DUNDAS GLOBAL INVESTORS

STEWARDSHIP REPORT 2022

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ABOUT US

Founded in 2010, Dundas Global Investors (Dundas) manages assets for institutional and professional clients worldwide. Our core investment conviction is that dividend growth is the unsung hero of long-term global equity return. We focus on finding the best dividend growth companies for our portfolios.

Based in Edinburgh, Scotland, our guiding principle of independence is underpinned by our partnership structure and internally generated research. By co-investing in the strategy, we believe our team is aligned with the firm's philosophy and the interests of our clients. Our philosophy remains unchanged since inception.

UK STEWARDSHIP CODE

Initially published in 2010 with the objective of encouraging stewardship best practice and accountability, the UK Stewardship Code outlines a set of high standards for asset managers, asset owners and service providers.

Developed by the UK's Financial Reporting Council (FRC) in response to the financial crisis of 2008, the code was the first of its kind and has since been followed by a number of countries and investor associations globally.

Revisions in 2012 and 2020 strengthened the code, increasing expectations for Environmental, Social and Governance (ESG) and providing the opportunity for stewardship to be reported annually in line with 12 principles.

The FRC define stewardship as "the responsible allocation, management and oversight of capital to create long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society".

It exists alongside the UK Corporate Governance Code 2018, first published by the Cadbury Committee in 1992, which promotes good governance and transparency amongst UK corporates.

Source: The UK Stewardship Code 2020, Financial Reporting Council.

SHAREHOLDER RIGHTS DIRECTIVE II

The European Union Shareholder Rights Directive II (SRD II) introduced in 2019, amends the original SRD which came into force in 2007. The directive establishes disclosure requirements which aim to improve long-term shareholder engagement and enhance transparency among asset managers and owners in the EU.

PURPOSE

This report has been produced in accordance with the expectations of the UK Stewardship Code 2020 and the SRD II. Dundas accepts and applies the principles to all equity holdings, regardless of listing. Through this report we intend to enhance the understanding and transparency around our ongoing stewardship activities.

This report sits alongside the firm's relevant policies, including our Sustainable Investment Policy, Proxy Voting and Engagement Policy, and policy on Conflicts of Interest, all of which are available on our website.

FOREWORD

Dundas is an investment management business based in Edinburgh with clients in the UK, USA, Australia, and New Zealand. We concentrate on one task, managing global equity portfolios by applying our dividend growth investment philosophy. The simpler the organisation, the fewer opportunities for conflicts of interest. Three things help us keep it simple.

First, Dundas is owned and managed by its partners, all of whom are active in the business. We prize our independence.

Second, we invest alongside our clients via our UK-domiciled funds, Heriot Global and Heriot Global Smaller Companies. All client portfolios are created from stocks held in these two funds. We own what our clients own.

Third, we grow the firm by sharing the same goal – deliver good returns for our clients. All staff bonuses and partners' profit shares come from a common pool, derived from management fees earned minus overheads. No one is incentivised for sales or investment achievement. All for one, one for all, all aligned.

Three years of reporting on the UK Stewardship Code has sharpened our definition of stewardship and the way in which we express our obligations to clients and co-investors. Likewise, it has helped us consider the delegated responsibilities placed in the hands of those running the companies in which we invest.

Just as clients rely on us to be good stewards of their savings, we rely on the funds' companies to be good stewards of their businesses, balancing the interests of their shareholders, customers, staff, suppliers, and wider stakeholders across society.

All three elements of the ESG acronym are important, but for long-term investors governance is crucial. Corporate governance is essential if a company is to capitalise on its opportunities, make repeated good capital allocation decisions, and pay rising dividends year after year to its investors. Environmental and social betterment will not be achieved without good governance.

If you want to build a good investment management business, get great clients. We are fortunate to work with many great clients who challenge us to be better stewards. They have our thanks for both the assets entrusted to us and the dialogue on stewardship throughout 2022.

Alan McFarlane

Alan McFarlane
Senior Partner

EXECUTIVE SUMMARY

2022 marked 10 years of running our flagship global equity strategy. Sustainable dividend growth, the centrepiece of our investment philosophy, is a largely underappreciated metric driving long-term returns. Reflecting on the last decade, there are five points of note.

- **Buy and hold:** We have held 20 stocks (in a portfolio of 60-70 companies) since day one. The average tenure of each stock is six years.
- **Keep a strong sell discipline:** We are aware of behavioural biases; if in doubt, get out.
- **Have perspective:** It is not about the amount of the dividend, it is the discipline of growing dividends year on year all the while prioritising business reinvestment.
- **Focus long-term:** We are happy to give up short term yield for dividend growth over the long term. Where dividends lead, share prices follow.
- **Avoid dividend cuts:** Manage this risk with thorough analysis and monitoring.

Based at our Edinburgh office, our team grew to a total of 16 people, with resources added to UK distribution and investment operations. Our business development across the UK, USA, Australia, and New Zealand continued to involve institutional investors and their advisors, while we broaden our focus to wealth managers.

We welcomed more investors into our UK-domiciled funds, the Heriot Global Fund and recently launched Heriot Global Smaller Companies Fund. We brought our US distribution in-house, with the goal of maintaining the strong relationships that have been built since the launch of our Global ex-USA strategy in 2015. At the same time, we upped our outreach in Australia and New Zealand with regular webinars, media interviews and two trips to meet clients and prospects.

Conversations with clients were dominated by the tumultuous geopolitical and economic events of 2022. Despite this, we made strides in discussions on longer term risks involving climate change, illustrating how our strategy is positioned in the the transition to net zero emissions by 2050. As well as this, we onboarded our first impact-focused client with mandated reporting on alignment to the UN Sustainable Development Goals (SDGs).

Our investment team sifted through 14 sectors, industries, and markets including consumer discretionary stocks and the renewables industry. Our ESG integration approach provided the opportunity to speak to more than 60 companies, engage with three portfolio holdings, and vote at over 90 shareholder meetings.

Everybody at Dundas is responsible for the stewardship of our clients' assets. We are always transparent; you will find useful disclosures on our website.

EVOLUTION OF STEWARDSHIP AT DUNDAS

2010

UK Stewardship Code Firm Founded

Single strategy: investing globally for long-term dividend growth.

Research

Appreciation that ESG factors are key components of sustainable dividend growth companies.

2012

PRI Membership

Focus on the G in ESG.

Inception: Global Strategy

Policies

First ESG & Proxy Voting policies

First PRI objectives on governance and ESG data.

2014

Exclusions

Exclude tobacco and munitions stocks from the investment universe.

ESG Bloomberg data in the Grid.

ESG Frameworks

Paris Agreement, UN Sustainable Development Goals (SDGs), TCFD.

Inception: ADR Strategy

2016

Ratings

Global funds score 5/5 on Morningstar Sustainability.

Inception: International Strategy

Engagement Policy

'A' rating for PRI reporting.

ESG policy published on website.

Focused company engagements.

2018

Sustainability

Quarterly ESG reviews.

Firm-wide sustainable practices.

Engaging collaboratively.

ESG Data

Engage MSCI ESG Research & Ratings.

Integrate ESG analysis.

Inception: ADR Unconstrained Strategy

2020

Stewardship

Support TCFD.

Climate change considerations.

Enhance Proxy Voting.

New Initiatives

PRI & UK Stewardship Code changes.

ESG disclosures for clients.

Inception: Smaller Companies Strategy

2022

Net Zero

Climate change dialogue with clients.

Carbon data integration and reporting.

Onboarded first impact-focused client.

PURPOSE & GOVERNANCE

PURPOSE & GOVERNANCE

PRINCIPLES

We invest in global equities for sustainable dividend growth. Ensuring our full focus is on that task we have organised our business to be as simple as possible.

We focus on the right business and avoid conflicting interests. Focusing on where we add value means outsourcing where appropriate while ensuring we have oversight. It also means turning away business that does not align to our investment philosophy.

It is in our best interests to make optimal decisions on behalf of our clients. This structure promotes good decision making, taking a long-term view, and ensures ownership stays within the firm.

By investing alongside our clients in our UK-domiciled funds, we have a common goal. Financial incentives for all partners and staff are based on the firm's profits, not investment decisions or sales success.

The firm was founded on five principles:

1. Simple business model
2. Partnership
3. Aligned interests
4. Independence
5. Fair pricing

These remain unchanged since day one.

We avoid sell-side investment research. Instead, all research is originated in house by a team of generalists, reducing bias.

Operating costs are kept low so we can provide our services for competitive fees, we foster good stewardship of client assets and our business.

CULTURE & VALUES

Partnership is more than a legal structure; it is a belief that guides everything we do. This ethos is especially important in our industry, given we manage people's long-term savings and pensions.

Our independence aligns the interests of everyone involved, ensuring we are principals (not agents) for our clients.

At its core, stewardship demands forgoing short-term gains if it comes at the expense of long-term success. This is true of our investment strategy, where we seek out the best dividend growth stocks regardless of industry, region, or market. This strategy is communicated to make certain our clients understand what we do on their behalf.

Collaboration and advocacy make us better colleagues and decision makers, the benefits of which we pass to clients through competitive returns.

We subscribe to the philosophy that each voice should be heard when a decision is made, creating an environment in which team members can flourish and clients are assured the best of Dundas collectively.

We encourage new ideas, challenging the status quo and other behavioural biases. Investment decisions are taken in an open and inclusive manner as we find enduring connections between companies, industries, economies, and broad socioeconomic themes.

There are no individual incentives for sales success or an investment idea. Instead, we understand that by upholding our investment philosophy, the firm will succeed, and we will share the profits in common.

This approach has served us well, with our team, clients' assets, and the business growing sustainably since inception.

FIRM VALUES

Principals. Alignment means being investors alongside our clients.

Stewardship. Take a holistic view and champion the investment philosophy.

Collaboration. Value an open mind and participate in the firm's success.

Advocacy. Put the interests of clients and the firm before your own.

Challenge. Say the unsaid, be aware of bias, and learn from mistakes.

STRATEGY

To meet our clients' risk and return objectives, we invest in the companies most capable of sustained dividend growth. Our philosophy sets us apart, focusing us on the most powerful factor driving long-term returns.

This strategy has served us and our clients well demonstrated by our portfolios' dividend track record shown in the table below.

Over the next 10 years, our strategic objectives are to:

- Exceed our clients' investment objectives.
- Grow the firm profitably while maintaining financial integrity.
- Uphold business reputation and regulatory standing.

STRATEGY SCORECARD

Number of stocks	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Portfolio (%)
Dividend increased	60	64	58	62	65	69	60	49	56	56	**83**
Dividend unchanged	12	4	6	14	4	4	5	6	6	4	**9**
Dividend cut	-	1	-	-	-	-	3	9	5	-	**2**
No dividend policy	3	2	2	4	4	4	5	7	8	5	**6**
Dividend growth											
Portfolio (%)	15	10	9	9	14	13	11	1	11	15	**11**
Benchmark (%)	7	4	1	1	11	7	5	(12)	17	8	**5**

Portfolio: Dundas Global Equity Growth Strategy. Benchmark: MSCI All Country World Index (ACWI).
Dividend growth of the portfolio is the weighted average growth in dividends per share (DPS) of each portfolio holding translated to USD.
Dividend growth of the benchmark is based on the growth of DPS of the MSCI ACWI in USD.
Period shown is from December 31st 2012 to December 31st 2022.

GLOBAL DISTRIBUTION

Working with distributors has been a successful strategy for Dundas, supporting our business development of the past 10 years. Over this period we have grown our assets under management, helping us maintain our lower fee model.

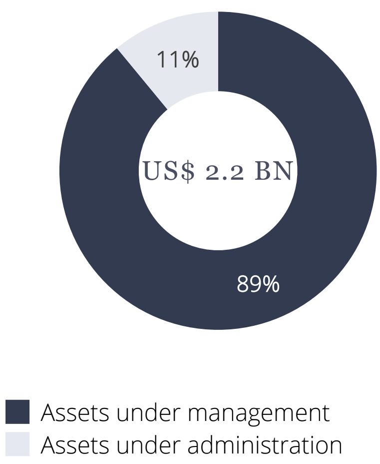
Our work involves regular engagement through meetings, media outputs, and strategy reporting. We use similar content across each of our jurisdictions where possible, achieved by the commonality of our dividend growth strategies.

We have worked with Apostle Funds Management, our Australian distributor, since 2012. Over this period, our flagship global fund for Australian clients grew to over A$1.8 billion (US$1.2 billion). In the UK, LGBR Capital has been our distribution partner since 2019, supporting growth in the Heriot Global Fund from £80 million to £265 million (US$321 million), and the launch of the Heriot Global Smaller Companies Fund in 2021.

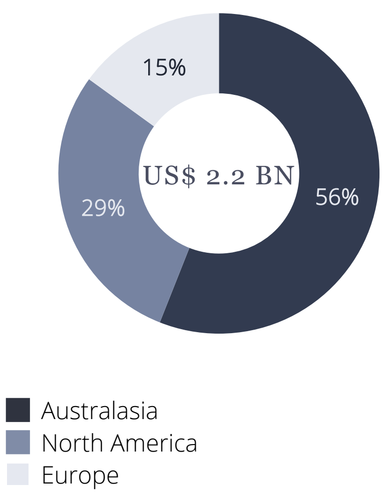
Our distribution in Australia, New Zealand and the UK led to significant expansion for the firm and our clients. This growth has improved the economics for fund investors, allowed larger investors to consider the our funds for clients, and diversified the investor base. This strategy will continue into 2023.

In the USA, our AUM reached US$627 million. We entered the US market in 2015 with a local distributor, South Avenue Investment Partners (SAIPUS). We met over 300 prospects and built long-standing business relationships. We decided to wind down this distribution arrangement to focus on US business development internally.

FIRMWIDE ASSETS



ASSETS BY REGION



MANAGING SYSTEMIC RISKS

As a MiFID investment firm Dundas is subject to the Investment Firm's Prudential Regime (IFPR) set out by the FCA. The new regime came into effect at the start of 2022, aiming to simplify prudential compliance and standardise supervision for investment firms.

