Apostle Dundas Global Equity Fund - Class C

Monthly Report - **February 2024**

APOSTLE

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$2.2989
Fund Size (AUD)	AUD$2,451.01M
Tax Losses Available (As at last distribution period)	AUD$257.32M
Portfolio Inception Date	August 2012
Inception Date - Class C	June 2015
Companies in Portfolio	Targeting 60–100 holdings
Investment Manager	Dundas Global Investors
Management Fee	0.90%
Buy/Sell Spread	15/15 (bps)
Portfolio Management Team	Alan McFarlane – Senior Partner, James Curry – Partner, Gavin Harvie – Partner, David Keir – Partner, and Andy Brown – Investment Manager
Responsible Entity	K2 Asset Management Ltd
Custodian/Registry	State Street Australia Limited

Performance

Return (%)	1 mth	3 mths	1 yr	3 yr (p.a.)	5 yr (p.a.)	7 yr (p.a.)	Inception (p.a.)
Total (gross)	6.22	14.21	28.63	14.12	15.18	15.75	12.36
Total (net)	6.15	13.95	27.48	13.10	14.16	14.72	11.36
Relative (gross)*	0.29	2.27	0.33	0.88	2.65	3.10	1.58
Relative (net)**	0.22	2.01	-0.82	-0.14	1.63	2.07	0.58

Source: State Street Performance & Analytics Australia. Fund performance calculated using exit prices and shown on a total return basis (net dividends reinvested). Performance inception date is 4th June 2015.
*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 Characteristics

No of Holdings	60
Dividend Yield	1.23%
Turnover* (last 12 months)	9.29%
Price/Earnings	29.53
Price/Cash Flow	21.05x
Price/Book Value	5.54x
Beta (ex-ante)	1.00
Average market capitalisation	$240.77bn
Median market capitalisation	$65.1bn
Tracking error (1 year)	4.15

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	13.75
US$ 100 - 500bn	26.91
US$ 50 - 100bn	19.37
US$ 10 - 50bn	35.68
US$ 2 - 10bn	3.22

Top Ten Holdings by Capital (% weight)

Stock	Fund	Active Weight*
Microsoft	3.74	-0.74
WW Grainger	3.63	3.57
Novo Nordisk	2.99	2.43
WR Berkley	2.52	2.49
Sage Group	2.46	2.44
Applied Materials	2.37	2.12
Accenture	2.35	2.00
Costco Wholesale	2.33	1.84
Atlas Copco	2.31	2.24
Ross Stores	2.26	2.19
TOTAL	26.95	20.57

*Active weight relative to the Index

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	5.15
Home Depot	3.85
Essilorluxottica	3.64
Diageo	3.44
Sage Group	3.25
TOTAL	19.33

Regional Allocation (%)

Country	Fund	Active Weight*
United States	57.90	-4.04
France	9.27	6.68
Switzerland	7.63	5.31
Denmark	5.30	4.46
Sweden	5.25	4.34
United Kingdom	3.93	0.59
Japan	2.96	-3.42
Netherlands	1.99	0.72
Taiwan	1.71	-0.14
Hong Kong	1.18	0.53
Singapore	1.05	0.71
India	0.76	-1.34
Other Countries	0.00	0.00

*Active Weight relative to the Index.

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	26.54	2.24
Health Care	21.26	10.02
Financials	17.16	1.52
Industrials	14.72	3.96
Consumer Discretionary	6.78	-4.35
Consumer Staples	6.16	-0.38
Communication Services	3.39	-4.38
Materials	2.92	-0.88
Energy	0.00	-4.33
Real Estate	0.00	-2.03
Utilities	0.00	-2.47
Cash	1.07	1.07

*Active Weight relative to the Index.

Performance and Portfolio Comment

Market overview

A number of stock indices rose to records levels, including the S&P 500, Euro Stoxx 600 and Nikkei 225. In the US, big tech was broadly higher, although the performance of the 'Magnificent Seven' (M7) appeared fragmented, with Nvidia's 60% surge in 2024 contrasting notable with Tesla, which was down by a fifth. The main story in the month was the shift in market expectations for the first rate cut pushed out to June, with several Federal Open Market Committee (FOMC) members reiterating the 'higher for longer' rhetoric. The US earnings season was better than anticipated: With over 90% of S&P 500 firms having reported, nearly three quarters have beaten analysts' earnings forecasts. Economic data also proved resilient, with the US composite Purchasing Managers' Index (PMI) suggesting activity continued to expand over February and the US economy adding 353,000 jobs in January.

European equity markets finished higher for the fourth consecutive month, although like last month, the FTSE 100 underperformed due to its exposure to miners and energy names and there was pressure on leading real estate stocks on debt refinancing worries. While the UK economy ended 2023 in recession, macro data suggested the economy is already recovering. The Eurozone economy continued to struggle but show signs of stabilising. European central banks continued to pushback against rate cut expectations, but it did not have a significant impact on sentiment.

In China, the five-year loan prime rate – a mortgage-linked lending rate – was cut by 25bps, in an attempt to alleviate the ongoing property sector issues. Beijing also introduced further supportive stock market measures, including curbs on short selling, and stock purchases by state-owned investment firms.

Geopolitically, the Red Sea disruptions persisted, though global shipping rates declined modestly in February. On the fiscal policy front, the EU agreed to a €50 billion package for Ukraine, but US support remained gridlocked in Congress.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 27.48%, while the market returned 28.30%*. In February, the Fund returned 6.15% net of fees outperforming the market by 0.22%.

The Fund outperformed its index this month as a result of positive stock selection, allocation had a negligible positive impact. On an absolute basis, all sectors posted positive returns. Stock selection within the Health Care sector was the largest individual contributor to performance, albeit the overweight to the sector detracted. Stock selection in the Materials and Consumer Staples sectors also bolstered performance. The Fund's underweight to the Consumer Discretionary sector cost performance, while having no exposure to the Energy or Utilities sectors was a bonus. From a stock selection perspective, two disappointing results came from the Financials and the IT sectors.

On a regional basis, stock selection within Europe was very pleasing, with holdings in Switzerland, Denmark, and the UK performing well. Stock selection in the US also aided performance, and four of the five best contributing stocks were US-listed. Stock selection within the Asia Pacific region was negative, with the Fund's holdings in Japan, Hong Kong and India the main culprits.

The top five stock contributors came from the IT and Industrials sectors. On the list were semiconductor equipment maker *Applied Materials*, tech conglomerate *Apple* due to its larger benchmark weighting, industrials supplier *WW Grainger*, Taiwan-listed chip foundry *TSMC* and finally *Equifax*, the global data, analytics and technology company.

French software solutions provider *Dassault Systemes* headed up the bottom five stock detractors, followed by Swiss global hearing aid maker *Sonova* and Japanese industrial supplier *Misumi*. Also on the list were two US-listed financial stocks, *Factset Research Systems* and *Nasdaq*.

Dividends

There were 11 dividend announcements in February, with an average increase of 12.3%. The dividends declarations comprised of *DBS Group* 28.0%, *EssilorLuxottica* 22.3%, Assa *Abloy* 12.5%, *Ametek* 12.0%, *Thermo Fisher Scientific* 11.4%, *L'Oreal* 10.0%, *Air Liquide* 8.5%, *Hexagon* 8.3%, *eBay* 8.0%, *Home Depot* 7.7% and *Analog Devices* 7.0%.

Portfolio changes

There were no new investments or complete sales made in February.

*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

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

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