Alphinity Global Equity Fund

Monthly Fact Sheet November 2018

Performance[1]	1 month %	Quarter %	6 month %	1 year %	2 years % p.a	Inception % p.a[2]
Fund return (net)	-1.84	-6.77	0.11	2.84	15.34	9.42
MSCI World Equity ex Australia (Net) Index	-1.83	-6.62	2.02	4.23	12.08	9.31
Active return[3]	-0.01	-0.15	-1.91	-1.39	3.26	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	$37.3M
Distribution frequency	Annual

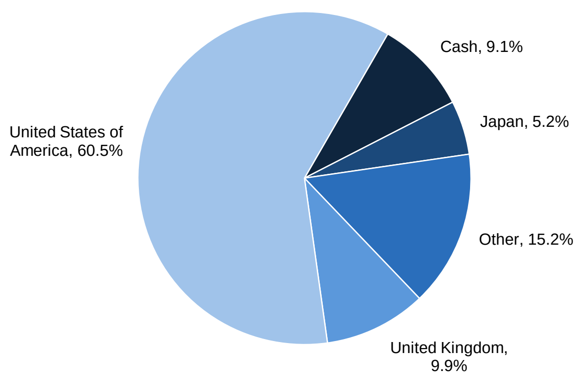
[1] The Performance Hurdle is the Reserve Bank of Australia (RBA) cash rate target.

Top 10 positions

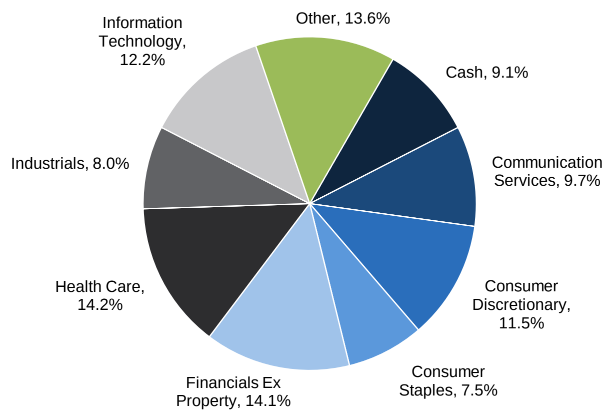
Company	Sector	Port
McDonald's Corp	Cons. Discretionary	4.0%
Alphabet Inc	Communication Services	3.8%
Royal Dutch Shell PLC	Energy	3.8%
Merck & Co Inc	Health Care	3.4%
Mondelez International Inc	Consumer Staples	3.3%
UnitedHealth Group Inc	Health Care	3.2%
Walt Disney Co/The	Communication Services	3.0%
Roche Holding AG	Health Care	3.0%
Vinci SA	Industrials	2.9%
Comcast Cable Communications LLC	Communication Services	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

Volatility in markets continued in November, but many equity indices rebounded somewhat after the big sell off in October. The S&P 500 was up +1.8%, Topix +0.4% and MSCI Emerging Markets +4.1%, with Stoxx 600 Europe down -1.1% (all in USD). All major equity indices except in the US remain in negative territory, led by Emerging Markets. The bounce in global equities had a cautious tilt to it as it was led by defensive sectors like Health Care (+5.3%), Property (+4.8%) and Telecom (3.6%). Tech Hardware (-8.2%) led on the downside, followed by Energy (-3.6%) and Materials (-0.9%).

US Federal Reserve (Fed) Chairman Powell suggested in a more dovish speech that the US economy might be approaching its neutral rate. The US 10y yield fell by -15bps to 2.99% during the month. The G20 meeting produced a temporary truce between US and China in the escalation of tariffs, but it was vaguely worded and with some conflicting signals, it failed to change market sentiment. The USD remained buoyant with the DXY Index finishing at 97, largely unchanged for the month. US economic data remained relatively good with both ISM and PM manufacturing index in the high 50's. Unemployment remains very low at 3.7%, but initial jobless claims has recently started rising modestly (to 231k), which needs to be watched. In contrast, Eurozone manufacturing PMI continues to weaken and was 51.8 in November. Chinese economic data has also remained on the softer side, with manufacturing PMI at 50.2 as well as underwhelming export/import numbers.

The pressure on global earnings revisions has accelerated, with all major regions now seeing more downgrades than upgrades. The US remains the strongest and Emerging Markets the weakest. From a sector perspective, and looking at the less volatile rolling three-month trend, all sectors except Energy have negative revisions. For November alone, even Energy had a negative ratio (falling oil price), and trends were overall weakest in cyclical sectors like Materials, Financials and Tech Hardware.

Market outlook

The current market has been described as a 'rolling bear market', gradually moving across all asset classes and, within equities, across most regions, sectors and investment styles. In fact, over 60% of global stocks have now fallen -20% from their peaks, fitting the bear market definition. As always, there is a lot of noise (and tweets), but we believe the two most powerful underlying equity market factors are the global earnings cycle, and the switch to quantitative tightening (QT) by central banks, which began in earnest in October. We are unable to give a clear forecast of if/when the US or World will next enter an economic recession, but our process doesn't require us to. We continue to find stocks across all regions with under-appreciated earnings potential, even as the earnings and market leadership has moved to the defensive and higher quality side of the market. Also, weak markets like this always end up producing great opportunities in stocks which we previously considered too expensive. Driven first by some peaky stock valuations (in 1H), and the changing leadership of global earnings (in 2H), our portfolio has gradually evolved to a more defensive profile over the year. This change has occurred through our stock picks within all sectors, but most pointedly in IT, Financials, Industrials and Consumer Discretionary. Our current expectation would be to maintain this profile until we see the contours of a future trough of the earnings cycle, especially in the US which is lagging the rest of the world. Another factor which might change our view more rapidly, would be a reversal of QT by central banks, but we view this as a low probability. Recent portfolio changes have been a mix of adding to some of our quality defensive stocks which reported well (Mondelez, Merck), but also being cautiously opportunistic in names overly impacted by the market sell-off (Microsoft, Safran, Visa). Our selling has been concentrated in the cyclical and higher risk end, with stocks like Bank of America, EOG Resources and Splunk.

For further information, please contact:

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