

Dundas Global Investors: A balanced approach to global equities

Today's market is increasingly defined by stretched valuations and concentrated exposure to a handful of mega-cap tech stocks. While these companies have delivered strong recent performance, their dominance also introduces fragility, particularly if growth expectations are not met. Dundas' AI-focussed strategy offers a more balanced and resilient portfolio.

By investing in the foundational enablers of AI through companies such as TSMC, ASML, Applied Materials, Amphenol, Microsoft, and Alphabet, the Dundas portfolio captures long-term upside while avoiding the volatility and over-concentration that define the "Magnificent 7" (Mag 7) mega-cap technology stocks. This reflects Dundas' core philosophy: to invest in businesses with sustainable fundamentals - quality businesses with good growth prospects. The firm's disciplined approach targets long-term value creation through quality, resilience, and valuation discipline. The addition of Dundas Global Investors to a well-constructed equities portfolio provides balance across industries, geographies and market capitalisations, supporting a more diversified approach.

Investing in the foundations of AI growth

Dundas' approach prioritises quality and stability over short-term market trends. Rather than focussing on the market's most prominent names, the firm targets high-quality businesses that provide the infrastructure and services essential to AI's long-term expansion. These companies are selected for their durable competitive advantages and disciplined capital allocation, allowing the portfolio to benefit from AI's structural growth while maintaining diversification and risk control. Supported by enduring growth drivers, such as semiconductor manufacturing, cloud infrastructure, interconnect systems, and digital platforms, these businesses align with Dundas' core philosophy: to invest in companies with sustainable fundamentals and long-term value creation potential. For clients, this means exposure to AI's potential without compromising on quality, resilience, or valuation discipline - supporting a more balanced and diversified equity portfolio.

Stable returns support resilience and long-term growth

A key feature of the Dundas approach is return on equity (RoE) stability. The portfolio's AI-related holdings have consistently delivered RoEs in the 35–40% range over the past three years, with much lower volatility than the Mag 7, whose lofty expectations have led to sharp market repricing. This balanced profile - high but stable returns - provides meaningful exposure to AI's structural growth while preserving resilience in periods of market stress. It ensures investors benefit from AI's transformational potential, without compromising the quality and compounding power that underpins the strategy.

Broader AI-related market risks

The risks associated with AI exposure extend beyond listed equities. Private equity firms have backed AI start-ups at elevated valuations, while private credit providers have financed

ventures in the same space. Commercial property, particularly data centres, has become closely tied to AI infrastructure demand. This convergence of exposure across public and private markets increases the potential for volatility. Dundas supports the growth prospects of AI but are cognisant that there will be winners and losers, and there is concentration risk across the asset classes. Their careful selection of stocks within the AI segment focusses on each company's role in the supply chain and its sustainable competitive advantages.

Dundas' advantage: A disciplined strategy in a concentrated and volatile market

Dundas offers a clear and disciplined approach with an investment philosophy grounded in identifying high-quality businesses with durable competitive advantages, stable cash flows, and low earnings volatility. They focus on long-term value creation through rigorous fundamental analysis and prudent portfolio construction. The Dundas AI-focussed stocks exemplify this approach - diversified, resilient, and grounded in real economic drivers. For investors seeking dependable performance across cycles, the Apostle Dundas Global Equity Fund offers a portfolio designed to preserve capital, manage risk, and compound returns sustainably.

Table 1: Dundas' AI-themed holdings and their respective correlation to the Mag 7

Company	Overall Correlation to Mag 7	Primary Drivers of Correlation	Most Directly Linked Mag 7 Names
TSMC	Very High	Makes the chips for NVIDIA, Apple, AMD, and Tesla. When AI chip demand surges, TSMC benefits directly.	NVIDIA*, Apple*
ASML Holding	High	Supplies lithography machines essential for TSMC, NVIDIA, and Apple chip production. Moves with global semiconductor capex cycles driven by AI and smartphone demand.	NVIDIA, Apple
Applied Materials	High	Semiconductor equipment maker; profits rise when TSMC, Intel, and Samsung ramp up capacity to meet AI chip orders. Tracks the same AI-investment cycle as NVIDIA.	NVIDIA, Microsoft** (via hyperscaler capex)
Amphenol	Moderate	Provides connectors and interconnect systems used across data centers, automotive, and industrial electronics. Benefits indirectly from AI hardware demand and EV buildout.	NVIDIA, Tesla*
Microsoft	Core Member of Mag 7	Directly drives AI adoption (Azure, OpenAI partnership). Correlates strongly with all other Mag 7 via tech growth sentiment.	All Mag 7
Alphabet	Core Member of Mag 7	Cloud and AI infrastructure leader (Google Cloud, Gemini AI). Moves with overall AI market enthusiasm.	Microsoft, NVIDIA

Source: Dundas Global Investors. *Not held in the portfolio. **Held in the portfolio. As at 30/9/2025.

Learn more about the features of the Apostle Dundas Global Equity Fund at:
www.apostlefm.com.au/dundas-global-investors

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