best be categorised as Quality 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 sustainable 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, with satisfactory upside and good downside capture statistics.

Characteristics

Unit Price (NAV)	AUD\$5.7134
Fund Size (AUD)	AUD\$2,495.55M
Class D Size	AUD\$18.23M
Tax Losses Available (As at last distribution period)	AUD\$215.36M
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	Alan McFarlane – Senior Partner, James Curry – Partner, Gavin Harvie – Partner, David Keir – Partner, Andy Brown – Investment Manager
Responsible Entity	K2 Asset Management Ltd
Custodian	State Street Australia Limited
Unit Registry	Boardroom Limited

Performance

Return (%)	1 mth	3 mth	6 mth	1 yr	2 yr (p.a.)	3 yr (p.a.)	Incep. (p.a.)	^Portfolio Incep. p.a.
Total (gross)	-0.23	4.01	1.99	17.09	18.10	6.54	12.44	11.89
Total (net)	-0.31	3.78	1.54	16.05	17.04	5.59	11.43	10.89
Relative (gross)*	1.11	-0.42	-4.05	-0.81	-1.31	-1.92	-0.46	1.04
Relative (net)**	1.03	-0.65	-4.50	-1.85	-2.37	-2.87	-1.47	0.04

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices for Class D and shown on a total return basis (net dividends reinvested). Class D commenced on 24 February 2021. *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. **Relative (Net) calculated as the difference between the Fund's net (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 Inception pa returns refers to Class C of the Apostle Dundas Global Equity Fund from its inception date of 4th June 2015. Class C has the same management fee, hence the information would be comparable for Class D. Different future expenses and other factors between the classes may impact the returns of each class.

Portfolio Characteristics

No of Holdings	60
Dividend Yield	1.22%
Turnover* (last 12 months)	12.57%
Price/Earnings	28.34
Price/Cash Flow	20.69x
Price/Book Value	5.66x
Beta (ex-ante)	0.94
Average market capitalisation	\$271.86bn
Median market capitalisation	\$80.22bn
Tracking error (1 year)	4.46

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US\$ 500bn	14.04
US\$ 100 - 500bn	33.37
US\$ 50 - 100bn	12.70
US\$ 10 - 50bn	38.83
US\$ 2 - 10bn	0.00

Top Ten Holdings by Capital (% weight)

Stock	Fund	Active Weight*
Microsoft	3.55	-0.59
WW Grainger	3.46	3.41
Novo Nordisk	3.29	2.70
WR Berkley	3.12	3.10
Atlas Copco	2.48	2.42
Sonova Holding	2.48	2.48
Brown & Brown	2.36	2.36
Essilorluxottica	2.23	2.14
Analog Devices	2.19	2.03
Applied Materials	2.19	1.97
TOTAL	27.34	22.01

*Active Weight relative to the Index

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	5.64
Home Depot	3.55
Essilorluxottica	3.43
Diageo	3.23
Sage Group	3.18
TOTAL	19.03

Regional Allocation (%)

Country	Fund	Active Weight*
United States	57.23	-5.27
Switzerland	8.68	6.21
France	8.42	6.13
Sweden	5.46	4.57
Denmark	5.35	4.50
United Kingdom	3.15	-0.25
Japan	2.40	-3.61
Taiwan	2.15	0.08
Netherlands	2.11	0.93
Hong Kong	1.78	1.22
Singapore	1.22	0.86
India	0.97	-1.44
Other Countries	0.00	0.00

*Active Weight relative to the Index

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	24.41	-0.63
Health Care	23.35	12.01
Financials	19.51	3.51
Industrials	14.59	4.02
Consumer Discretionary	7.08	-3.13
Consumer Staples	4.39	-2.12
Communication Services	2.92	-4.94
Materials	2.69	-0.96
Energy	0.00	-4.18
Real Estate	0.00	-2.01
Utilities	0.00	-2.64
Cash	1.07	1.07

*Active Weight relative to the Index

Performance and Portfolio Comment

Market overview

Stock volatility spiked at the beginning of the month after the publication of disappointing US economic data and an interest rate hike by the Bank of Japan, which sparked a sharp sell-off across global markets. However, by month end the market had rebounded and overall global equities moved higher in August. There was evidence of a more 'defensive' sector rotation and the volatility observed at the start of the month led to a flight to quality, and gold rose further hitting fresh highs in US dollar terms. With growth concerns and market volatility in focus, money markets quickly discounted a more dovish trajectory for US interest rate cuts this year with signals that the Federal Reserve will begin its easing cycle in September. Policymakers from the other major central banks also hinted that interest rates would continue to move lower, apart from the Bank of Japan.

European markets were mixed. Overall growth was positive with a strong boost from the Paris Olympics, but the German economy reported an unexpected contraction and manufacturing remains subdued. In Asia, the Chinese economy remains weak, however Asia ex-Japan and Emerging Market equities outperformed most of their western developed market counterparts.

The geopolitical backdrop remained tense. Conflict in the Middle East escalated further, despite ongoing ceasefire talks, and Ukraine's forces advanced into Russia's Kursk region. In politics, Kamala Harris confirmed Tim Walz as her Vice President nominee at the Democratic National Convention, Macron failed to form a new government in France, and the far-right AfD won its first state election in eastern Germany.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 16.05%, while the market returned 17.90%*. In August, the Fund returned -0.31% net of fees outperforming the market by 1.03%.

The outperformance seen by the Fund over the month, was primarily driven by strong stock selection, with robust asset allocation also a factor.

Health Care was the best contributing sector, and the Fund's overweight added value to performance, which was augmented by positive stock selection. Performance was boosted by the Fund's underweight to the Consumer Discretionary and Materials sectors, while also benefiting from additive stock selection in both sectors. Stock selection in the Financials and Industrials sectors was also pleasing. On an absolute basis, Energy was the worst performing sector and having no exposure aided performance. The only sector returning negative stock selection was IT, and the Fund's index neutral weighting was negligible. The Communication Services sector was the worst contributor. The underweight was slightly accretive but was mitigated by disappointing stock selection.

On a regional basis, stock selection in North America was the standout. Being underweight the Asia Pacific region, and the Fund's Japanese holdings and single holding in India were the sources of the positive contribution. Stock selection in Europe was indifferent, but allocation to Sweden, Switzerland, Denmark and the Netherlands was helpful.

The list of top five stock contributors was topped by Swiss hearing aid maker Sonova, followed by US insurance solutions provider WR Berkley. Next were two Health Care stocks, the US-listed Resmed and Japanese holding Sysmex Corp and finally Equifax, the global data, analytics and technology company.

The five stock detractors consisted of three IT stocks – the US and Dutch semiconductor manufacturers, Applied Materials and ASML, and the UK based accounting software firm Sage. Also appearing were the Swiss pharma outsourced manufacturer Lonza and Asian life insurer Prudential.

Dividends

There were two dividend declarations with an average increase of 12.6%. The dividend announcements consisted of Nordson 14.7% and Resmed 10.4%.

Portfolio changes

There were no new investments or complete sales in August.

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

Contact us

Apostle Funds Management Pty Ltd

Level 14, 50 Pitt Street 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
T: +61 3 9691 6111
www.k2am.com.au

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

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