IFPR places greater emphasis on capital and liquidity requirements for firms with prescribed reporting. This reporting outlines firms' abilities to meet financial obligations without putting undue risk on the end client and gives the FCA greater oversight of this systemic risk.

A key change was the introduction of an annual document, Internal Capital Adequacy and Risk Assessment (ICARA) which outlines our approach to governance and risk management. Due to an increase in our assets under management through the year, Dundas moved into a category subject to additional liquidity requirements. We reviewed senior managers' responsibilities and assigned risks identified in the ICARA.

ENHANCING CUSTOMER CARE

We work with compliance consultants in each of our regulatory jurisdictions. We train the whole Dundas team on regulatory changes to ensure everyone fully understands the rationale, expectations and day-to-day work required for compliance.

In addition to IFPR, this year saw regulatory enhancements to customer care. In the USA, a new Marketing Rule came into effect with the Investment Advisors Act of 1940 revised to modernise advertising rules governing investment advisers.

We worked throughout the year to implement this rule in our marketing to US clients and prospects, incorporating advice from our US compliance consultant and GIPS verification firm.

In the UK, Consumer Duty rules were introduced requiring firms to act to deliver good outcomes for retail customers. Specifically, outcomes in products and services, price and value, consumer understanding and consumer support. While we do not deal with retail investors, we need to understand the end client's experience. To this end, our funds' Authorised Corporate Director (ACD) conducts a Value Assessment with a peer review of performance, cost, economies of scale and quality of service.

PEOPLE & PROCESSES

Dundas had planned for extra research resource through hiring in 2022. Additional resources in our Client & Marketing team supports us in our UK distribution efforts. We expanded our dealing team to meet the increased demand on the firm's investment operations.

As a result of an in-depth review of our Operating Model, we invested in new software for enhanced automation in our foreign currency exchange. Additionally, we implemented a system to improve efficiency in our compliance monitoring.

GOVERNANCE & OVERSIGHT

Dundas is a limited liability partnership (LLP) with a leadership team comprised of a Senior Partner (CEO) and eight equity partners.

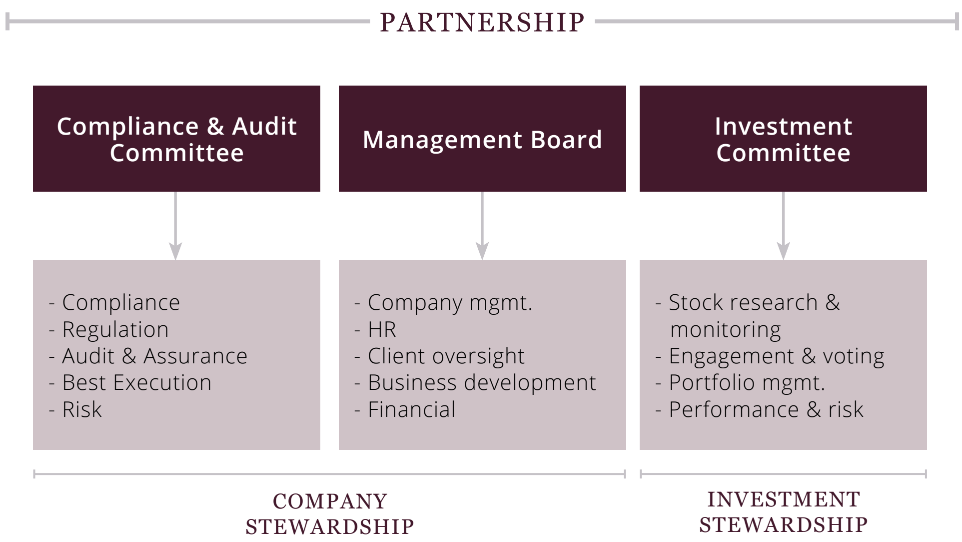
This model was chosen to give a flat structure where each partner has specific responsibilities alongside general stewardship of the firm. The partnership meets at least twice annually to approve the business plan and review the accounts.

In December 2022, we implemented a Management Board with day-to-day responsibility for governance, operations, culture, and resources; formerly the responsibilities of a Managing Partner. This step widens and deepens oversight of the firm and is reflective of the growth experienced since inception in 2010.

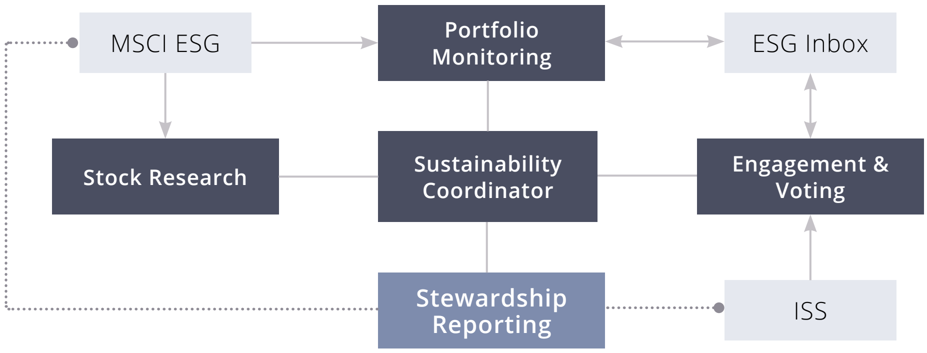
Alongside the board, we maintain an Investment Committee and Compliance & Audit Committee. The Investment Committee rotates topics of investment research, portfolio management, performance and risk, and stewardship.

Six team members focus on investment research and portfolio management supported by two responsible for trading, risk, and performance measurement. We have four people dealing with clients and marketing with a further four responsible for compliance, investment operations and IT.

GOVERNANCE STRUCTURE



ESG IN PRACTICE



STEWARDSHIP RESPONSIBILITIES

An appreciation of good corporate governance is the key to success for any long-term investor. While team members have designated responsibilities, we work collaboratively. This approach helps us navigate the process of ESG integration, from company research to investor collaboration to regulatory reporting.

Internal communication on stewardship is monitored through team inboxes on ESG, investment research and portfolio monitoring, and a Corporate Access Tracker system covering all company interactions. These updates flow through our Investment Committee with stewardship covered on a monthly basis.

The Investment Committee reviews ESG activity and sets objectives for the firm's sustainable investment process. Investment team members have a particular role to play in ESG integration through the research and monitoring of the businesses considered for our portfolios.

Dundas has been a signatory to the Principles for Responsible Investment (PRI) and UK Stewardship Code since 2012 and 2021, respectively. A member of the team coordinates our efforts to apply developing best practice, regulatory changes, and ensure the implementation of our stewardship policies.

RESOURCES & INCENTIVES

The firm is structured to be aligned with our client interests. Employees are paid competitive salaries alongside discretionary bonuses reflecting the overall profits of the firm. Partners are rewarded through profit share which is a function of returns delivered on existing assets, new asset growth and managing the cost base.

We want our team members to have a secure and meaningful retirement benefit, so make a 10 percent employer contribution. Through salary exchange, the employer National Insurance saving of 13.8 percent on all personal contributions is redirected to employee pensions in the form of an additional employer contribution.

We review our Workplace Pension Scheme on a regular basis to ensure each team member receives value for money when it comes to their pension.

Since the pandemic, we have retained hybrid working as an option for all team members, and in doing so recognise the benefits of flexible working for team morale, productivity, and work life balance.

TEAM BUILDING

Continuous team development is the best way to grow the firm's capabilities and plan for succession. Members of the firm are diverse in gender, age, and culture, as well as in professional and academic backgrounds. We are confident that our commonalities combined with our diversity provide a solid foundation for good decision making, helping to drive the future success of both the business and our investments.

We recognise the benefits of employing individuals from a range of backgrounds, as it fosters a creative work environment and a team that values differences. We embrace diversity, challenge discrimination, and promote tolerance and fairness. All employees and job applicants are treated fairly to avoid unfair or unlawful discrimination.

COMPANY INITIATIVES

Dundas is a member of Future Asset, a charity encouraging girls in Scotland to take up a career in investment management. Future Asset provides industry-wide engagement with schools, educators, and pupils in Scotland, aiming to raise awareness of the investment sector, spark interest in a career in financial services and widen the industry talent pool.

As a member of Future Asset, the firm participates in an annual engagement programme. Several members of the firm volunteered to be Investment Mentors in the 2022 Growing Future Assets Competition, supporting girls in exploring their careers, developing skills, and gaining experience and confidence in investment research.

PERSONAL DEVELOPMENT

Training is an integral part of each role at Dundas. We encourage team members to build a foundation of industry knowledge through qualifications like the CFA UK's Investment Management Certificate and the CFA Institute's Certificate in ESG Investing. Team members are supported by the firm in pursuing professional qualifications including CFA and CIPM.

Everyone completes at least 20 hours of Continuing Personal Development (CPD) a year following CFA Institute guidelines. On sustainability and stewardship, we keep up to date with industry changes through conferences, webinars, and academic resources, and conduct internal training sessions.

During the year, we had the opportunity to initiate an investment strategy with ESG objectives. While this strategy would launch in Australia, we wanted to understand the regulatory impact across the markets in which we do business. Dundas is directly regulated by the Financial Conduct Authority (FCA), Securities & Exchange Commission (SEC), and Australian Securities & Investment Commission (ASIC) in the UK, USA, and Australia respectively. Our external compliance trainer took the whole team through a refresh of regulation in these jurisdictions.

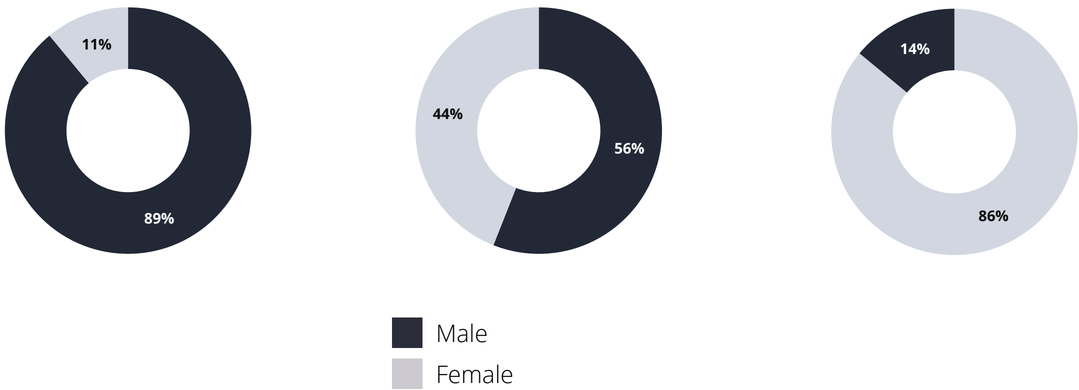
We reviewed guiding principles in the context of our participation in financial markets and considered broader international standards and expectations. By collectively improving our understanding of the regulatory landscape and the implications from product design to disclosures, we were able to make the best decision for the firm and its clients.

Information on sustainability and stewardship is not confined to an investment meeting or a single committee. As with all areas of the business, we include everyone in discussions on stock ESG issues, industry news and developments, shared through team inboxes and meetings. Looking ahead to 2023 we seek a better understanding of the various frameworks guiding climate change reporting by corporates and investors, with plans to host a session on the Taskforce on Climate-related Financial Disclosures (TCFD).

TEAM BREAKDOWN

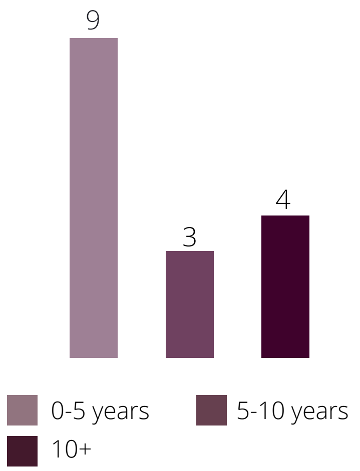
GENDER DIVERSITY

PARTNERS | FIRMWIDE | EMPLOYEES

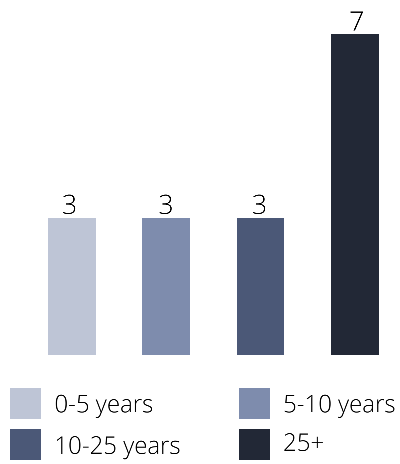


EXPERIENCE

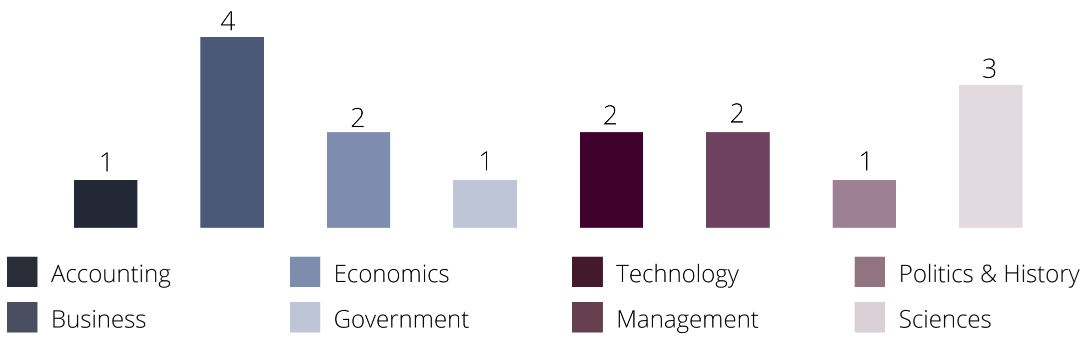
FIRM TENURE



INDUSTRY TENURE



BACKGROUND



Data as at 31st December 2022.

CONFLICTS OF INTEREST

MITIGATING CONTROLS

The firm's policy on conflicts of interest ensures that where actual or potential conflicts of interest arises, we pay due regard to the interests of our clients and treat them fairly. We maintain effective organisational and administrative arrangements that are proportionate to the risks we face to prevent conflicts of interest as defined in the guidelines of FCA SYSC 10, ASIC and Securities and Exchange Commission (SEC).

