

Alphinity Global Equity Fund

Quarterly Report March 2019

Performance ¹	1 month %	Quarter %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	2.6	10.4	12.0	15.4	14.6	10.9
MSCI World Equity ex Australia (Net) Index	1.5	11.5	12.3	12.9	13.8	10.5
Active return ³	1.2	-1.1	-0.3	2.6	0.9	0.4

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	\$40.9M
Distribution frequency	Annual

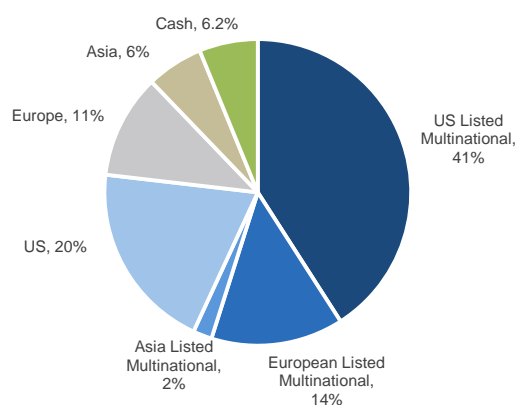
¹ The Performance Hurdle is the Reserve Bank of Australia (RBA) cash rate target.

Top 10 positions

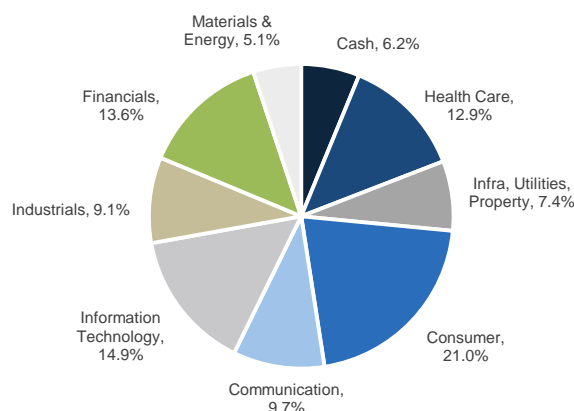
Company	Sector	Port
McDonald's Corp	Cons. Discretionary	4.0%
Alphabet Inc	Communication Services	4.0%
Mondelez International Inc	Consumer Staples	3.9%
Microsoft Corp	Info. Technology	3.6%
UnitedHealth Group Inc	Health Care	3.6%
FleetCor Technologies Inc	Info. Technology	3.4%
Roche Holding AG	Health Care	3.1%
Diageo PLC	Consumer Staples	3.1%
American Tower Corp	Property Trusts	3.1%
Keysight Technologies Inc	Info. Technology	2.9%

Fund features
Concentrated: An actively managed, concentrated portfolio of 30-45 of our best ideas, highly diversified across sectors and regions. A truly global fund consistently exposed to powerful trends reshaping our world.
Discipline: A disciplined process finding quality businesses with strong earnings that are under appreciated by the market. This approach has proven successful across different market cycles.
Talent: A united and deeply experienced team of global portfolio managers each with over 20 years in the industry.
Aligned: Alphinity Investment Management is a boutique firm, strongly aligned with its clients' investment objectives and focused solely on growing clients' wealth.

Country exposure



Sector exposure



Market comment

Global equity markets had one of its best quarters on record, rising 11.6% (in USD) and finishing the quarter just 4% below previous market highs from September last year. By region, the rally was led by the US (+13.1%) with Japan as the main laggard (+6.5%). From a sector perspective there was a slight tilt to more cyclical and higher risk sectors, with IT, Real Estate and Industrials leading the rally. Utilities, Health Care and Financials lagged.

US 10y bond yields fell from 2.68% to 2.41% during the quarter, as the Federal Reserve (Fed) tilted away from its tightening bias, which had been a consistent influence on markets last year. The 10y-3m yield curve inverted in March for the first time since 2007, an indication of rising risks to global economic growth. Economic data continued to weaken during the quarter, however there were signs of some stabilisation in March when the Global Purchasing Managers Index levelled out at 50.6 – the first time in a year it didn't fall sequentially. The steadier result was mainly due to China, and to some extent the US. European macro continued to weaken throughout March.

The global earnings cycle remained weak with continued steep downgrades to analysts' expectations. This was due to the economic slow-down and generally more cautious forward guidance by corporates. From a sector perspective, the earnings leadership maintained a defensive bias with Health Care, Real Estate and Utilities proving resilient, whilst Energy, Materials and Financials showed the weakest revisions. Asia, which led the world into this earnings downgrade cycle a year ago, showed some tentative signs of improvement during the quarter, whilst Europe and US were laggards in terms of earnings revisions.

Market outlook

The quarterly equity market gyrations have been significant lately, torn between slowing economic growth, changes to central bank policy, and fluctuations in liquidity. During the quarter policy proved to be the stronger force, with the dovish tilt from the Fed a clear positive for risk assets. Early signs of stabilisation of Chinese growth also supported markets, even though the US-China trade negotiations showed slower progress than previously expected.

The market rally has been driven by multiple expansion and not by earnings, leaving company outlooks as the key in the upcoming reporting season. The Alphinity Global Diffusion Ratio continued to fall through the quarter. However, after nearly twelve months of negative revisions, the pace of downgrades has recently slowed down, and we have reached a point where historically earnings expectations have tended to stabilise and potentially reset. As long as the current 'earnings recession' isn't the prelude to a more sinister 'economic recession', this could lead to opportunities for more positive, pro-cyclical stock picking opportunities.

Near term, we are keen to analyse the reporting season - both to confirm earnings cases for our core portfolio holdings, as well as for the stocks we have on our 'bench' of new investment ideas. We made limited changes in the portfolio during the quarter, which remains overall defensively positioned. Noteworthy changes were the divestment of two bank stocks (Erste Bank and Wells Fargo - changed earnings outlook), trimming some health care exposure (Merck - valuation concerns), and adding two new consumer stocks (Lowe's and Yum China - idiosyncratic earnings cases).

For further information, please contact:

Fidante Partners Investor Services | p: 13 51 53 | e: info@fidante.com.au | w: www.fidante.com.au

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