APOSTLE FUNDS MANAGEMENT

Recommended Lonsec Research

Australian PDS and New Zealand Clients

Apostle Dundas Global Equity Fund – Class C

THE NAME BEHIND THE NAMES

Monthly Portfolio Information Sheet as at 31 January 2024

Apostle Dundas Global Equity Fund

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 C (NAV)	AUD$2.1658
Fund Size	AUD$2,304.15M
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 Andy Brown – Investment Manager
Responsible Entity	K2 Asset Management Ltd
Custodian/Registry	State Street Australia Limited

Performance (%)

AUD return	1 mth	3 mths	1 yr	3 yr Pa	5 yr Pa	7 yr pa	Incep pa
Total (gross)	4.71	14.07	22.83	12.04	15.35	14.90	11.70
Total (net)	4.63	13.81	21.74	11.04	14.32	13.87	10.71
Relative (Gross)*	0.76	3.89	-0.20	0.45	2.98	2.93	1.56
Relative (Net)**	0.68	3.63	-1.29	-0.55	1.95	1.90	0.57

*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	1.24%
Turnover* (last 12 months)	9.88%
Price/Earnings	28.14
Price/Cash Flow	20.06x
Price/Book Value	5.19x
Beta (*ex-ante*)	1.02
Average market capitalisation	$233.98bn
Median market capitalisation	$68.08bn
Tracking error (1 year)	4.08

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	13.85
US$ 100 - 500bn	24.79
US$ 50 - 100bn	18.86
US$ 10 - 50bn	37.95
US$ 2 - 10bn	3.50

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.76	-0.73
WW Grainger	3.49	3.43
Novo Nordisk	2.97	2.42
WR Berkley	2.59	2.56
Sage Group	2.45	2.43
Accenture	2.38	2.01
Costco Wholesale	2.28	1.81
Sonova Holding	2.26	2.26
Atlas Copco	2.25	2.19
Ross Stores	2.23	2.16
TOTAL	26.65	20.53

**Active weight relative to the Index*.*

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	4.99
Home Depot	3.67
Diageo	3.54
Sage Group	3.36
Atlas Copco	3.15
TOTAL	18.71

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	57.50	-3.87
France	9.53	6.91
Switzerland	7.89	5.42
Sweden	5.19	4.29
Denmark	5.14	4.30
United Kingdom	3.95	0.47
Japan	3.17	-3.30
Netherlands	1.92	0.68
Taiwan	1.57	-0.26
Hong Kong	1.24	0.61
Singapore	1.06	0.71
India	0.83	-1.30
Other Countries	0.00	0.00

**Active Weight relative to the Index*.*

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	26.53	2.75
Health Care	21.29	9.85
Financials	17.53	1.78
Industrials	14.59	3.98
Consumer Discretionary	6.53	-4.25
Consumer Staples	6.31	-0.49
Communication Services	3.37	-4.46
Materials	2.82	-1.02
Energy	0.00	-4.48
Real Estate	0.00	-2.09
Utilities	0.00	-2.59
Cash	1.04	1.04

**Active Weight relative to the Index*.*

Performance and Portfolio Comment –January 2024

Market overview

After a positive end to the year, global equity markets dipped before recovering towards the end of January, with the exception of Asia/China. Large caps regained their leadership positions as small caps declined. Many believe the inflation battle has been won and focus is turning to when interest rates will fall, which has been a positive backdrop for both equity and bond markets. On the other hand, some still see 'sticky' inflation remaining stubbornly above the central bank targets. There has been elevated volatility in Fed rate expectations, and the January Fed meeting left options open, removing some hiking bias but expressing caution about a cut until there is confidence in sustainable inflation toward the 2% target. After three consecutive months of decline, the dollar strengthened notably, and oil rebounded from a three-month decline.
The European Central Bank (ECB) kept rates on hold at its January meeting and re-iterated its commitment to remain data-dependent. UK equities stalled in January, however, there have been signs of growth momentum accelerating with consumer confidence hitting a two-year high. In China, the domestic economy continued to struggle, with disappointing retail sales and further deterioration in housing activity. The latter has certainly come to light with the news of the expected liquidation of the major property developer, Evergrande. Chinese authorities continue to mull over various measures for stabilising their stock market.

Geopolitical factors remain volatile, and oil prices rallied as tensions in the Middle East worsened and disruption to shipping through the Suez Canal continued. Drone attacks on Russian energy infrastructure added to the anxiety in the global oil market. In addition, political uncertainty may escalate with the advancing presidential campaign in the US.

Performance overview

Over the past 12 months, the Fund has posted a total return net of fees of 21.74%, while the market returned 23.03%*. In January, the Fund returned 4.63% outperforming the market by 0.68%.

The Fund's outperformance was a factor of both allocation and stock selection, with the effects of allocation the most significance. On an absolute basis, all sectors excluding Materials and Real Estate posted positive returns. Stock selection within Financials was the strongest contributor to performance and the Fund's overweight to the sector was a slight positive. The Consumer Discretionary and Consumer Staples sectors also returned positive stock selection, while the Fund's underweight to the former also aided performance. Being overweight to Health Care and having no exposure to Real Estate, Utilities and Energy was a benefit. Stock Selection within the IT sector was the worst individual detractor to performance, although there was a slight bonus from being overweight the sector. The Fund's underweight to Communication Services hurt performance.

Regionally, stock selection within North America was the strongest contributor to performance, albeit the underweight to the region detracted. Being underweight Asia Pacific was accretive to performance, augmented by positive stock selection. While the Fund's overweight to Europe hit performance, this was mitigated by strong stock selection, with holdings in the Netherlands, the UK and Switzerland performing well.

Two US stocks topped the list of five best stock contributors, insurance solutions provider **WR Berkley** and industrials supplier **WW Grainger**. Other stocks included the Danish multinational pharmaceutical company **Novo Nordisk,** Dutch semiconductor equipment maker **ASML** and Swiss pharma outsourced manufacturer **Lonza.**

The bottom five detractors included the US-listed circuit protection specialist **Littelfuse,** two Swedish stocks, multinational industrial **Atlas Copco** and measurement technology group **Hexagon**, the Indian-listed **HDFC Bank** and finally the Swiss industrial stock **Geberit.**

Dividends
There were five dividend announcements in January, with an average increase of 20.2%. Three of the announcements were in double digits:- **Novo Nordisk** 51.6%, **Atlas Copco** 21.7%, and **Lonza Group** 14.3%. In addition, **LVMH** announced a dividend increase of 8.3% and **ASML Holding** declared an increase of 5.2%.

Portfolio changes
There were no new investments or complete sales made in January.

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

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Disclaimer

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