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 30 September 2023

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$1.9107
Fund Size	AUD$2,013.00M
Tax Losses Available (As at last distribution period)	AUD$285.95M
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 Russell Hogan –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)	-5.06	-4.03	16.00	8.49	10.40	13.16	10.47
Total (net)	-5.13	-4.24	14.97	7.52	9.41	12.15	9.49
Relative*	-1.33	-3.76	-4.64	-2.17	1.44	1.81	1.04

*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. Past performance is not a reliable indicator of future performance.*

Portfolio Characteristics

No of Holdings	60
Dividend Yield	1.39%
Turnover* (last 12 months)	9.50%
Price/Earnings	25.5
Price/Cash Flow	19.0x
Price/Book Value	4.8x
Beta (*ex-ante*)	1.01
Average market capitalisation	$204.09bn
Median market capitalisation	$63.93bn
Tracking error (1 year)	4.16

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

Market Cap Exposure (% weight by capital)

Range	Fund
>US$ 500bn	7.44
US$ 100 - 500bn	26.59
US$ 50 - 100bn	23.93
US$ 10 - 50bn	36.50
US$ 2 - 10bn	3.92

Top Ten Holdings by Capital (%)

Stock	Fund	Active Weight*
Microsoft	3.55	-0.41
WW Grainger	3.21	3.16
Accenture	2.39	2.04
Alphabet	2.36	1.21
Sage Group	2.35	2.33
Atlas Copco	2.25	2.19
WR Berkley	2.24	2.22
Costco Wholesale	2.20	1.77
Marsh & Mclennan	2.19	2.03
Analog Devices	2.16	2.01
TOTAL	24.89	18.54

Active weight relative to the Index.*

Top Five Holdings by contribution to Dividend Yield (%)

Holding	Fund
DBS Group	4.97
Home Depot	4.00
Sage Group	3.38
Analog Devices	3.24
Diageo	3.16
TOTAL	18.74

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Regional Allocation (%)

Country	Fund	Active Weight*
United States	58.80	-1.78
France	9.54	6.87
Switzerland	7.87	5.37
Sweden	4.99	4.14
Denmark	3.91	3.12
United Kingdom	3.58	-0.09
Japan	3.11	-3.31
Hong Kong	1.56	0.80
Netherlands	1.54	0.41
Taiwan	1.44	-0.29
Singapore	1.30	0.91
India	0.73	-1.19
Other Countries	0.00	0.00

Active Weight relative to the Index.*

Sector Exposure (%)

Sector	Fund	Active Weight*
Information Technology	25.97	4.19
Health Care	19.78	7.76
Financials	17.86	2.50
Industrials	13.52	3.04
Consumer Discretionary	6.89	-4.50
Consumer Staples	6.38	-0.76
Communication Services	5.14	-2.73
Materials	2.83	-1.22
Energy	0.00	-5.16
Real Estate	0.00	-2.10
Utilities	0.00	-2.66
Cash	1.63	1.63

Active Weight relative to the Index.*

Performance and Portfolio Comment September 2023

Market overview

Global equities declined further in September as broad equity market weakness persisted. US equities sold off and the S&P 500 suffered its biggest pullback since last December, while the index saw its first back-to-back monthly decline in a year. The seven largest US "technology" stocks once again accounted for most of the S&P 500's 13% year-to-date return. Upward pressure on rates remained the big headwind for risk assets in September. The Federal Reserve Board (FED) Fed left its target rate range unchanged, though the latest projections showed one further rate hike this year, along with a tighter policy stance through next year. A US government shutdown was avoided following a last-minute deal, but it only ensured funding until mid-November.

European equity markets ended lower with the STOXX 600 hitting its lowest levels in six months. Eurozone inflation slowed by more than anticipated in September: the headline rate fell to 4.3%, while core inflation eased to 4.5%, almost a full percentage point decline in both series. The UK's post-pandemic recovery was revised higher, the economy was circa 2% larger than previously estimated as of quarter 2 2023.

In China, real estate distress remained in focus, notably Evergrande remains a recurring concern – but Beijing has been eager to signal support, this time by easing banks' reserve requirement ratios.

Performance overview

Over the past 12 months, the Fund has posted a total return gross of fees of 16.00% while the market returned 20.64%*. In September, the Fund declined by 5.06%, underperforming the market by 1.33%.

While both asset allocation and stock selection were negative over the month, it was the impact of the latter that drove the Fund's underperformance, distracting to the tune of approx. 110bps. On an overall basis Energy, Financials, Health Care and Communication Services beat the index, with only the Energy sector returning a positive return for the month. Stock selection within IT was the strongest contributor, although there was a small detraction from the Fund's overweight to the sector. There was also positive benefit from stock selection within the Communication Services, Consumer Staples and the Industrials sectors. The adverse effects of stock selection came from Consumer Discretionary, Financials and Health Care. Three of the five bottom stock detractors came from the Health Care sector, and with little relief from the Fund's overweight to the sector, it was the worst contributor to performance this month.

On a regional basis, there was a small positive from the Fund's holdings in North America and the underweight to the region. The main culprit of the underperformance was stock selection to Asia Pacific, and more significantly, Europe. In Asia Pacific, the Fund's Japanese holding caused the most damage, followed by the Fund's two financial holdings in Hong Kong (AIA Group and Prudential) and the single financial holding in India (HDFC Bank). A myriad of countries including Switzerland, the UK, France and the Netherlands, added to the negative stock selection within Europe, which was not mitigated by the positive impact from Denmark, Germany and Sweden.

US-listed insurance solutions provider **WR Berkley** topped the list of top five contributors, following by **Apple**, due to its larger benchmark weighting. Also on the list was Swedish multinational industrial stock **Atlas Copco,** US discount retailer **Costco** and Danish multinational pharmaceutical firm **Novo Nordisk.**

The bottom five detractors came from the US and Switzerland. It was headed up by two health care stocks **Lonza Group** and **Tecan Group**. Also on the list was industrial technology company **Equifax,** semiconductor equipment maker **Applied Materials** and finally global hearing aid maker **Sonova.**

Dividends

There were two dividend announcements in September, with an average increase of 12.7%. **Accenture** announced a dividend increase of 15.2%, while Microsoft's dividend rose by 10.3%.

Portfolio changes

In September, US-listed cloud services provider **Akamai Technologies** and Swiss multinational healthcare company **Roche Holdings** were sold, and no new investments were made.

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

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