Senior Managers are responsible for establishing and managing their areas of conflict while our Compliance Officer is responsible for assessing and monitoring overall conflicts, logged in a Conflicts of Interest register.

Our simple business model insulates us from many of the conflicts of interest which appear in organisations active in multiple areas of the financial services industry.

We have identified potential conflicts of interest and mitigating actions described below.

CONFLICT	MITIGATING CONTROL
Personal Account Dealing	Staff are prohibited from dealing in any individual equities. We do not invest on our own behalf, but alongside our clients within the appropriate UK domiciled funds.
Client Investment Performance	Any variation in performance results due to different client mandates reflect commitment to treat each customer fairly. The firm adheres to the GIPS Standards to calculate and present its performance results, including management of its policy in setting composite performance schedules.
Research and Broker Commission	Any access to company meetings or specific research as an extra resource is paid for through our P&L account and clearly documented. Trading is done through agency-only brokers with no soft dollar business.
Remuneration and outside business interests	The team are remunerated depending on the firm's overall performance measured by the profitability against budget rather than investment returns or sales generated. Outside business interest must be reported to the Compliance Officer and reviewed on a case-by-case basis. All interests are registered and disclosed to the Board.
Gifts, Hospitality and Inducements	Firm limit of £50, noted on the register. All hospitality and gifts above this limit will be pre-authorised by the Compliance Officer to ensure adherence to the policy.

POTENTIAL CONFLICTS OF INTEREST

Dundas is structured as a Partnership to provide a single focus on the overall long-term performance of the firm. This is delivered through investment success rather than multiple and potentially competing remuneration policies. All team members share in the overall profitability of the firm which is directly tied to the long-term growth of our clients' investments.

Members of the firm hold a total of 11 outside business interests including directorships, chair and trustee positions, and advisory services involving foundations and charities. These relationships are logged in our conflicts of interest register and monitored by the Compliance Officer. During the year, we closed one potential conflict of interest on the register after a team member relinquished their minority interest in another investment manager following an acquisition.

We encourage all team members to invest alongside our clients in our UK-domiciled funds. We are aware that while this approach aligns the interests of individuals working at the firm with those of our clients, the potential for conflicts of interest exist where these individuals are actively involved in the investment decision making process.

This is of particular concern when the assets invested in our funds become an increasing proportion of individuals' savings. We have worked to mitigate this potential conflict of interest through several avenues:

- We reduce bias in our investment decision making process by our generalist research approach and team decision making.

- Since 2019 we have partnered with a distributor to market the Heriot Investment Funds to professional investors in the UK. As a result, the proportion of assets held by team members has reduced.

- As part of wider work done reviewing the Dundas Pension Scheme, we offer all team members consultations with a financial planner to advise on topics from pension contributions and salary exchange to diversifying their savings and investments.

RISK MANAGEMENT

FIRM RISK

As long-term investors, sustainable well-functioning markets are vital to enable us to deliver for our clients. Similarly, as a small investment firm, we have established an appropriate, robust operational framework to ensure we do a good job for our clients. We take seriously wider questions about structure and operations.

CORPORATE RESPONSIBILITY

The Senior Managers and Certification Regime (SMCR) aims to reduce harm to consumers and strengthen market integrity by making individuals more accountable for their conduct and competence. Within the firm we used this as a catalyst for change to ensure we had in place effective controls by encouraging greater individual accountability.

We reviewed each risk identified by the firm and made Senior Managers personally accountable for each of those risk areas. We continue to assess the competence and capability of each member of the team against set objectives and the FCA Conduct Rules. Each year we revisit the documented responsibilities of our Senior Managers to ensure accountability remains relevant and accurate as the team grows.

As an expanding team, we ensure new employees undergo criminal and financial checks and regulatory references where required. We notify the regulator of any changes including seeking prior approval for the appointment of partners and revalidate criminal and financial checks for the whole team every two years as is appropriate for our firm.

CAPITAL ADEQUACY

We prepare an Internal Capital Adequacy and Risk Assessment (ICARA) annually to provide a public document assessing the overall risks faced by the firm, our risk appetite and mitigants including the regulatory capital held by the firm as required by the FCA. The primary risk identified was a prolonged period of negative global equity returns resulting in a decline in fee revenue and the loss of clients. We examined credit, market and operational risks and determined that given our business model these risks are modest and appropriately mitigated.

We see the introduction of the Investment Firms Prudential Regime by the FCA — to enhance capital requirements based on AUM — as a meaningful improvement in the way systemic risk could be considered by a growing firm like ours. This change sits alongside existing regulatory risk metrics focused on the ability of a firm to execute an orderly wind down. The regime came into effect this year, although Dundas decided to include this new calculation earlier than required to give our clients and regulator better information.

CYBER SECURITY

The significant increase in staff working from home since the global pandemic has heightened cyber security risks globally, requiring ongoing measures to be taken to protect the firm and its clients.

At the start of the year, we implemented online cyber security training on the potential threats from the most common forms of attack. This monthly training is mandatory for all team members to raise levels of risk awareness and learn best practice.

Ongoing security measures include regular phishing test emails, based on the most successful attacks registered with our training platform. Further, security patches are installed daily on all devices, with virtual machine server patches scheduled appropriately. During the year, the firm added layers of security for endpoint (desktops, laptops, and mobile device) via built in automation to detect and respond to risky activities or malicious attacks. All incoming email is scanned for threats and all staff require Multi Factor Authentication.

Along with passing the annual UK Government-backed Cyber Essentials certification scheme, Dundas passed Cyber Essentials Plus – the audited version of the Cyber Essentials information security standard. This audit involves a series of tests that provide a further level of assurance that our technical controls have been successfully implemented within the organisation. Seeking external assurance demonstrates our commitment to cyber security, helping to protect the confidentiality, integrity and availability of data stored on devices connected to the internet.

PORTFOLIO RISK

We work exclusively with professional investors, either institutional pension funds or wealth managers, both of which have well diversified portfolios. Equities are only a part of these portfolios and the allocation to Dundas is only a proportion of those. Nonetheless, as a market participant, we are still subject to market- wide and systemic risks.

MARKET RISK

We manage and mitigate market risk through our investments in resilient businesses capable of paying dividends through recessions and periods of rising interest rates. The defensive characteristics of these companies are manifest in the risk-adjusted returns achieved by our large-cap strategy, particularly the downside capture ratio which measures how much of market declines are avoided over time.

Our long-term (five years or more) investment horizon results in low portfolio turnover meaning we are not seeking daily market liquidity and can be selective in our trading days. In addition, 99 percent of our AUM is invested in businesses with a capitalisation greater than US$ 2bn, resulting in few issues of portfolio liquidity.

The remaining one percent of our AUM is invested in smaller companies following the successful launch of the Heriot Global Smaller Companies Fund in 2021. The fund invests in stocks with a market capitalisation greater than US$250m at purchase and sufficient liquidity for the size of the portfolio.

We understand the increased liquidity risk in smaller market capitalisations and have enhanced our ongoing liquidity monitoring process to ensure that sufficient liquidity is available to be able to raise funds in a timely manner under normal market conditions.

SECURITY RISK

With the majority of client portfolios drawn from the largest 85 percent of global equity market capitalisation, these businesses are listed on the world's largest stock exchanges and subject to the greatest degree of regulation and transparency requirements, helping to mitigate security risk.

Our internal research is focused on businesses in growing industries, with strong financial track records and an appropriate strategy for sustainable dividend growth. Dundas portfolios are also well-diversified by industry and geography, with active share of around 90 percent meaning that they are quite different from the comparator index.

CLIMATE CHANGE

It is clear that climate change risks and opportunities must be included in firms' risk management frameworks. However, integration of these risks into the investment process can be complex. It requires significant resources to assess climate methodologies and metrics, embed climate change risk into decision making, and train teams and even change corporate culture.

As stock pickers, risk management at Dundas starts with the careful and thorough analysis of individual companies before they make it into any portfolio. This process allows us to manage risk at the company and portfolio level, including those linked to climate change. We accept that even with a simple business model and single investment strategy, not all operations can be managed fully in-house.

Relating to climate change risk management, this is further complicated by a lack of standardised reporting by corporates, despite improvements in recent years. As such, we continue to utilise publicly available information, reported company data via Bloomberg and FactSet, and support this with ESG metrics and research from MSCI ESG.

We leverage this data and internal investment research to evaluate stock fundamentals and avoid biases for or against a particular industrial group. During our years of investment research, we have come across industries that are likely facing the greatest impacts associated with climate change, the majority of which relate to transitional risks and opportunities.

Climate-related risk metrics for our flagship global equity strategy are detailed below.

CARBON
11
FOOTPRINT

CARBON
43
INTENSITY

WEIGHTED AVERAGE
41
CARBON INTENSITY

- t CO2e/$M Invested - Normalised measure of a portfolio's contribution to climate change.
- t CO2e/$M Sales - The ratio of portfolio carbon emissions normalised by sales.
- Weighted Average Carbon Intensity - The sum product of each company's Carbon Intensity and portfolio weight.

Source: MSCI. Data as at 31st December 2022. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission.

RENEWABLE ENERGY

In 2022 we sifted through 250 companies with revenues derived from selling equipment and services for renewable power generation. We conducted deep dive research on 15 stocks, and while we did not invest, we gleaned some powerful insights.

Wind power capacity needs to grow by a factor of 10 to support the renewable energy mix in meeting global targets of net zero by 2050.[1] Suppliers' ability to reinvest and service this growing demand is challenged by low margins on equipment.

Vestas Wind has over 30 percent market share but will struggle to meet the equipment requirements given its profitability, reinvestment rates and global carbon targets. If Vestas is struggling despite its scale, the outlook is not good for its peers.

A different story is unfolding in solar power. Once a leader in solar cell production, Europe now imports most of its modules from China which controls over 80 percent of global manufacting.

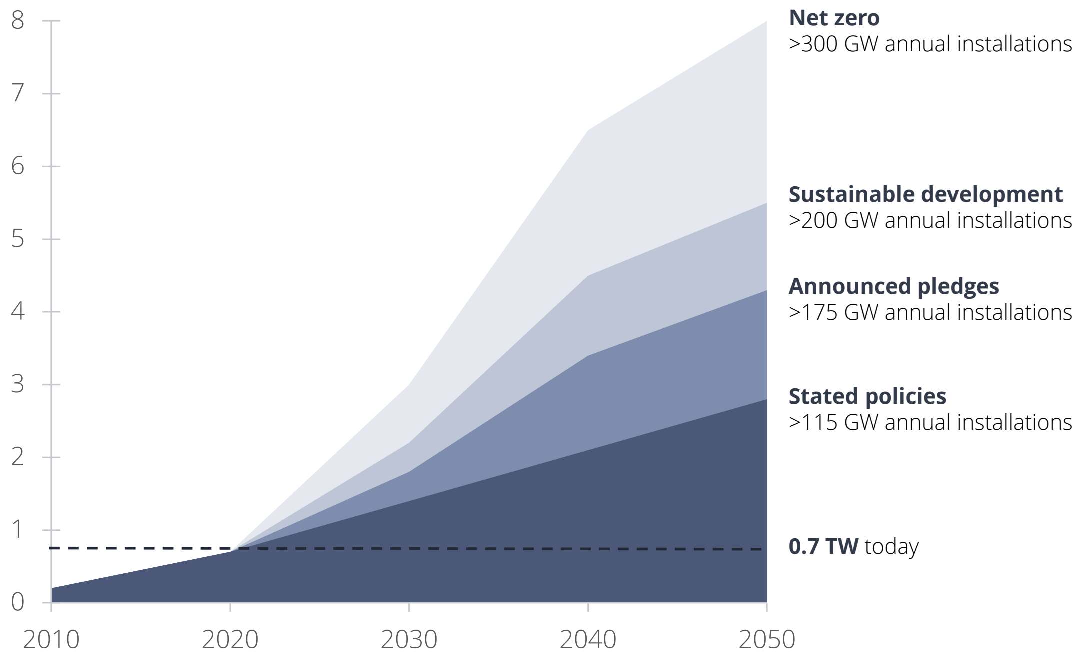
China is the most cost-competitive location manufacturing all components of the solar photovoltaic (PV) panel supply chain. Costs are 10 percent lower than in India, 20 percent lower than in the United States, and 35 percent lower than in Europe.

While energy, labour, investment, and overhead costs explain these differences, there are significant ethical and environmental issues with respect to investing in power generation capacity sourced from China.

The Xinjiang region, with repeated reports of severe human rights violations, makes nearly half of the world's polysilicon, an essential raw material in PV manufacturing. Furthermore, most of the region's production is powered through coal-fired plants.

Subsidy changes, government policy and labour issues make even the "best" Chinese manufacturers difficult to invest in.

WIND POWER GENERATION



1. International Energy Agency, World Economic Outlook, 2021.

Stock examples are not recommendations to buy or sell any security. No implication is made as to whether they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by Dundas. Examples have been selected to assist in illustrating our ESG integration process.

AIR LIQUIDE

Our automotive research points to a number of power sources emerging to replace internal combustion engines. One of these is hydrogen fuel cells. While the technology is decades old and well developed, the infrastructure required for a car fleet is nascent making a scaled supply chain challenging.

Air Liquide's sales in hydrogen are currently around €2bn, almost none of which is for transport-related applications. To serve this market, the company aims to spend €8bn through 2035. By adding hydrogen infrastructure the company believe an additional €4bn in revenues will be generated, adding one percent to group revenues annually.

While hydrogen power generation could be transformational, it requires vast investment in infrastructure and cost reduction compared to fossil fuels. Finally, the revenue growth contribution from hydrogen is merely incremental, not transformative.

CARBON METRICS

Carbon footprint & intensity	82% lower carbon footprint per $ invested.* 41% lower carbon used per $ of revenue.*
No fossil fuels	0% direct exposure. Final stock divested in 2019.
Renewable energy investments	Not investible due to margin pressures and soaring valuations.
Transition plans	>60% of portfolio companies have top quartile carbon management scores.

