Alphinity Global Equity Fund

Monthly Fact Sheet July 2018

Performance[1]	1 month %	Quarter %	6 month %	1 year %	2 years % p.a	Inception % p.a[2]
Fund return (net)	1.03	3.12	5.78	22.68	17.93	11.74
MSCI World Equity ex Australia (Net) Index	2.52	5.29	7.16	20.31	15.32	11.75
Active return[3]	-1.49	-2.17	-1.38	2.37	2.62	-0.01

Past performance is not a reliable indicator of future performance.

[1] Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.
[2] The inception date for the Fund is 21 December 2015
[3] Numbers may not add due to rounding

Fund facts	
Portfolio managers	Jonas Palmqvist, Lachlan MacGregor, Jeff Thomson
Inception date	21 December 2015
Investment objective	To outperform the MSCI World ex Australia Net Total Return Index.
Management fee	1.00% p.a.
Performance fee	10% of the Fund's daily return (after fees and expenses and after adding back any distribution paid) above the Performance Benchmark and the absolute return performance hurdle.[1]
Buy/sell spread	+0.25% / -0.25%
Fund size	$38.0M
Distribution frequency	Annual

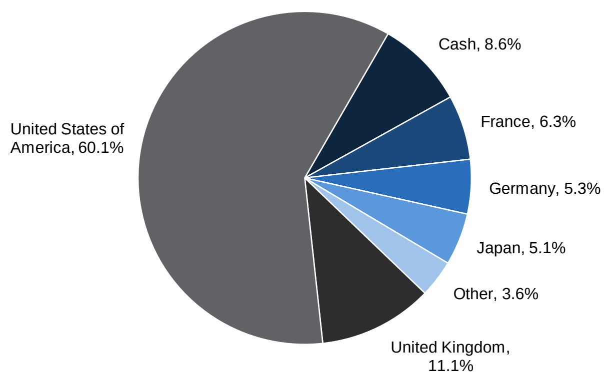
[1] The Performance Hurdle is the Reserve Bank of Australia (RBA) cash rate target.

Top 10 positions

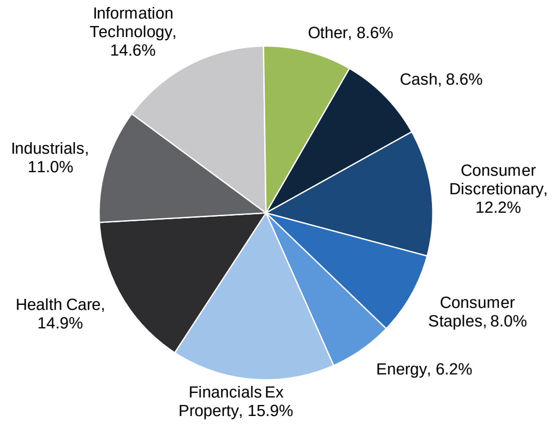
Company	Sector	Port
Pfizer Inc	Health Care	4.3%
Royal Dutch Shell PLC	Energy	4.2%
SAP SE	Info. Technology	3.9%
UnitedHealth Group Inc	Health Care	3.7%
Alphabet Inc	Info. Technology	3.4%
Vinci SA	Industrials	3.2%
Kering SA	Cons. Discretionary	3.1%
Thermo Fisher Scientific Inc	Health Care	3.0%
Bank of America Corp	Financials Ex Prop	3.0%
Walt Disney Co/The	Cons. Discretionary	2.9%

Fund features
Diversification: Access to overseas investment opportunities offering diversification for an equities portfolio.
High conviction: Actively managed, high conviction approach.
Robust investment process: Global application of Alphinity's disciplined and comprehensive investment approach.
Experienced investment team: Managed by a team of experienced investment professionals who specialise in global equities.

Country exposure



Sector exposure



Market overview

Despite persistent trade tensions, global equity markets were mostly higher in July, driven by a strong earning season and resilient US economic data. Ongoing strength in the US labor market was evident in another good nonfarm payroll report (+213,000 jobs versus 195,000 expected) and a sharp upward revision to the prior month. The US June Institute of Supply Management manufacturing index also surprised positively, rising to 60.2 (from 58.7 in May). In contrast data outside of the U.S. continued to moderate. In the Eurozone, second quarter Gross Domestic Product slowed to +0.3% quarter over quarter (q/q) (vs 0.4% q/q in the first quarter of 2018) and the composite Purchasing Managers Index (PMI) for July come in slightly lower at 54.3 (vs 54.9 in June). Similarly in Asia, manufacturing PMI's for South Korea, Taiwan, China and Japan all fell between June and July.

The US Dollar held its recent gains against most currencies, while commodities weakened. The U.S. Dollar Index was broadly flat and the Bloomberg Commodity Index fell 2.9%. Bond yields were generally higher, helped by speculation that the Bank of Japan was preparing to tighten monetary policy. The benchmark US 10 year bond yield rose 10 basis points over the month to close at 2.96%.

The quarterly corporate earnings reports were especially strong, with almost 90% of earnings beating expectations in the U.S. The best performing sectors overall were Healthcare, Industrials and Financials, while Real Estate, Consumer Discretionary and Energy lagged.

Market outlook

After years of unprecedented ultra-accommodative policy, major central banks are increasingly shifting focus to “normalizing” monetary policy. The associated removal of liquidity and tightening of financial conditions pose a clear challenge to risk assets generally. At the same time, fiscal stimulus late in this prolonged cycle, with an economy already growing above trend with full employment is adding risk to the prospect for acceleration in US inflation. Rising trade tensions have raised the stakes further, pushing the US Dollar even higher and threatening the outlook for growth. Already the slowdown outside of the US appears to be broadening out, and there are recent signs of stress in various emerging markets including Turkey, Argentina and South Africa. It is important to highlight that despite the strong quarterly “beat” ratio in the US, corporate earnings downgrades by analysts continue to outnumber upgrades in all regions and most sectors.

We were generally encouraged by the second quarter earnings season, with most of our portfolio stocks reporting well and continuing to see positive earnings revisions. Facebook was a notable exception, surprising with disappointing revenue and margin guidance. We chose to exit the position, reflecting our reduced conviction on the earnings outlook. Elsewhere we initiated new positions in Alphabet Inc. and Comcast, both high quality businesses with strong outlooks for earnings. A few results are yet to be reported. The portfolio remains focused on idiosyncratic stock risks, where our focus on high quality and relatively underappreciated businesses, at the right point in their earnings cycle, should remain a tailwind to performance over time. It’s noteworthy that our focus on earnings leadership has meant that the portfolio has recently tilted defensive, largely a reflection of the deterioration in macro fundamentals. Exposure to cyclicals within financials, industrials and technology have all been pared back in favour of more defensive businesses over the past few months.

For further information, please contact:

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