Alphinity Global Equity Fund

Monthly Fact Sheet October 2018

Performance[1]	1 month %	Quarter %	6 month %	1 year %	2 years % p.a	Inception % p.a[2]
Fund return (net)	-4.98	-0.61	2.49	8.83	18.95	10.41
MSCI World Equity ex Australia (Net) Index	-5.40	-0.94	4.30	9.60	15.64	10.30
Active return[3]	0.42	0.33	-1.81	-0.77	3.30	0.11

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, Nikki Thomas
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

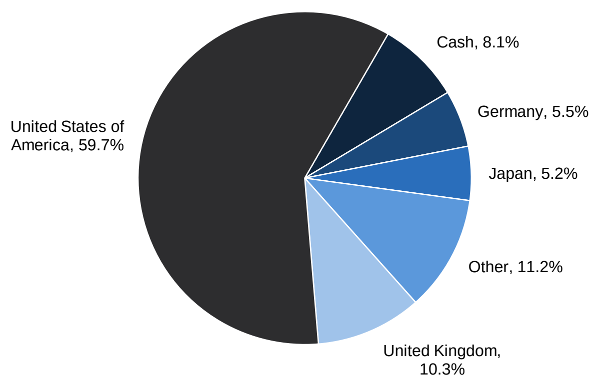
[1] The Performance Hurdle is the Reserve Bank of Australia (RBA) cash rate target.

Top 10 positions

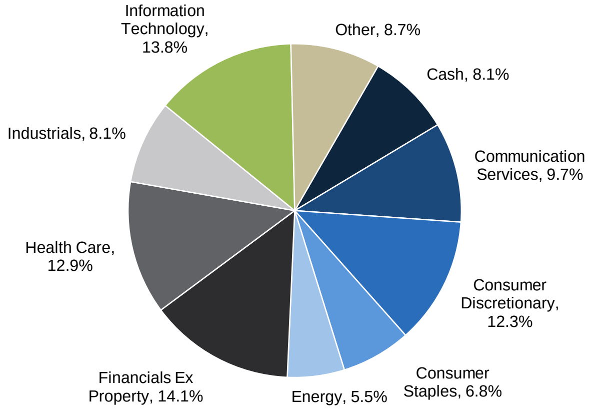
Company	Sector	Port
Royal Dutch Shell PLC	Energy	4.1%
McDonald's Corp	Cons. Discretionary	3.8%
Alphabet Inc	Communication Services	3.8%
SAP SE	Info. Technology	3.7%
Bank of America Corp	Financials Ex Prop	3.3%
Target Corp	Cons. Discretionary	3.1%
Walt Disney Co/The	Communication Services	3.0%
Vinci SA	Industrials	3.0%
UnitedHealth Group Inc	Health Care	3.0%
Merck & Co Inc	Health Care	3.0%

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 comment

October was a difficult and volatile month for global equities, with the S&P500 (-6.9%), STOXX Europe 600 (-5.6%), Topix (-9.4%) and MSCI Emerging Markets (-8.8%) all closing sharply lower. The sell-off was led by cyclical sectors including Industrials (-10.5%), Energy (-10.1%) and Materials (-9.7%), while traditional defensives including Utilities (-0.7%), Staples (-1.5%) and Real Estate (-3.5%) all outperformed. Sovereign bond yields (ex US) were broadly lower, although the US 10y yield continued to move higher, closing at 3.14% (+8 basis points month over month).

Catalysts for the sell-off included rising concerns about the outlook for growth in the face of ongoing US Federal Reserve (Fed) rate hikes, Chinese trade tensions, US mid-term elections and the EU's refusal to approve the Italian budget. US economic data remained generally good with third quarter Gross Domestic Product (GDP) rising by a better than expected 3.5% (quarter over quarter annualised). Unemployment fell to 3.7% and wage growth remained strong at 2.8%. In contrast Eurozone Purchasing Managers Indices (PMI's) continued to disappoint, with the flash October PMI falling to 52.7. China recorded robust third quarter GDP growth of 6.5%, however concerns about a broader slowdown rose as trade tensions continue to escalate. The Peoples Bank of China cut its reserve requirement ratio again.

Corporate earnings in the US beat expectations, however revenue disappointments in market bellwethers including Amazon and Alphabet, as well as generally disappointing forward guidance, raised concerns about the outlook for corporate profitability. Reflecting this, earnings downgrades continue to outnumber upgrades, with weakness spreading to all regions including the US. Energy remains the only sector with more upgrades than downgrades, although recent falls in the oil price suggest this may also be heading lower.

Market outlook

While the underlying fundamentals for the US economy remain strong, it seems increasingly likely that US growth will slow over the course of 2019, potentially materially. The cumulative impact of higher rates and a stronger dollar continue to tighten financial conditions; and fiscal stimulus, which has added as much as 0.8% to US GDP growth in 2018, is expected to gradually fade over the next year.

It remains to be seen whether this is merely a return to more normalised levels of growth, or something more severe. A lot will depend on the Eurozone and China, where the risks to growth appear higher. China is of particular concern given the likely impact of trade tariffs and some evidence already of a broader slowdown from policy-induced deleveraging. On a positive note, officials now seem ready to act more decisively to shore up economic growth, with recent commentary putting less emphasis on deleveraging and more on traditional forms of stimulus, including higher infrastructure spending and personal tax cuts.

We are also concerned about the outlook for corporate profitability, where consensus is potentially too optimistic about revenue growth and too sanguine about the ability to pass on costs. Our strategy remains to concentrate our risk in a balanced portfolio of high quality businesses with pricing power, where we have conviction on the outlook for earnings. A more constructive outlook would require an improvement in earnings revisions, evidence that the Fed is prepared to slow the pace of monetary tightening, and/or more aggressive stimulus from Chinese authorities.

For further information, please contact:

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