*Compared to the benchmark MSCI All Country World Index. Data representative of the Dundas Global Equity Growth Strategy as at 31st December 2022. Source: MSCI. Certain information ©2023 MSCI ESG Research LLC. Reproduced by permission.
Stock examples are not recommendations to buy or sell any security. No implication is made as to whether they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by Dundas. Examples have been selected to assist in illustrating our ESG integration process.

INTEREST, INFLATION & DEBT

After a decade of rising share prices and plenty of merger and acquisition (M&A) activity, 2022 was a stark reminder of the fragility of the global financial system. The reopening of the world after a two-year pandemic, the war in Ukraine, and the negative impact of both on global supply chains resulted in 40-year high inflation rates.

A number of companies were caught out in the shift to frequent interest rate increases by central banks, negative impacts on share prices, and a looming recession. Two stock examples from our research were front of mind.

GN STORE NORD

The first, GN Store Nord, is a Danish-listed stock owned in our global smaller companies portfolio. Its core business is hearing aids and audio products, the former focused on demography, our aging population, and the subsequent rise in hearing difficulties, while the latter recently benefitted from the pandemic shift to working from home.

GN acquired SteelSeries, a Danish online gaming peripherals business expected to add 14 percent to group revenues, bought for a price equal to 15 percent of its market capitalisation in 2021. The deal, financed by liquidity and debt, took leverage to over 200 percent and shifted GN's revenues further towards consumer products.

Soon after the acquisition the underlying growth of SteelSeries fell 30 percent in the second quarter of 2022 due to lower consumer confidence. The result was a slower rate of deleveraging by GN than initially expected.

GN's timing of the acquisition was poor; buying a business boosted by higher demand for gaming through the pandemic and paying top price for the company just in time for economic outlook to falter. While we remain holders of the stock, we reflected our concerns by upping monitoring of its financials.

STANLEY BLACK & DECKER

The second, Stanley Black & Decker, we chose not to invest in. This US-listed hand and power tool business reported in late 2022 a 10 percent decline in demand. Profits were expected to fall by 50 percent over the year due to cost pressures.

Since 2002 Stanley has transformed its portfolio through US$13.5bn of acquisitions. Meanwhile management optimised the balance sheet through share buybacks. Similar to the financial crisis of 2007-09, a reduction in profits increased leverage dramatically, causing issues with debt servicing and raising the dividend payout ratio to 70 percent of profits.

Our decision not to invest was based on the high likelihood of a dividend cut to manage debt. Shares were down 61 percent in 2022 and its valuation down over 50 percent.

Stock examples are not recommendations to buy or sell any security. No implication is made as to whether they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by Dundas. Examples have been selected to assist in illustrating our ESG integration process.

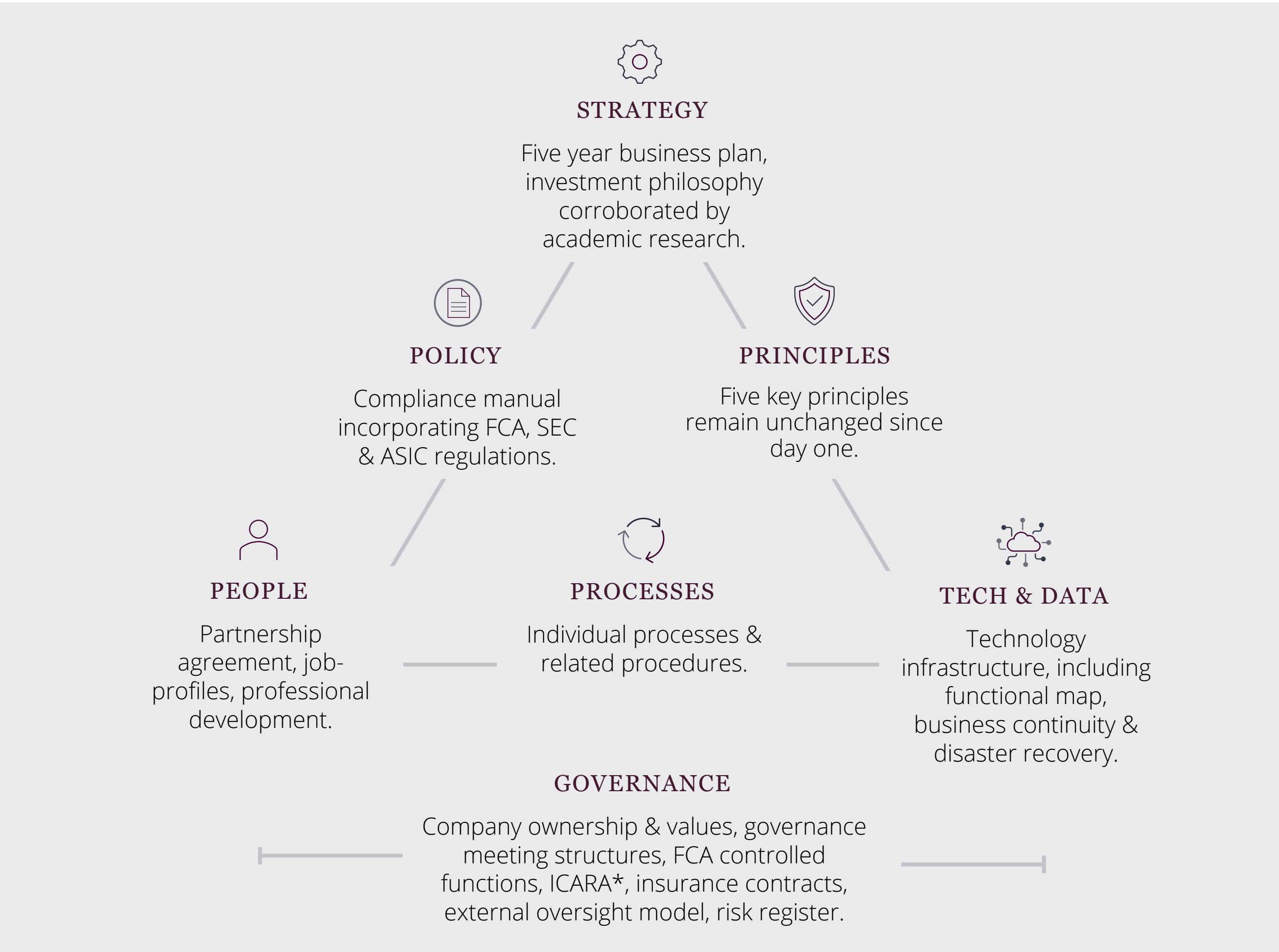
REVIEW & ASSURANCE

OPERATING MODEL

Our Operating Model outlined below is the framework for governance, business structure, and the various external assurances we seek on behalf of our clients.

Due to the successful growth of the business and a changing regulatory landscape, an exercise to refresh and revise all aspects of the model began during the year, scheduled for completion 2023.

This exercise seeks to build a complete view of the business operations. Benefits of our ongoing review and assurance includes easily identifying risks and their controls, access to key documents with version control, a catalogue of all key processes and procedures, with all information held centrally and readily available.



*Internal Capital Adequacy and Risk Assessment (ICARA)

TRADING INFRASTRUCTURE

In 2018, Bloomberg's investment management, trading, and operations solution (AIM) was installed. This decision was based on research of various solutions and evaluating three options via cost/benefit analysis.

During the year, the firm's entire trading processes underwent an operational review. To reduce risk, the largely manual foreign exchange (FX) trading process along with the mechanism for trade approval were identified as areas for enhancement.

Approval was granted to progress with Bloomberg's FXGO and this system was implemented in July. We added a new workflow utilising an internal Dundas SharePoint site and the approvals system in Microsoft Teams for a unified, standardised, and easy-to-use system for all pre-trade approvals.

These developments significantly improved how we trade, making the trading cycle for equities and FX more streamlined, integrated, and timelier. An additional benefit is the enhancement of pre-trade approval data retention for audit purposes.

EXTERNAL ASSURANCE

Dundas is subject to a range of external assurance through financial, systems and controls audits, compliance with international standards, and ongoing due diligence conducted by clients and their advisors.

We report on the application of our sustainability and stewardship policies, providing context for our approach, decision making, and objectives. As outlined in ESG Performance & Reporting, our portfolios and processes have been rated, scored, and assessed independently by third parties.

We use several independent organisations for external assurance of our stewardship approach. Dundas reports in accordance with requirements and recommendations of the PRI, EU SRD II, TCFD, and the UK Stewardship Code. We report in line with these frameworks and share the objective assessments publicly. These ongoing reviews enable us to contemplate and improve our reporting, ensuring it is fair, balanced, and understandable.

AUDITOR INDEPENDENCE

We were aware that this was the tenth year our external auditors would be completing our annual financial audit. With our voting policy in mind, we noted that it would be good practice to put the audit out to tender following the completion of the next audit.

This decision was taken out of our hands when the incumbent firm told us that they would be unable to complete our audit for commercial reasons. Following an RFP process, a new auditor was selected having impressed the team in their response, a follow up call, and in-person meeting.

Proxy advice often cites a 'fresh pair of eyes' as a positive from auditor refresh; this was certainly our experience. Queries received during this financial audit helped us carefully consider the ways we recognise items such as intangible assets. We also demonstrated and evidenced our methods of revenue generation across the various fee structures and vehicles we manage.

VALUE FOR INVESTORS

Providing our services for equitable fees is one of the firm's founding principles. We believe investment management fees could be a hurdle to achieving clients' return objectives.

In the UK, the ACD of both the Heriot Global Fund and Heriot Global Smaller Companies Fund is asked by the FCA to provide an annual independent assessment with the aim of strengthening the duty of care and acting in investors' best interests.

VALUE ASSESSMENT

The ACD considers seven criteria as outlined below.

- **Performance –** is the performance in line with investment objectives, policy, and strategy?
- **Cost –** are costs reasonable and fair?
- **Economies of scale –** have economies of scale been passed onto investors?
- **Comparable market rates –** are costs reasonable relative to other funds?
- **Comparable services –** are services good value relative to other services provided by the ACD?
- **Classes of units –** are shareholders with similar rights subject to higher charges?
- **Quality of service –** are a range and good quality of services provided?

The ACD's governance committee concludes whether or not these funds have delivered value to clients during the 12 month period by analysing cost, services and performance and engaging with us as the investment adviser and sponsor. The results of this assessment provide good external assurance of effective stewardship.

OUTCOMES

The ACD concluded that the funds delivered overall value to investors over the period*. It was noted that the size of the costs charged in the Heriot Global Fund are done so at competitive rates and any savings from economies of scale are always passed on to investors. Periodic reviews of external provider costs are also carried out to ensure our services are provided on a competitive basis.

Whilst the ACD's review on fees for the Heriot Global Smaller Companies Fund noted that the OCF was comparable to other similar sized funds, we took the decision to cap 'Other Costs & Charges' paid by investors at 10 basis points. This brought the all-in cost of the A share class to 95 basis points, down from one percent, ensuring we deliver our services in line with our aforementioned principles. This cap was implemented across all share classes to ensure fair treatment to all clients.

*As at 31st May 2022.

COMPLIANCE CULTURE

Compliance is integral to the culture of Dundas. Each team member has a part to play and our policies set the standard and expectations.

Our team is trained on current and upcoming compliance issues. Training is delivered through an external provider who tailors content to our firm's needs.

HEALTH CHECK

Since 2013 Dundas has undergone a voluntary health check of its compliance function to assess its effectiveness. This assessment has increased in scope over time, reflecting the firm’s regulatory obligations across several jurisdictions.

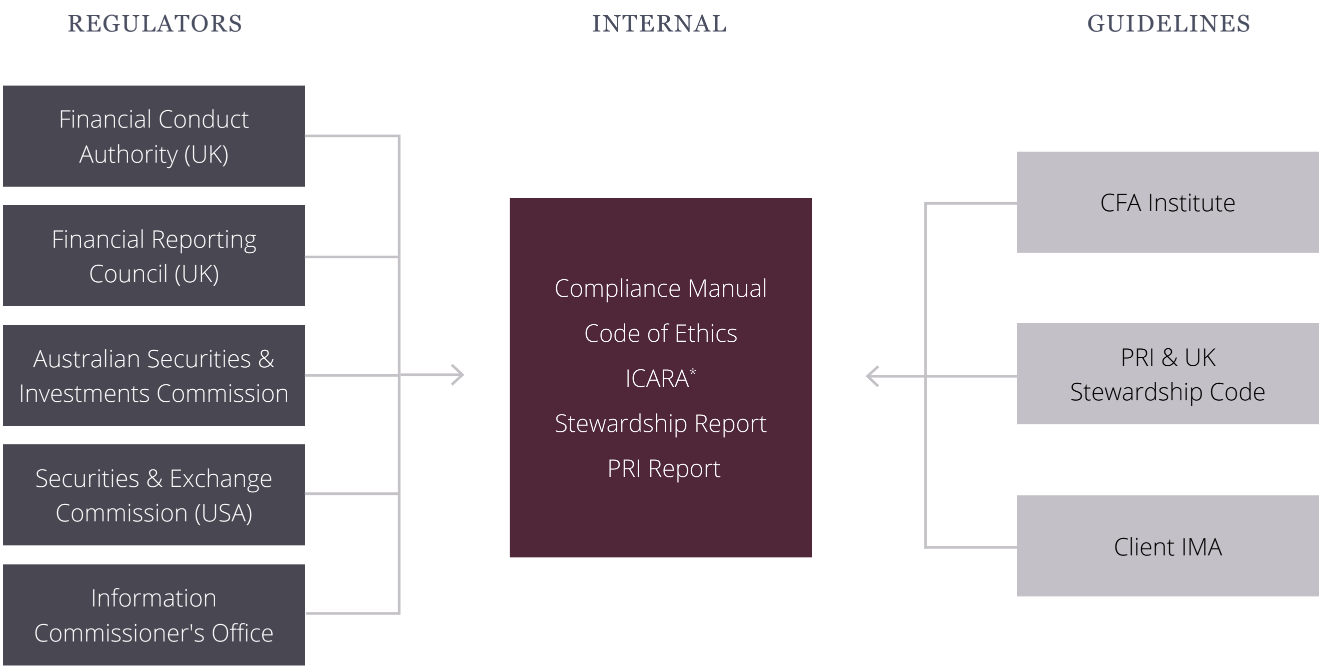
It was decided that managing compliance within a new system would make our policy monitoring more efficient and reduce key person risk. We evaluated different systems on the market before deciding on one best suited for Dundas – simple to use, customisable and scalable.

