Alphinity Global Equity Fund

Quarterly Report December 2018

Performance[1]	1 month %	Quarter %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a[2]
Fund return (net)	-2.59	-9.15	2.37	11.46	8.08	8.20
MSCI World Equity ex Australia (Net) Index	-4.27	-11.10	1.52	7.28	7.49	7.48
Active return[3]	1.67	1.95	0.85	4.18	0.59	0.72

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	$36.5M
Distribution frequency	Annual

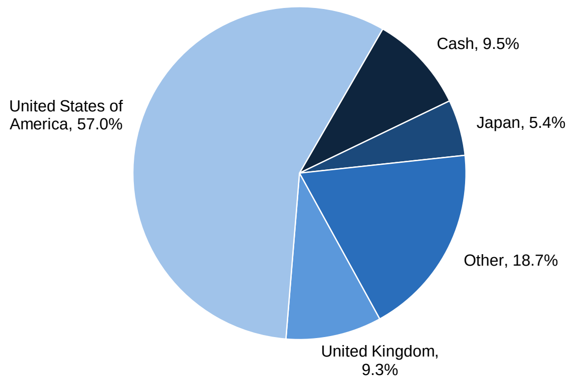
[1] The Performance Hurdle is the Reserve Bank of Australia (RBA) cash rate target.

Top 10 positions

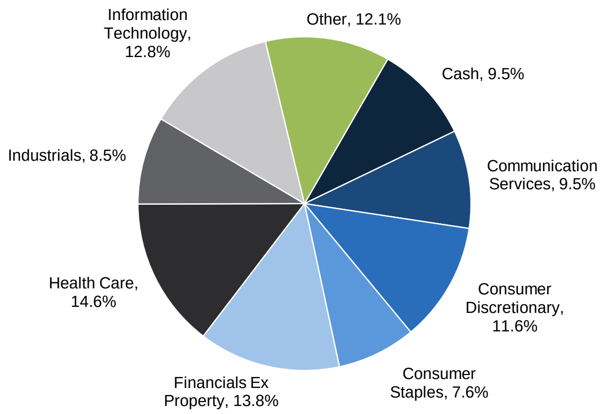
Company	Sector	Port
McDonald's Corp	Cons. Discretionary	4.0%
Alphabet Inc	Communication Services	3.8%
Merck & Co Inc	Health Care	3.5%
Mondelez International Inc	Consumer Staples	3.4%
Roche Holding AG	Health Care	3.0%
Walt Disney Co/The	Communication Services	3.0%
UnitedHealth Group Inc	Health Care	3.0%
Royal Dutch Shell PLC	Energy	2.9%
Diageo PLC	Consumer Staples	2.9%
Target Corp	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 comment

The fourth quarter was a volatile and challenging period for financial markets, with a large drop in equities across most sectors and all regions. The catalyst for the weakness was slowing global growth, especially in China, combined with growing concerns about tightening financial conditions and a potential policy error from the US Federal Reserve (Fed).

Energy (-20.9%), Technology (-17.9%) and Industrials (-16.5%) led the sell-off, while Utilities (-0.1%), Real Estate (-5.3%) and Consumer Staples (-7.3%) outperformed. Regionally Emerging markets (-7.8%) performed best, while developed markets including the US (S&P 500: -14%), Europe (MSCI Europe: -11.6%) and Japan (MSCI Japan: -17.3%) were all weak.

High yield credit spreads gapped out over 200bps and there were record outflows from US levered loan funds. The Bloomberg Commodity Index fell 10%, led by a 35% fall in Brent oil prices, although gold rose 7.7%. Reflecting the riskoff mood the US 10y bond-yield dropped 38bps to close the year at 2.69%. The Australian dollar (-2.4%) and British Pound (-2.1%) both weakened against the US Dollar, while the Japanese Yen (+3.5%) rallied.

Slower growth and increasing margin pressures drove global earnings revisions sharply lower, with broad weakness across almost all sectors and geographies. Over the quarter the most impacted have been cyclical sectors such as Materials and Consumer Discretionary, while Utilities and Real Estate have held up relatively well.

Market outlook

Tighter financial conditions and most leading indicators suggest global growth is likely to slow further in 2019, potentially significantly. Impetus from US fiscal stimulus is set to fade, while tighter financial conditions and the US government shutdown are also weighing on confidence and the outlook for growth. Furthermore it's unclear whether recent China stimulus is sufficient to stabilise activity there, particularly while a trade deal remains elusive. The recent dovish shift in tone from the Fed is an important development, but investors may need more tangible evidence of this before stepping back in. Against this challenging backdrop, earnings estimates still appear too optimistic and we expect the upcoming earnings season to be difficult and a catalyst for further negative revisions.

Our portfolio positioning has shifted defensive over the last 12 months and we remain cautious pending a reset in earnings expectations at a minimum, which is likely to occur as we move through the upcoming reporting season. This should provide a more supportive backdrop for stock-picking thereafter, if not an outright market bottom.

For further information, please contact:

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