

# Alphinity Global Equity Fund

## Monthly Fact Sheet April 2019

| Performance <sup>1</sup>                | 1 month % | Quarter % | 1 year % | 2 years % p.a | 3 years % p.a | Inception % p.a <sup>2</sup> |
|---|-----------|-----------|----------|---------------|---------------|------------------------------|
| Fund return (net)                       | 4.8       | 12.7      | 13.4     | 15.2          | 16.1          | 12.1                         |
| MSC World Net Index in AUD <sup>3</sup> | 4.5       | 12.0      | 14.2     | 13.3          | 14.5          | 11.7                         |
| Active return <sup>4</sup>              | 0.3       | 0.8       | -0.8     | 1.9           | 1.6           | 0.4                          |

**Past performance is not a reliable indicator of future performance.**

<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

<sup>2</sup> The inception date for the Fund is 21 December 2015

<sup>3</sup> From 21 December 2015 to 31 March 2019, the Benchmark was the MSCI World Equity ex Australia (Net) Index. The current index is effective from 1 April 2019.

<sup>4</sup> Numbers may not add due to rounding.

| Fund facts                    |   |
|-------------------------------|---|
| <b>Portfolio managers</b>     | Jonas Palmqvist, Lachlan MacGregor, Jeff Thomson, Nikki Thomas  |
| <b>Inception date</b>         | 21 December 2015  |
| <b>Investment objective</b>   | To outperform the MSCI World ex Australia Net Total Return Index.   |
| <b>Management fee</b>         | 1.00% p.a.  |
| <b>Performance fee</b>        | 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. <sup>1</sup> |
| <b>Buy/sell spread</b>        | +0.25% / -0.25%   |
| <b>Fund size</b>              | \$42.8M   |
| <b>Distribution frequency</b> | Annual  |

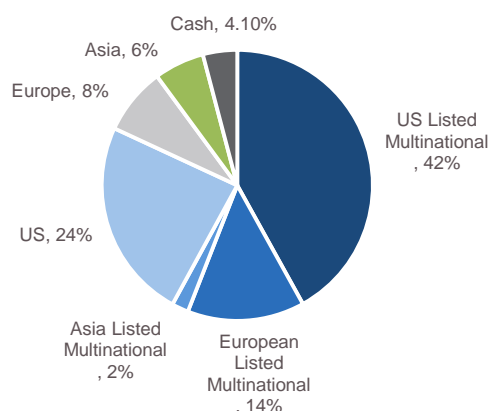
<sup>1</sup> The Performance Hurdle is the Reserve Bank of Australia (RBA) cash rate target.

### Top 10 positions

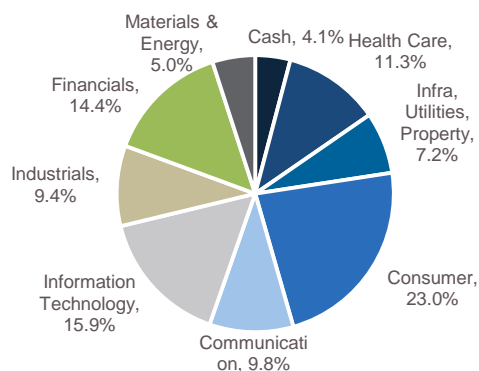
| Company                    | Sector                 | Port |
|----------------------------|------------------------|------|
| UnitedHealth Group Inc     | Health Care            | 4.1% |
| McDonald's Corp            | Cons. Discretionary    | 4.0% |
| Alphabet Inc               | Communication Services | 3.9% |
| Microsoft Corp             | Info. Technology       | 3.9% |
| FleetCor Technologies Inc  | Info. Technology       | 3.4% |
| Walt Disney Co/The         | Communication Services | 3.4% |
| Mondelez International Inc | Consumer Staples       | 3.4% |
| Diageo PLC                 | Consumer Staples       | 3.1% |
| Bank of America Corp       | Financials Ex Prop     | 3.1% |
| American Tower Corp        | Property Trusts        | 2.9% |

| Fund features  |
|--|
| <b>Concentrated:</b> 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. |
| <b>Discipline:</b> 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.                       |
| <b>Talent:</b> A united and deeply experienced team of global portfolio managers each with over 20 years in the industry.  |
| <b>Aligned:</b> 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 continued to rally in April, spurred on by ongoing dovishness from major central banks and easing global growth concerns. Gains were broad based geographically with the US leading the way (S&P 500: +4.1%), and Japan (TOPIX: +0.9%) a relative laggard. Sector-wise, Financials (+6.8%) and Technology (+6.3%) were both strong, while Health Care (-2.6%) underperformed on renewed fears of drug pricing legislation. The 10 year US Treasury yield ticked up to close at 2.51% and Brent oil rose 6.5% due to Iranian supply concerns.

US data released during the month continues to reflect a resilient economy. First quarter GDP was stronger than expected at +3.2% year-on-year and March Nonfarm payrolls increased by 196,000. Data elsewhere in the world was more mixed, with the Eurozone Manufacturing Purchasing Managers' Index (PMI) (47.9) remaining firmly in contraction territory and the Caixin China Manufacturing PMI slipping to 50.2 (vs 50.8 in March).

First quarter earnings were also mostly better than feared, with EPS growth in both the US and Europe likely to end up showing modest year-on-year expansion versus fears of further contraction at the start of the year. The three-month Alphinity Global Earnings Diffusion ratio improved modestly in April (from -13.8% to -9.1%), however a negative value still reflects an environment with more analyst downgrades than upgrades. Despite the strong rally in risk assets this year, regional and sector leadership remains somewhat defensive with the strongest relative revisions within the US, Health Care and Technology. Revisions have been most negative in Communications, Materials and Consumer Discretionary.

## Market outlook

The strong rally in global equities this year discounts a more benign outlook for growth and earnings, both of which have so far been better than many feared at the end of last year. Recent data shows that concerns of an imminent US recession have been exaggerated, and global growth this year will also likely benefit from the lagged effects of Chinese policy stimulus. Similarly, earnings in the first quarter have generally beaten consensus, although subdued growth and margin pressures have meant that full year estimates continue to be downgraded (albeit at a slower pace).

Nevertheless, there are reasons to remain somewhat cautious. The US economy is late cycle and systemic risks around corporate leverage appear to be building. The picture in the rest of the world also remains mixed, with factors including trade tensions, Brexit and persistently low inflation all eroding confidence. Furthermore the Fed's recent dovish turn has meant that much of the recent rally has been driven by multiple-expansion, leaving many areas of the market with extended valuations. Consequently, only modest changes were made to the portfolio in April, which continues to have a defensive bias.

## For further information, please contact:

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