OUTCOMES

We are able to store all policies and logs of staff training, conflicts of interest and breaches centrally. The new system means we can effectively manage our compliance monitoring programme and evidence this.

All client and marketing materials are submitted through the system for sign off, providing clear oversight of our reporting as required by our regulators. We continue to expand our use of the system with the addition of internal governance and operational documents.

POLICY FRAMEWORK



*Internal Capital Adequacy and Risk Assessment.

STEWARDSHIP REPORTING

Dundas has been a PRI and UK Stewardship Code signatory since 2012 and 2021 respectively.[1] Evolving signatory expectations have been fundamental in developing our sustainability and stewardship policies, as outlined in Evolution of Stewardship at Dundas. We are committed to transparency, and pride ourselves on effective communication and collaboration with clients.

As a signatory, we are assessed annually against these initiatives' respective principles. The PRI framework is a standardised Q&A format whereas this Stewardship Report aims to satisfy the expectations of the UK Stewardship Code alongside other requirements.

ASSESSMENT PROCESS

The annual PRI reporting cycle provides accountability for signatories, standardised reporting, and a process for signatories to develop their responsible investing approach. Over the years our involvement has ensured consistent, clear, and measurable reporting for our clients and prospects.

Assessment includes our disclosures, internal processes for ESG integration and active ownership, and the level of review and assurance given to our reporting.

The PRI has several measures in place to reduce reporting errors and enhance the credibility of data – from public disclosure of reporting to cross checking of comparable data points with prior years' reports.[2]

Following the issues with the PRI's relaunch of the assessment methodology and framework in 2021, a new reporting cycle was confirmed for the middle of 2023.

Dundas communicated feedback on these issues and the future of the PRI by attending a workshop with local signatories during the year. We continue to take part in the signatory consultation, planning to complete the survey in January 2023.

OUTCOMES

Transparency on our stewardship activties has been enhanced via both public disclosure and ongoing client reporting. The PRI assessment methodology provides checks on these disclosures, ensuring they are fair, balanced, and understandable, with our scorecard outlined in ESG Performance & Reporting.

Feedback in the previous reporting cycles led us to develop an Engagement Policy and prepared us for SRD II requirements. The policy was combined with our Proxy Voting Policy and published on our website in 2019 along with our an annual voting records.

Most recently we improved our client communications by making ESG and carbon metrics a permanent feature in our quarterly reporting.

1. UK Stewardship Code Signatories.
2. United Nations Principles for Responsible Investment.

ESG RATINGS

MORNINGSTAR'S SUSTAINABILITY RATING

Measures financially material ESG risks in funds relative to a peer group. Using Sustainalytics ESG Risk Ratings, Morningstar score fund holdings on a trailing 12 month basis and assign an overall rating from Low to High (five being the highest) relative to its Morningstar Global Category.

The rating is a good indicator of how funds are managing risks associated with sustainability.

5 GLOBES
Heriot Global Fund

5 GLOBES
Apostle Dundas Global Equity Fund

MSCI ESG RATINGS

Assesses companies' resilience to long-term, industry-specific ESG risks and opportunities. Company-level ratings range from CCC to AAA and fall into three categories, Laggard, Average and Leader.

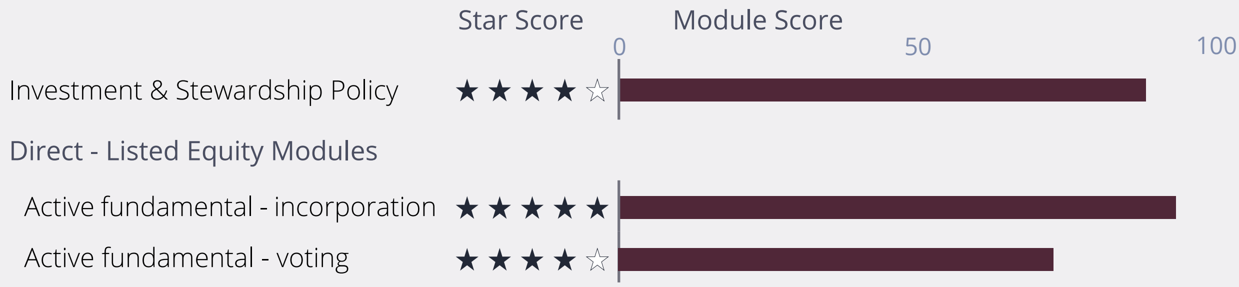
An asset-weighted rating provides insights into ESG characteristics of portfolios.

AA
Global Equity Growth

AAA
International Equity Growth

AAA
Global Smaller Companies Growth

PRI REPORTING SCORECARD



Morningstar and MSCI ratings as at 31st December 2022.
PRI Reporting Scorecard relates to the 2021 reporting cycle. PRI Report 2021 and Assessment Report available on our website.

INVESTMENT PERFORMANCE

An ongoing measure of our stewardship is the investment performance of our composites. Performance is reviewed on a quarterly basis by the Investment Committee, forming part of our internal assurance of effective stewardship of client assets.

GLOBAL EQUITY GROWTH COMPOSITE VS. MSCI ACWI BENCHMARK

Period	Composite gross of fees return (%)	Composite net of fees return (%)	Benchmark return (%)
1 year	(21.9)	(22.3)	(18.4)
5-year annualised	8.4	7.9	5.2
10-year annualised	9.3	8.8	8.0

1. Dundas Global Investors claims compliance with the Global Investment Performance Standards (GIPS®).
2. The firm's GIPS compliant performance information is available by contacting performance@dundasglobal.com.
3. For the purposes of GIPS the Firm is defined as an independent investment management firm authorised and regulated in the United Kingdom by the Financial Conduct Authority. Dundas Global Investors manage equity portfolios on behalf of institutional investors, with total assets under management of US$2.2 billion as at 31 December 2022.
4. The Dundas Global Equity Growth Composite includes all fee-paying, fully discretionary accounts which invest in global equities with the goal of delivering long term capital and dividend growth. A typical portfolio will consist of approximately 60 – 100 companies with a market capitalisation greater than US$2bn, which demonstrate sustainable cash generation that can fund both business expansion and dividend increases.
5. The benchmark for the composite is the MSCI All Country World Index. The MSCI ACWI captures large and mid-cap representation across 23 Developed Market and 24 Emerging Market countries. With around 3,000 constituents, the index covers approximately 85 percent of the global investable equity opportunity set
6. The composite prohibits the use of leverage, derivatives or short positions.

INTERNATIONAL EQUITY GROWTH COMPOSITE VS. MSCI EAFE + CANADA BENCHMARK

Period	Composite gross of fees return (%)	Composite net of fees return (%)	Benchmark return (%)
1 year	(26.7)	(27.0)	(14.3)
5-year annualised	4.4	4.0	1.8
Since inception annualised*	7.0	6.6	5.2

1. Dundas Global Investors claims compliance with the Global Investment Performance Standards (GIPS®).
2. The firm's GIPS compliant performance information is available by contacting performance@dundasglobal.com.
3. For the purposes of GIPS the Firm is defined as an independent investment management firm authorised and regulated in the United Kingdom by the Financial Conduct Authority. Dundas Global Investors manage equity portfolios on behalf of institutional investors, with total assets under management of US$2.2 billion as at 31 December 2022.
4. The Dundas International Equity Growth Composite includes all fee-paying, fully discretionary accounts which invest in international equities with the goal of delivering long term capital and dividend growth. A typical portfolio will consist of approximately 35 – 50 companies with a market capitalisation greater than US$2bn, which demonstrate sustainable cash generation that can fund both business expansion and dividend increases.
5. The benchmark for the composite is the MSCI EAFE + Canada Index. The MSCI EAFE + Canada Index is an equity index which captures large and mid-cap representation across Developed Markets countries around the world including Canada. With around 1,000 constituents, the index covers approximately 85 percent of the free float-adjusted market capitalisation in each country.
6. The composite prohibits the use of leverage, derivatives or short positions.

All data in USD as at 31st December 2022.
*Dundas International Equity Growth Composite inception date 1st June 2016.
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INVESTMENT APPROACH

CLIENTS & COMMUNICATION

CLIENT BASE

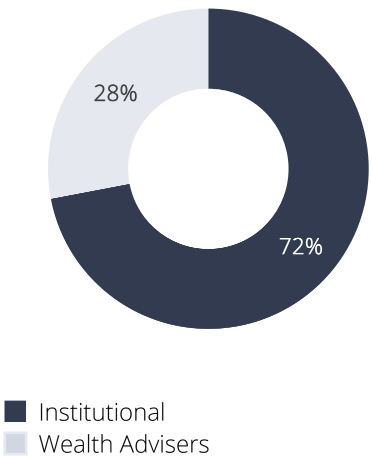
An investment strategy designed to deliver dividend growth is in the realm of patient investors who understand that to buy and hold stocks has benefits beyond the minimisation of trading costs. Our clients are all long-term investors with an investment horizon of five years and more.

This single strategy is applied to all portfolios, meaning one client will be invested in some or all the stocks held in our global equity models. While portfolio implementation can vary by client-mandated restrictions or exclusions, every portfolio still derives investments from these models.

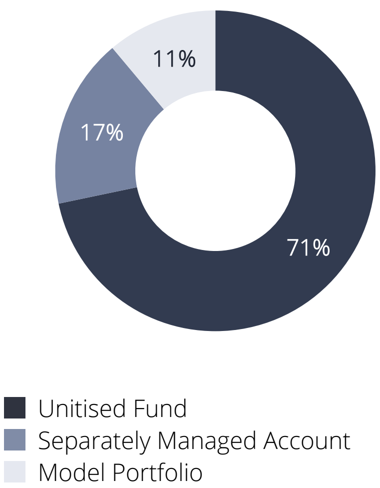
Our client base varies across the different geographies where we do business. In the UK we manage assets in the Heriot Investment Funds on behalf of professional investors – wealth managers, Independent Financial Advisers (IFAs), high net worth individuals, Discretionary Fund Managers (DFMs), family offices, and charities.

In the USA we manage assets for public pension plans via Separately Managed Accounts (SMAs) and provide advisory services to wealth management platforms. In Australia and New Zealand, most of our clients are institutional and wholesale (similar to professional investors in the UK), including superannuation funds, charities, and family offices, all invested in the Apostle Dundas Global Equity Fund.

AUM BY CLIENT TYPE



AUM BY PRODUCT TYPE



AUM data as at 31st December 2022.

INVESTMENT MANDATES

Client requirements are formally expressed via the Investment Management Agreement (IMA) setting out objectives and specific needs, typically through guidelines and exclusions. These rules are then coded within our portfolio and order management system.

Compliance monitoring and adjustments are required as client restrictions change, such as following government sanctions. During the year many of our clients issued “no buy” or divestment directives on Russian securities and currency. While no Russian companies were held in our portfolios, we conducted a look-through analysis to understand the risk exposure and potential impact to our clients’ assets.

Clients carry out investment and operations due diligence on the firm’s staff, processes, and infrastructure. We augment these assessments with annual reporting, external assurances, and disclosures to standard setting bodies.

BEST PRACTICE

Rather than adopt a patchwork of rules by market, we try to apply the most rigorous regulation across our jurisdictions. This approach means we can incorporate future obligations early and reduce dispersion between client portfolios.

Diversity, Equity & Inclusion (DEI) is a focus for our US clients, where we have seen an uptick in the number of questionnaires on this topic. Alternatively, our Australian clients are subject to annual reporting following the introduction of the Modern Slavery Act 2018. Focus is on the risk of modern slavery amongst both investment managers’ operations and their underlying investments.

UK regulation for occupational pension schemes in 2019 and financial advisors in 2021 means we are having more discussions on our approach to ESG integration. During the year, we completed a mapping exercise for one UK client on the Sustainable Development Goals (SDGs).

CLIENT ENGAGEMENT

Communication is vital for us to respond to client needs and their evolving expectations. We use a Customer Relationship Management (CRM) system to centralise client data, monitor interactions and capture feedback.

Members of the Client & Marketing Team are responsible for ongoing materials enhancements and the efficiency of our reporting process.

Client engagement on the topic of climate change throughout 2022 led to improvements in our quarterly carbon metrics. This two-way dialogue ensures that our stewardship reporting is always improving.

CLIENT MATERIALS

- **Factsheets -** Monthly fund update with performance data, portfolio breakdown, dividend & stock commentary.
- **Quarterly reports -** A summary of the quarter, including firm updates, performance analysis, portfolio changes, and ESG and carbon metrics.
- **Strategy updates -** Quarterly updates for each strategy, including performance analysis and portfolio information.
- **Scheduled questionnaires -** Client mandated requests for portfolio/ performance metrics/analytics; client-specific commentary.
- **Ad hoc questionnaires -** Covering topics like sustainability, compliance, DEI and modern slavery.
- **Website -** Our policies related to stewardship and latest reporting.
- **Webinars -** Regular webinars on various topics followed by Q&A sessions.
- **Documents -** We produce various papers relating to stewardship including our PRI report, Stewardship Report, research articles and white papers.
- **Databases -** Performance, data, metrics, and commentary for each strategy.

INVESTMENT THESIS

Our investment thesis is corroborated by decades of data and research, shared widely with clients. One example is a study conducted by MSCI in 2016 which found that as the investment horizon increases to 20 years, the valuation component of equity returns diminishes, and the dividend components (dividend growth and yield) generate more than 90 percent of total returns.[1]

We have managed client assets according to our dividend growth philosophy for 10 years. We recognised the importance of assessing long-term risk and return. To this end, we engage Ned Davis Research (NDR) to calculate the long-term returns and volatility of various dividend-focused strategies (Dividend Policy Groups) as detailed in the table below.

Over the period, companies growing their dividends for five years (5-Year Growers) provided the best risk/return trade-off (highest Sharpe Ratio) compared to both the Dividend Policy Groups and benchmark. This result evidences our thesis that investing in businesses growing their dividends over the long term provides higher returns and lower risk relative to the benchmark.

Long-term study by Ned Davis Research of quarterly data from 31st December 1998 to 30th September 2022. MSCI World Index cohorts are shown in terms of total return and the subsequent one-year total return.

Dividend Policy Group	Annualised Percentage Total Return (%)	Annualised Standard Deviation of Monthly Returns (%)	Sharpe Ratio
5-Year Growers	8.7	16.9	0.4
Growers	9.2	18.9	0.4
Payers	8.6	19.2	0.4
Benchmark*	8.3	20.3	0.3
Non-Changers	7.2	18.0	0.3
Non-Payers	5.9	26.5	0.2
Cutters	7.1	23.7	0.2

*Benchmark: MSCI Equal-Weighted Total Return Index. Past performance is not an indicator of future performance.

1. MSCI 2016 study of long-term return on behalf of the Norwegian Ministry of Finance.

PRODUCT DEVELOPMENT

Dundas invests in around one in every 60 companies from an opportunity set of global equities. Product development has typically been driven by client demand. During the year we were presented with two opportunities.

First, our Global ex USA (International) Strategy was selected by an existing client for the equities portion of their new investment mandate involving SDG analysis and reporting. The end client is a foundation focused on mission-aligned investing.

Through discussions, we validated the expectations of the mandate, confirmed implications for our portfolio holdings, and explored data solutions to support client reporting. We agreed that our strategy was aligned to the client's specification and accepted the proposal.

Second, our distributor proposed an Impact Investment strategy to us, separate from the Unit Trust (OEIC or Mutual Fund equivalent) that we currently market in Australia and New Zealand.

Essentially, this strategy would derive holdings from both our large- and small-cap global equity models that are most aligned to furthering the SDGs. The point of contention was a requirement to direct investment to specific SDGs.

The cornerstone of our philosophy is to find sustainable dividend growth companies to drive long-term returns. ESG analysis and monitoring is embedded into the investment process, but no one metric is intentionally promoted in our investment objectives. We felt that all SDGs were created with equal merit, and ultimately, we could not align the investment beliefs of the proposed strategy with our own. As such, this proposal was rejected.

INSIGHTS

Our objective for 2022 was to develop our communication channels to reach more prospects whilst continuing to support our clients through relevant and informative content creation. We started the year by increasing team resources through hiring a Head of UK Distribution.

We successfully provided an aggregation of insights from our company-specific research, including the impact of rising costs on profit margins and how portfolio companies have responded to these pressures. These interactions were facilitated by business trips across the UK, USA, Australia, and New Zealand, along with webinars, and virtual meetings.

Global macro issues including the tumultuous events in Europe were the main focus of our clients' queries. Dividend declarations were highlighted in our communication; their stability reassured clients that the underlying business environment was less volatile than headlines suggested.

DIGITAL MARKETING

Over the last year we used LinkedIn to communicate with clients and prospects. We posted regularly, sharing short videos, interviews, webinars, and other marketing materials. Our initial efforts have proven to be effective with our followers growing 35 percent and posts reaching thousands. Positive feedback and engagement metrics suggest that the videos and interviews were well received among clients and prospects.

Bitesize videos were launched with topics ranging from research insights to investment philosophy to markets. In addition to our usual webinars, we covered share buybacks, our investment philosophy, and our reflections on the year.

In the UK, we published a 'Burning Questions' series of videos to respond to hot topics like inflation. We followed a similar approach in Australia and New Zealand through interviews on an Australian news platform.

CONTENT CREATION

Many of our webinars in the UK and Australia are accredited to provide CPD for advisers. The webinars aim to be educational on buy and hold strategies versus seeking short-term gains from repricing returns. Often these webinars encompass market environments rather than simply marketing, covering three categories:

- **Quarterly updates** on our UK-domiciled funds and a review of the overall market and economy.
- **Educational presentations** on insights gleaned from our investment research, including the Semiconductors and Consumer Discretionary sectors.
- **Topical discussions** such as the Pensions Crisis and investing in the USA versus the Rest of the World.

SUSTAINABLE INVESTMENT

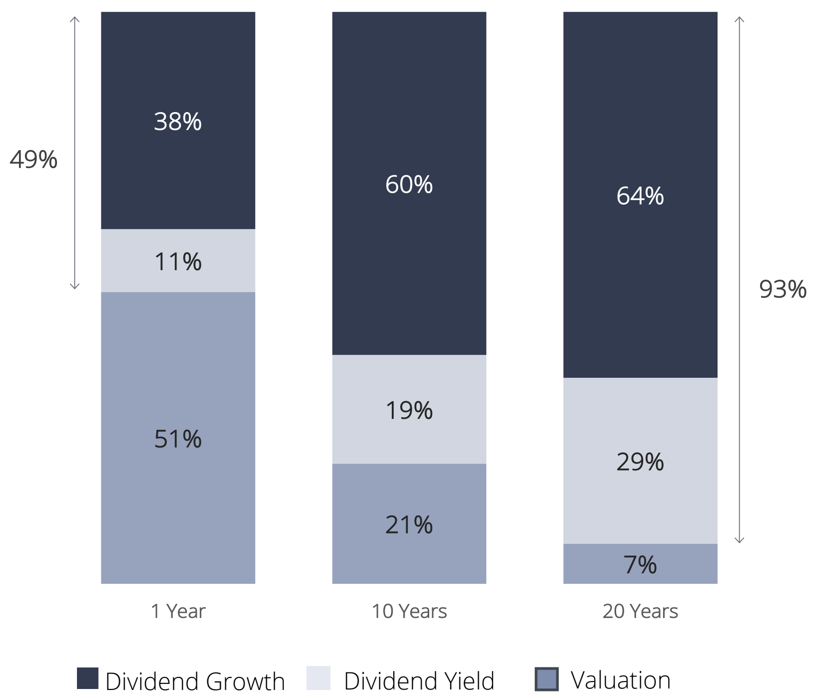
INVESTMENT PHILOSOPHY

Equity investors receive two types of return, first via capital appreciation – a rising share price - and second from the dividends paid out to shareholders. Most of the market's attention is captured by the first of those factors, despite the latter having much more of an impact on long-term returns.

In fact, dividends remain largely invisible to many investors because their impact is often concealed within pension funds and reinvested in the stock when paid. Mainstream media reports daily on stock market moves but rarely dividend changes, unless a perennial high yielding company slashes its plans, sending shockwaves through the market. Dividend growth is often the unsung hero of the piece; a silent force driving the long-term return.

Focus on fluctuating share prices is understandable in the short-term, given the volumes of stocks being traded for capital gains, propensity for daily drama, and the relatively small part played by dividends in a single year's returns, shown in the chart above. However, for those more interested in tracking tidal changes rather than waves, dividends are a strong indicator for long-term performance.

Illustrated in the chart below, as the investment horizon increases to 20 years the dividend yield and dividend growth components of equity returns rise to more than 90 percent, with valuation expansion explaining just seven percent of total return. We pay attention to this dividend growth, recognising the benefits of companies which are able to commit to growing dividends sustainably.



Source: 2016 study on the components of long-term equity returns conducted by MSCI on behalf of the Norwegian Ministry of Finance. Analysis is based on rolling average total returns of the MSCI All Country World Index for the period December 1994 to September 2015.

INVESTMENT BELIEFS

1

ALIGNED WITH THE BIGGEST FACTORS DRIVING LONG-TERM TOTAL RETURN

Dividend growth + dividend yield > 80% of long-term equity return.[1]

2

DIVIDEND GROWTH COMES FROM HIGH QUALITY COMPANIES WITH GOOD CAPITAL ALLOCATION

Sustainable businesses growing their revenues, profits, cash flows and dividends.

3

DIVIDEND GROWTH PORTFOLIOS PLAY DEFENCE WELL

High profitability, consistent re-investment, positive free cash flow, low debt levels & prudent governance are strong allies in tough times.

4

DIVIDEND DISCIPLINE = RISK CONTROL

Good capital allocation decisions require robust corporate governance.

INVESTMENT APPROACH

Loading a portfolio with high dividend yield stocks may be tempting, but would be misdirected. The key is identifying businesses with the capacity not only to pay dividends today, but to grow these commitments over several years, if not decades. This means investing in businesses that are well-governed, make good capital allocation decisions, and generate sufficient cash to fund investments that grow the business as well as distributing a rising dividend to shareholders.

We work collaboratively – a team of generalists avoiding bias for or against a particular industry or stock.

Our focus is purely on finding the best global dividend growth companies, regardless of domicile or sector. Sifting rather than screening is the key to our research process. We apply the same criteria to all the stocks that we research, gaining insights from the businesses we invest in and those we do not.

Our objective is to sift out weaker companies, those challenged by poor financials, excess debt, and unconvincing growth prospects. Those which make it through the initial sift are subject to more rigorous analysis and make up our research library of over 1,500 stocks.

1. 2016 study on the components of long-term equity returns conducted by MSCI on behalf of the Norwegian Ministry of Finance.

STOCK RESEARCH

We use publicly available information for our in-house investment research, avoiding sell-side analysis. Any additional resources are paid for through our P&L account – including financial data and platforms, ESG and carbon metrics, and proxy voting advice.

Our DuPont analysis breaks down the drivers of return on equity, profitability; asset efficiency; and financial leverage. We derive an implied growth rate for companies and our portfolios are adjusted for any expected valuation tail/headwinds. We manage material ESG factors and their impact on a company's implied growth rate through ESG integration.

All portfolios are constructed from our global public equity models, one of large-cap stocks and the other focused on smaller companies. Typically, these two models consist of 140 holdings, less than two percent of the universe of around 8,500 stocks, and make up our three unitised funds, the Heriot Global Fund; Heriot Global Smaller Companies Fund; and Apostle Dundas Global Equity Fund.

Various investment strategies are derived from these 140 holdings, including our global ex USA (international) equity managed accounts and portfolios of American Depository Receipts (ADRs).

SIFTING STAGES

8,500+ Stocks

ELIGIBLE UNIVERSE

Stocks above US$250m in market capitalisation. Approximately 2,500 stocks in the MSCI All Country World Index and 6,000 in the MSCI All Country World Small Cap Index.

Tobacco and Munitions stocks are excluded; prohibited companies are observed through bottom-up stock research with rules coded in our trade compliance system.

1,500+ stocks

SECTOR BY SECTOR

Maximise insight and reduce bias in the research process by addressing all sectors. While utilities may be less likely to offer sustainable dividend growth investments, research may inform industrial or technology investments due to capital allocation and innovation strategies.

We consider exposure to industry specific ESG risks and opportunities e.g., how might increasing privacy regulation impact data services stocks?

300 stocks

SUSTAINABLE GROWTH

Our investment philosophy is to focus on high quality, growth companies driven by excellent capital allocation. By conducting thematic and sector research, digging deep into supply and distribution chains, we can better assess the sustainability of growth over time. This is vital given our long-term investment horizon.

ESG factors managed through our investment analysis of growth drivers e.g., how well is a company leveraging its position in the low carbon transition through R&D?

~140 stocks*

PORTFOLIO CONSTRUCTION

Candidates generated by the sift are added to the portfolio if they are accretive on key measures such as dividend growth, economic exposure (diversification) and return on capital.

Position sizing is based on holdings sustainable growth outlook. Portfolio monitoring incorporates risk assessments on ESG and Climate Change metrics.

*Firm-wide holdings across all investment strategies.

ESG INTEGRATION

Just as clients rely on us to be good stewards of their savings, we rely on the funds' companies to be good stewards of their businesses, balancing the interests of their shareholders, customers, staff, suppliers, and wider stakeholders across society.

For companies to grow dividends sustainably, they need competent boards with relevant experience, management incentivised to grow the business long-term, and robust policies and transparency on ESG practice. Unsurprisingly, these companies perform strongly under ESG analysis and scoring.

Our stock analysis incorporates relevant ESG risks or opportunities into the investment thesis, contributing to the projected dividend growth and implied sustainable growth rate of a company, and ultimately our decision to buy, hold or sell a stock.

ESG factors are identified and managed through our stock research and monitoring programme, addressed at regular investment team meetings, and reviewed by the Investment Committee. Over time we have invested in ESG data, enabling our team to conduct well informed, consistent, and in-depth ESG analysis.

ESG data has been particularly valuable for assessing and monitoring our stocks' exposures to climate change metrics, including carbon emissions and performance on low carbon transition targets.

Portfolio-level analysis on the carbon footprint, intensity, and exposure of our investment strategies is monitored by the Investment Committee and reported to clients.

RESEARCH & MONITORING METRICS

Key outcomes and activities from our research and monitoring programme over the past year.

148 Portfolio holdings reviewed	14 Research sifts completed	3,800+ Stocks sifted through	183 New companies discussed
73 Company interactions	5 Stocks bought	15 Stocks sold	126 Total firm holdings*

*Held across Dundas Global Equity Growth and Dundas Global Equity Smaller Companies Growth portfolios.
Data as at 31st December 2022.

STOCK MONITORING

Our perspective of the parts of the world's economy which are growing and shrinking is built piece by piece from our company analyses. We use this context to set our upcoming research agenda and create scenarios on the demand patterns for various industries. We avoid biases for or against a particular industrial group, and pay particular attention to the underlying economic growth drivers which link individual stocks together.

Put simply, our monitoring programme assesses each stock's ability to deliver sustainable dividend growth. We focus on company financials, such as accounting policies, key sensitivities, and risks; products, customers, and competitive position; the long-term growth drivers and demand trends for the industry; management's strategy and governance, comparing it to past policy and outcomes; environmental and social practice; ESG risks and opportunities.

As bottom-up stock pickers, allocations to particular industries are the result of gradual changes, influenced by key growth drivers like cloud computing, industrial automation, and artificial intelligence in technology; demography, access to healthcare and chronic ailments in health care; and Asian life insurance and banking in financials.

Our global large-cap portfolio's highest sector weightings are Information Technology, Health Care, and Financials, with no direct exposure to Energy, Real Estate or Utilities. In our global smaller companies portfolio, Information Technology, Industrials and Health Care hold the highest sector exposures and similarly the portfolio has no direct exposure to Energy, Real Estate or Utilities.

The Investment Team are in regular contact with the management and Investor Relations (IR) teams of portfolio companies, through meetings, calls, emails and by letter, sharing insights with the rest of the team and the wider firm. All company interactions are tracked by the team and reviewed through governance meetings.

OMNICELL

OVERVIEW

Bought in 2021, Omnicell is a US-domiciled medication management business for automated prescription delivery. We were drawn to Omnicell's product set with 160,000 dispensers in hospitals across the USA operated by its workflow management software which reduces prescription error rates and inefficient processes.

PROCESS

During the first year of our investment, management began targeting aggressive sales growth. We reviewed the stock, with three issues flagged:

- We were concerned about the lack of clarity on the pricing dynamics and profitability of its software services segment.
- Questions were raised by its auditor relating to recognition of inventory, capitalised software, and intangible assets on its balance sheet.
- Late disclosures for SEC investigations regarding a ransomware incident and its aggressive revenue recognition policy.

OUTCOME

As part of our review, we contacted the company's investor relations department to discuss these concerns but did not receive a response. Ultimately poor corporate governance led us to sell the stock in full.

Following our disinvestment, Omnicell management slashed its revenue and earnings expectations for 2022 by eight and 30 percent respectively. Further it announced a nine percent cut to its workforce as it faced budget freezes, delays, and challenges in customer labour availability.

NOVO NORDISK

OVERVIEW

Novo Nordisk is a market leader in healthcare for diabetes and obesity. We have held this Danish-listed company since 2012. Novo Nordisk treats over six percent of the global diabetes population capturing around 30 percent of market share by value.

Its portfolio is undergoing a significant shift from insulin products such as Tresiba to its Semaglutide GLP-1 products which can delay the onset of diabetes; offer better efficacy; and provide other health benefits including weight loss.

Wegovy is one of these new products, offering sustained weight loss from a weekly injection, and was approved by the FDA in mid-2021. It launched successfully with new patients making up 70 percent of prescriptions and demand exceeded supply.

Part of the manufacturing process was outsourced to a contract development manufacturing organisation (CDMO) which was subsequently issued with a Form 483 observation from the FDA. This type of observation highlights potential regulator violation and all manufacturing was closed down as a result, halting the supply of Wegovy.

PROCESS

We were concerned about the company's ability to serve its patients due to the unreliability of outsourced manufacturing. We engaged with management to understand the manufacturing problems, impact on supply and any long-term issues. Our engagement provided us with better insight into the manufacturing process and its impact on the business.

Novo Nordisk do the vast majority of manufacturing inhouse and outsourcing is limited to filling of syringes. This meant a short-term supply issue and required the company to focus on serving patients already undergoing treatment with Wegovy. Contingency plans include more internal manufacturing and utilising a second CDMO.

OUTCOME

Despite the setbacks there are significant opportunities for Novo Nordisk to develop prediabetes and weight loss pharmaceuticals. We discussed these issues during our stock review in 2022, and decided no investment action was needed as a direct result of this situation.

Stock examples are not recommendations to buy or sell any security. No implication is made as to whether they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by Dundas. Examples have been selected to assist in illustrating our ESG integration process.

SERVICE PROVIDERS

MONITORING INFRASTRUCTURE

We invest around 12 percent of revenue per annum in IT to provide the systems architecture necessary to manage client assets and business expansion. Stewardship service providers are monitored through the Investment Committee with respect to proxy voting, financial data, and ESG research.

Our ability to provide clients with secure and seamless service depends on the processes we have in place and the suppliers we choose to partner with. We specify Vendor Champions for each supplier to ensure that appropriate due diligence is carried out.

Due diligence is completed prior to contracting to assess the capabilities of the supplier, strategic alignment, and risks. For Tier 1 vendors, risks are registered and regularly reviewed, with due diligence conducted annually. For Tier 2 and 3 suppliers, due diligence is generally carried out at contract renewal. Key areas for monitoring include operational risks, business risks, and project management for implementation and enhancements.

PROXY VOTING

In 2014 we employed Institutional Shareholder Services (ISS) to support our proxy voting. ISS receive proxy ballots on our behalf, execute votes in line with our policy, and maintain voting records. ProxyExchange is a system providing comprehensive reports on all votes cast, including metrics on unvoted meetings, votes against policy, and votes against management.

ISS carry out daily audits, detailed vote reconciliation and automated, end-of-day production checks to ensure all votes are executed accurately.

Third-party suppliers are categorised into three tiers:

TIER 1
Business critical vendor requiring high due diligence and governance.

TIER 2
An important supplier to the firm requiring moderate due diligence and governance.

TIER 3
We have signed a service contract but the supplier does provide services non-critical to the firm’s operations.

Discrepancies are reported to us and highlighted by regular internal reviews and discussed by the Investment Committee.

During the year, an error in the setup and ballot reconciliation of a new account led to multiple unvoted meetings. This was flagged by our internal checks and raised with ISS for investigation. In the meantime, the process breakdown was immediately rectified, and we began discussions to a) understand the controls in place to ensure future meetings were voted correctly and b) collect data on the unvoted meetings for reporting purposes.

As a small asset manager working with several larger vendors, we sometimes experience difficulties with leverage and support. This was not our experience in this case, and we were reassured by the speed at which the issue was rectified, the solutions offered by ISS, and the effort made to maintain our long-standing working relationship.

FINANCIAL DATA

We undertake all our own research on company financials, industry context and management strategy primarily using public company materials and interactions. We use external data providers to corroborate, scrutinise and triangulate research.

Our collegial approach demands that all eyes have assessed the financials of a company prior to investing. Anomalies and inaccuracies across our information sources are examined and queried. Where questions remain, we revert to the company's financial reports to clarify.

Sometimes variances exist between the data from our service providers. During the year, we analysed the number of shares purchased by 'insiders' for a group of stocks we were researching. We noted there was company data on transactions volumes which looked significantly different to what we expected. We reviewed the same information with another vendor – which was more in line with our expectations – and queried this discrepancy.

After our data provider discovered that the company data incorrectly included transactions not connected with the company's common shares, they made the necessary adjustments to remove these transactions and refresh the data. Our stewardship approach continues to benefit from improvements to our technology usage, vendor relationships and data monitoring and integration.

ESG RESEARCH & RATINGS

Since 2019 we have used MSCI ESG data to measure companies' resilience to material ESG risks. MSCI use a rules-based methodology to identify leaders and laggards through exposure to industry-specific ESG risks and opportunities, and how well these exposures are managed relative to peers.

We produce ESG and carbon metrics on a quarterly basis for portfolio monitoring and client reporting. In reviewing the second quarter's carbon emissions data, we noted a significant increase in Air Liquide's emissions, impacting the overall portfolio values. Our investment team could not reconcile this increase with the company's growth over the period, so we requested clarification from MSCI.

MSCI explained the jump in reported emissions was due to the incorporation of assets acquired by Air Liquide and subsequent restatement of emissions for the financial year 2020. As MSCI base historical emissions on a company's operational characteristics during its reporting period, these are not changed retrospectively unless reported in error. We were then able to clarify this to clients in our quarterly reporting.

ACTIVE OWNERSHIP

ACTIVE OWNERSHIP

ENGAGEMENT & ESCALATION

We are stewards of our clients' assets. This means monitoring portfolio holdings, engaging on ESG issues, and voting proxies to guide companies towards better practices. We invest in global equities only and follow the same process for engagement and escalation across geographies.

Dialogue with companies in which we invest is a key component of the investment process. We are long term investors, investing for more than five years, typically much longer. Further, we sift out over 98 percent of the investable universe, investing in around 140 companies across our strategies. For the companies that make up our portfolios, we maintain contact over the term of the investment.

PRIORITISING ENGAGEMENTS

In our experience, the strong governance exhibited by sustainable dividend growth companies mitigates many ESG risks. When issues do occur, we conduct targeted engagements and prioritise issues deemed as a potential risk to the company's long-term outlook. Given the infrequency and uncommonness of ESG issues in our investments, we decided thematic approaches were not the most appropriate and effective way to engage with companies.

Rather than seeking out trending ESG issues or sending a generic message to all our holdings, we prefer to embed engagement into our stock monitoring programme. Integrating ESG analysis this way allows our analysts and portfolio managers to flag ESG issues as they arise, confirm an engagement approach through the Investment Committee, and engage with the company effectively.

Typically, issues will be flagged during the stock or AGM review, discussed by the team, and brought to the Investment Committee for a decision. Similarly, updates on ongoing engagements and potential escalations are provided in this setting. Engagements may be driven by controversies arising outside of this monitoring programme, in which case we follow the same process of team decision making.

COMMUNICATION CHANNELS

Our dialogue with companies varies from email communication to conference calls to in-person meetings. Lines of communication vary too, with investor relations being our first port of call for general monitoring queries. For an engagement, defined as trying to instigate a change at one of our companies, concerns relating to ESG issues are typically raised with the Chair of the Board and/or chairs of relevant sub-committees. Issues on company strategy or financials are typically raised with the executive team.

We aim to engage with portfolio companies first before deciding to escalate our stewardship. Escalation can be triggered by a lack of responsiveness or transparency by a company, or if more time-sensitive issues become apparent. Methods of escalation come down to the materiality of the ESG risk and our experience communicating with the company. We use voting such as dissenting director elections or compensation; collaboration through support of shareholder proposals; and divestment or a reduction in our shareholding.

Methods of escalation include:

- Voting against director re-election
- Voting for shareholder proposals
- Collaborating with industry initiatives
- Divestment or a reduction in our shareholding

In 2022 our research and monitoring programme comprised of 73 company interactions through calls, meetings, and email. Over two thirds of interactions were with holdings in our global portfolios, with the remainder candidates for investment or our research library.

OPEN TEXT

OVERVIEW

Our review of Open Text in late 2021 highlighted concerns with both corporate governance and growth prospects for the Canadian software services business. We thought that the board was potentially entrenched, given it had five long serving members with at least 15 years in tenure each, yet were still classed as being independent of management.

Held in portfolios since 2015, Open Text's organic growth had been in the range of one to two percent. Although medium term growth prospects had been revised up by management, we felt that this range would not be attained long-term with the company increasingly turning to acquisitions to bolster its overall revenue growth.

PROCESS

In our letter to the Chair and follow up call with IR, we communicated concerns that average board tenure was above our threshold of seven years. Somewhat reassured by an ongoing board refresh programme, we then flagged the CEO's multiple outside board commitments as potentially drawing on his time and focus, especially given the company's goal to turnaround organic growth.

Open Text had been buying companies at low valuations relative to its own and we were not confident this tactic would work long-term. We also suggested putting the audit out to tender given the current auditor was in place since 2001, with benefits to be gained from fresh insight.

OUTCOME

Unable to receive complete reassurances about the company's governance, coupled with lingering concerns about the balance of weak organic growth and potentially costly future acquisitions, Dundas proceeded to sell Open Text from all portfolios.

Subsequently, Open Text announced its intention to acquire Micro Focus for close to US$6 bn at a valuation much higher than its own. This contributed to Open Text shares underperforming the MSCI World Index by about 20 percent from August through year end, given investors' worries about overpaying and a heightened debt level.

COLLABORATION

Collaboration with like-minded investors can amplify the impact of engagement and voting for smaller investment managers like Dundas. Collaboration is especially useful where we lack sufficient shareholding to be heard or initiate change, following multiple unsuccessful engagement attempts, or to raise awareness of ESG issues affecting whole industries or the global economy.

As bottom-up investors our preference has always been for individual company engagements on ESG issues. Our involvement in collaborative engagements boils down to actions that ultimately benefit our clients. We will initiate or support collaborations that we believe to be relevant to our investment strategy.

Over the years we have engaged with governments, regulators, and public policy makers on ESG issues. We speak regularly at conferences, investor days and webinars to advocate for and inform on such issues.

COLLABORATIONS

- Adoption of the Paris Agreement by governments.
- Standardised ESG disclosures in US public company reporting.
- Issues surrounding different definitions, priorities and methods relating to ESG analysis.
- The Just Transition.
- Climate-related financial reporting through public support of the TCFD.
- The risks surrounding share buybacks and the implications for institutional investors.
- The risks of relying on ESG ratings to inform investment decisions.
- The importance of prudent governance for guiding sustainable dividend growth.

THE INVESTOR AGENDA

The Investor Agenda formed by seven major investor groups* — AIGCC, CDP, Ceres, IGCC, IIGCC, PRI and UNEP FI — is a proactive collaboration to elevate the best investor guidance on tackling climate change. The Investor Agenda advocates for public policy to accelerate the net-zero transition and highlights four areas of importance in its investor climate action plan:[1]

- Corporate Engagement to align to the 1.5 degrees scenario.
- Investment to manage systemic climate risks.
- Policy Advocacy for net-zero economy by 2050.
- Investor Disclosure to ensure clients and beneficiaries understand climate change risk management

In support of The Investor Agenda's policy advocacy, Dundas first signed its statement on the Paris Agreement in 2017, then supported by 390 investors representing more than US$22 trillion in assets.

Ahead of the 27th United Nations Climate Change Conference (COP27) held in Egypt, alongside 602 investors representing US$42 trillion in assets, we called on governments globally to entrench five priority climate asks into their national legislation, covering national emissions reductions pledges – called Nationally Determined Contributions (NDCs), energy security and carbon pricing, and climate-related disclosures. To date, it is the largest collaborative statement of its kind.

Outcomes of these annual collaborations include EU Heads of State committing to climate neutrality by 2050 at COP25 followed by the EC's European Green Deal; strengthening of NDCs at COP26 through the Glasgow Pact; International Financial Reporting Standards (IFRS) assigning the International Sustainability Standards Board (ISSB) to create consistent, high-quality sustainability disclosures in financial reporting; governance of global carbon markets through the Paris Rulebook; and the SEC announcing mandatory climate disclosure for all public US companies.[2]

As part of our own disclosure to help clients understand how we manage climate change risk, we include portfolio carbon metrics in our reporting to clients, as well as public disclosures in our annual Stewardship and PRI reports. We believe that the Investor Agenda is having a material, far-reaching influence on how investors manage climate change risks and advocate for better commitment from governments to the net- zero transition.

1. The Investor Agenda Focus Areas
2. The Investor Agenda Blog: Global Investors Driving Policy Action
*Asia Investor Group on Climate Change (AIGCC), Investor Group on Climate Change (IGCC), Institutional Investors Group on Climate Change (IIGCC) and United Nations Environment Programme Finance Initiative (UNEP FI).

GLOBAL ETHICAL FINANCE INITIATIVE

Dundas has been involved with Global Ethical Finance Initiative (GEFI) for several years. GEFI brings together financial services stakeholders managing over £2 trillion in assets.

We participated in the GEFI's roundtable on 'Path to COP26 - Financing a Green Future', and in 2021 joined the Path to COP26 campaign, supporting an investor declaration and taking part in regular stakeholder meetings in the run up to the UN's climate change conference.[1]

It was COP21 where the Paris Agreement set out a commitment for every country to limit global warming below two degrees celsuis through to 2030 by NDCs or national plans to reduce emissions. The 26th annual summit was held in Glasgow, with the UK as President, and brought together nearly every country in the world with the overarching goal of reaching an agreement to manage climate change.

The Path to COP26 campaign included an open letter from GEFI's Co-Founder and Managing Director Omar Shaikh to the COP26 President, Alok Sharma, calling for a deal that delivers fair NDCs for each country, and transition plans with carbon pricing, taxation, and trading mechanisms.[2]

In 2019, we were interviewed on our investment process as a part of the GEFI report, Mapping the Responsible Investing Landscape in Scotland.[3] Published in 2020, the report captures and measures responsible investment activities of Scottish asset managers and owners with the aim of informing stakeholders, including practitioners and regulators, on the evolving responsible investment industry in Scotland.

Building on the initial report, we were interviewed in June of last year on the state of responsible investing in Scotland, its current challenges and opportunities, and policy recommendations. The report is intended to inform industry stakeholders on the subject and support the work of the Scottish Taskforce for Green and Sustainable Financial Services.[4]

1. Global Ethical Finance Initiative - The Path to COP26.
2. Open Letter - Path to COP26.
3. Ethical Finance Hub - Mapping the Responsible Investment Landscape
4. Scottish Taskforce for Green and Sustainable Financial Services

RIGHTS & RESPONSIBILITIES

GLOBAL VOTING POLICY

When voting on behalf of our clients, the ultimate goal is to maximise the value of our clients' investments in compliance with our sustainability and stewardship policies. Should a conflict of interest exist, we work to uphold our clients' best interests. We endeavour to vote all proxies with our proxy adviser, ISS, supporting us in voting management, processing, and execution.

Where Dundas has full voting discretion, we apply a Global Voting Policy. All voting decisions are underpinned by the ISS Global Voting Principles.[1] These principles align with our clients' best interests by promoting long-term value creation through four tenets of accountability, stewardship, independence, and transparency.

The general approach is to vote in line with ISS' guidelines and Benchmark Policy recommendations, considering relevant laws and best practice codes of each market and region. On any vote where we believe the recommendation is not aligned with our clients' best interests, we will make the final decision.

Shareholder proposals will generally be supported where the proposal would improve the company's corporate governance or business profile without limiting business activity, capability or incurring significant costs with little or no benefit. The overall principle guiding vote recommendations on ESG-related shareholder proposals focuses on shareholder value in either the short or long term.

PROXY VOTING STRATEGY

POLICY

Custom overlay to ISS guidelines.

Rules agreed annually and adjusted as necessary.

Applied to all holdings and discretionary portfolios.

→

APPROVE

Policy implemented automatically by ISS following annual sign off.

Deviations from policy reviewed case-by-case by Investment Committee.

→

REVIEW

Voting execution by ISS.

Policy effectiveness in meeting objectives.

Ongoing and future potential impact on companies.

1. Institutional Shareholder Services - Global Voting Principles.

VOTING POLICY REVIEW

Dundas implemented an automated custom voting policy through 2022. We continued to apply relatively stricter thresholds to board independence and average director tenure, director overboarding, and auditor tenure, compared to the ISS Benchmark Policy. We estimate that these areas comprise over 80 percent of our differences with the benchmark and bring our voting closely in line with our clients' best interests.

Deviations from the policy are reviewed case-by-case and agreed by the Investment Committee. In the final quarter we reviewed the effectiveness of implementation and the impact of our policy decisions on votes.

As a result, we will lower the maximum tenure of audit firms in our 2023 policy as follows.

- Board independence and average tenure should be above 70 percent and below seven years, respectively.
- Director overboarding should be limited to three board seats total for non-executives and two board seats total for executives.
- Audit firm tenure should be 10 years or less.

DIFFERENCES IN OUR APPROACH

Dundas manages global equities only. When developing our voting policy, we sought to apply it globally, across different sizes of companies and geographic markets. Our team meet with ISS regularly to discuss progress in our voting policies and take part in the annual review of the Benchmark Policy. At these meetings, we take the opportunity to highlight areas of interest as identified by our monitoring process.

Considering the impact of a global policy on our portfolio of smaller companies, we worked with ISS to ensure this approach would not result in voting relatively harshly on these companies' proposals because our expectation is beyond the market standard. From this research, the only caveat to our policy was to default to the benchmark policy on any auditor votes where some small-cap companies do not disclose the tenure of the auditor.

Looking across the markets in which we invest, our threshold for director board positions was adjusted for one market (Japan) where outside board seats are not tracked and therefore could not be assessed.

We expected our thresholds for board independence and tenure to have the greatest impact on votes against management in the US and Japan where market standards differ to Europe and the UK. From our research and understanding of global voting trends, we were comfortable that the standard we were setting was justified and in line with corporate governance best practice.

CLIENTS VOTING DISCRETION

Currently we vote shares held in our funds domiciled in the UK and Australia, where we hold full voting discretion and investors cannot direct voting. We also vote proxies for a US-domiciled SMA where we have voting responsibility, but the client applies a custom policy, requiring regular monitoring and reporting to confirm votes are executed correctly.

While we endeavour to vote all proxies there are circumstances currently outside our control which prevent voting, including split or partial voting preventions and share-blocking restrictions in certain markets. Any unvoted meetings are reviewed; procedures to improve access to voting in these markets will be considered.

Dundas does not partake in securities lending. We focus our attention on investment research, portfolio construction, and stock monitoring, which we believe delivers the most value to our clients. Where a client manages their own securities lending programme, any recall of shares for voting is managed by the client and their custodian.

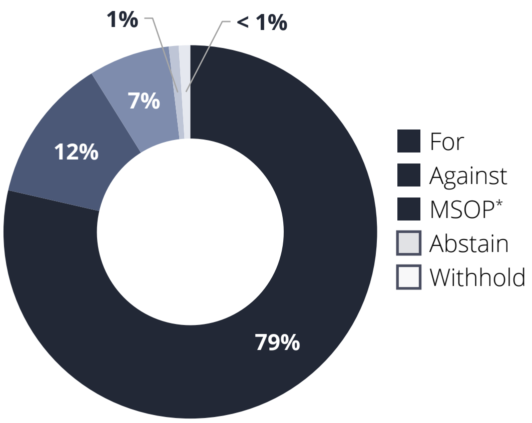
VOTING SUMMARY

1,218 Proposals

91 Meetings

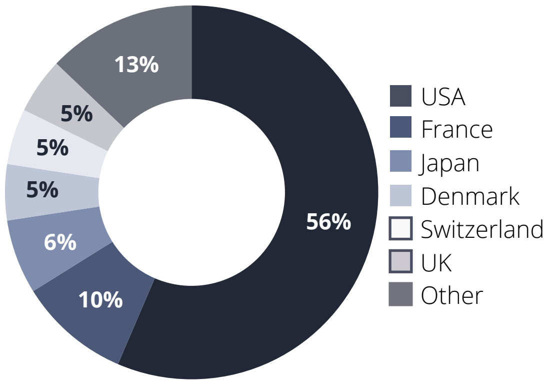
67 Votes on Pay

VOTING DECISIONS



*Manager Say on Pay

VOTES BY MARKET



SIGNIFICANT VOTES

COMPANY	MEETING DATE 2022	PROPOSAL(S)	VOTE INSTRUCTION	RATIONALE
Costco	20th January	Report on GHG emissions	For Proposal/ Against Management	Understand how company manages climate-related transition risk.
Activision Blizzard	21st June	Disclose efforts to reduce abuse, harrassment, discrimination	For Proposal/ Against Management	Assess how the company is managing associated risks.
Open Text	15th September	Say on Pay	Against Management	Misalignment between CEO pay and company performance. Pay gap versus other executives.
Apple	4th March	Report on forced labour and the gender pay gap	For Proposal/ Against Management	Transparency on supply chain. Measure DEI progress.

Shareholder Meetings relates to proxy voting activity carried out across the firm's total portfolio holdings for which it has full voting discretion.
Voting Decisions and Votes by Market relate to proxy voting activity carried out in a fund representative of our Global Equity Growth Strategy during the calendar year 2022.

ACTIVISION BLIZZARD

OVERVIEW

US-listed video game giant Activision Blizzard has been held since 2020. We have been engaging with the company since 2021 following an investigation by the SEC into workplace harassment and bullying allegations, as detailed in our Stewardship Report 2021.

As we closely monitored the execution of its culture overhaul and company leadership, news broke of the offer by Microsoft to acquire the company. These combined events drove our voting decisions at the 2022 shareholder meetings; a Special Meeting and the AGM.

SPECIAL MEETING PROPOSAL: MICROSOFT BID

Microsoft bid to acquire Activision Blizzard at US$95 per share. We believed this valuation was low relative to the company's growth prospects and quality, and likely opportunistic of the supressed share price.

Considering Microsoft's strategy for building a base of in-house and acquired studios, we expected a premium bid and decided to vote against the deal in the hope of a better offer. This deviation from our voting policy was approved by the Investment Committee.

SPECIAL MEETING PROPOSAL: EXECUTIVE COMPENSATION

We voted on the severance packages for the CEO, Bobby Kotick, and other non-execs. Kotick had reduced his compensation in 2022 but stood to earn tens of millions of dollars at the Board's discretion. This relied on Kotick making "appropriate" progress towards goals on Diversity, Equity, and Inclusion (DEI).

Given the apparent involvement of the CEO in the scandal, the Board's handling this, and the obvious incentive to sell the business quickly rather than build long-term shareholder value, the Investment Committee voted against management, unable to support the proposed levels of compensation.

AGM SHAREHOLDER PROPOSAL: WORKPLACE CONCERNS

We supported a shareholder resolution on concerns for employee safety in the workplace. 67 percent of shareholders voted in favour of the proposal, which asked the Board to report on the effectiveness of its efforts to prevent abuse, harassment, and discrimination.

Management recommended voting against the proposal, citing targets on DEI in 2021 ESG reporting. They referenced steps taken to ensure a safe workplace – new policies on workplace behaviour, expanding the ethics and compliance team, and hiring to manage the company's culture overhaul including a Chief Diversity Officer.

In our early engagement with IR, we expressed our view that sustainable dividend growth companies must operate with all stakeholders in mind. The company's new Workplace Responsibility Committee is mandated with measuring culture improvements, and we felt it was right to report on this progress.

COSTCO

OVERVIEW

Costco, a US-listed stock, has been a portfolio holding since 2015. Over the last decade through provision of great value shopping for its customers, Costco's earnings per share increased by double digits year on year. While we were happy with the progression in Costco's business fundamentals, the company appeared to be lagging on climate-related risk management.

PROCESS

At the AGM in January, Dundas, along with 70 perent of Costco's shareholders, supported a resolution by Green Century Capital Management. The resolution asked for Costco to achieve net zero emissions by 2050 through the adoption of short, medium, and long-term Greenhouse gase (GHG) emissions reduction targets across its operations and supply chain.

However, the proposal was opposed with the board arguing that as a low margin business Costco has been 'scrupulously focused' on lowering the costs of operations and 'that opportunities for near-term dramatic and cost-effective reductions are limited'. In addition, Costco stated that a low-carbon business model is a monumental challenge for the company and that the bulk of its emissions are Scope 3 - i.e., from suppliers out with Costco's control.

Our subsequent stock review noted that Costco appeared poorly placed to meet these shareholder demands and was at risk of not meeting future regulatory reporting standards.

OUTCOME

In March 2022, the US Securities and Exchange Commission (SEC) proposed rule amendments that would require US-listed companies to include certain climate-related information in their annual reporting.

Since then, Costco updated its Climate Action Plan to disclose emissions data covering 11 of the 15 GHG Protocol Categories for Scope 3 emissions. As expected, Scope 3 emissions made up the overwhelming majority of the company's carbon footprint (98 percent). We were happy with these developments and we continue to monitor the company's progress.

Proxy Voting Summary for a full record of our voting activity in 2022.

Dundas Website for historical voting records.

UK STEWARDSHIP CODE

PRINCIPLE 1	Signatories' purpose, investment beliefs, strategy, and culture enable stewardship that creates long-term value for clients and beneficiaries leading to sustainable benefits for the economy, the environment and society.
PRINCIPLE 2	Signatories' governance, resources and incentives support stewardship.
PRINCIPLE 3	Signatories manage conflicts of interest to put the best interests of clients and beneficiaries first.
PRINCIPLE 4	Signatories identify and respond to market-wide and systemic risks to promote a well-functioning financial system.
PRINCIPLE 5	Signatories review their policies, assure their processes and assess the effectiveness of their activities.
PRINCIPLE 6	Signatories take account of client and beneficiary needs and communicate the activities and outcomes of their stewardship and investment to them.
PRINCIPLE 7	Signatories systematically integrate stewardship and investment, including material environmental, social and governance issues, and climate change, to fulfil their responsibilities.
PRINCIPLE 8	Signatories monitor and hold to account managers and/or service providers.
PRINCIPLE 9	Signatories engage with issuers to maintain or enhance the value of assets.
PRINCIPLE 10	Signatories, where necessary, participate in collaborative engagement to influence issuers.
PRINCIPLE 11	Signatories, where necessary, escalate stewardship activities to influence issuers.
PRINCIPLE 12	Signatories actively exercise their rights and responsibilities.

Source: UK Stewardship Code.

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