

Alphinity Global Equity Fund

Monthly Fact Sheet May 2019

Performance ¹	1 month %	Quarter %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	-3.7	3.6	8.7	11.6	12.4	10.6
MSC World Net Index in AUD	-4.3	1.5	8.9	9.4	10.7	10.0
Active return ³	0.6	2.1	-0.2	2.2	1.8	0.6

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 Net Index (AUD).
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	\$41.3M
Distribution frequency	Annual

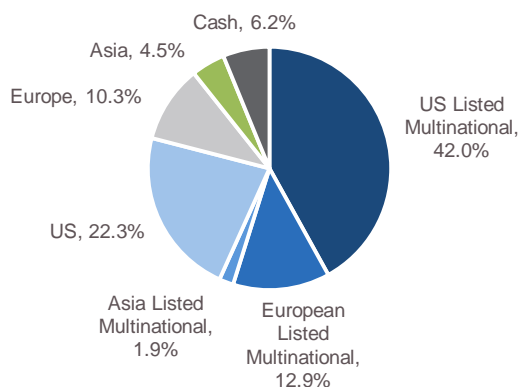
¹ The Performance Hurdle is the Reserve Bank of Australia (RBA) cash rate target.

Top 10 positions

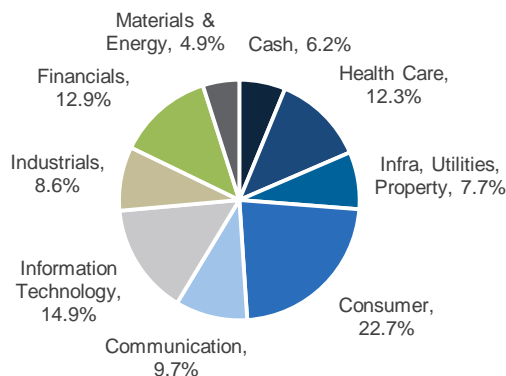
Company	Sector	Port
UnitedHealth Group Inc	Health Care	4.4%
Microsoft Corp	Info. Technology	4.3%
McDonald's Corp	Cons. Discretionary	4.2%
Alphabet Inc	Communication Services	3.8%
Roche Holding AG	Health Care	3.5%
Mondelez International Inc	Consumer Staples	3.5%
Walt Disney Co/The	Communication Services	3.4%
FleetCor Technologies Inc	Info. Technology	3.3%
American Tower Corp	Property Trusts	3.3%
Ingersoll-Rand Co	Industrials	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

May was a volatile month in financial markets and a weak month for global equities, with the MSCI ACWI falling -6.2%. All regions and global sectors showed negative returns during the month. Emerging Markets performed the worst, led by China. From a sector perspective, cyclical under-performed defensives, with Semiconductors, Tech Hardware and Consumer Discretionary faring the worst. The best performing global sectors were Real Estate, Utilities and Health Care.

A key driver of volatility and weakness during the month was escalation of the trade war between the US and China, as the US government banned any business with Chinese technology giant Huawei. This clearly sharpens the geopolitical situation and has big potential implications for companies across global supply chains. At the same time, the global macro backdrop continued to soften. US manufacturing PMI is approaching contractionary levels as it fell to 50.5, and non-farm payrolls surprised to the downside at 75k. Chinese manufacturing PMI was also weaker than expected, falling to 49.4, and Eurozone PMI remained in contractionary territory for the month at 47.7. The combination of escalating trade war and weaker macro led to 'flight to safety' through a strong bond rally, and the US 10y yield went from 2.50% to 2.12%. Commodity prices were also weak, with Brent crude -13% and Copper -9% for the month.

There were some signs of stabilisation in the global earnings cycle, with the ratio of analyst upgrades to downgrades improving across all three major developed regions. This was evident in the Alphinity Global Earnings Diffusion Ratio, which improved from -14% in April to -5% in May. This means earnings forecasts are still falling, but less broadly and at a slower rate. The exception is Emerging Markets, where forecasts are still not seeing any improvement. The relative earnings leadership remains on the defensive side of the market through Diversified Financials, Software, Real Estate and Utilities. Consumer Disc, Tech Hardware and Materials are seeing the broadest earnings downgrades.

Market outlook

The combination of weaker global growth, escalating trade war and recent reversal to easing bias by many central banks, has caused increased volatility in global equities and made near term outcomes quite unclear. We focus on finding the most compelling stock investments with earnings upside out there, whilst seeking to limit unintended exposures to events which are hard to predict and binary in nature. On that note, after twelve months with a weakening trend, it is encouraging to see some of our Alphinity earnings indicators bottoming. We have reached a point in the global earnings cycle where historically earnings expectations have a better chance to bottom and eventually improve. However, this will only occur as long as the current 'earnings recession' doesn't turn into an 'economic recession', something which we can't rule out. A strong recovery in the earnings cycle is quite dependent on the outlook for cyclical companies improving, and the evidence of this is still patchy.

With few exceptions, our portfolio stocks delivered good fundamental earnings progress in the recent first quarter reporting season. We continued to make limited changes to the portfolio during the month, which overall remains positioned in very high quality and slightly more defensive stocks. Noteworthy changes during May were a new investment in medical equipment company Baxter (quality growth), and adding to our holdings in Ingersoll Rand and Microsoft (strong reports). We took some minor profits in FleetCor and London Stock Exchange after recent strong performance, and divested Allergan due to rising competitive risks and a disappointing outcome from its recent corporate structure review.

For further information, please contact:

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

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (Fidante Partners) the issuer of the Alphinity Global Equity Fund ARSN 609 473 127 (Fund). Alphinity Investment Management Pty Limited ABN 12 140 833 709 AFSL 356 895 (Alphinity) is the investment manager of the Fund. It should be regarded as general information only rather than advice. It has been prepared without taking account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain the relevant Product Disclosure Statement (PDS) relating to the Fund and consider that PDS before making any decision about the Fund. A copy of the PDS can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website www.fidante.com.au. If you acquire or hold the product, we and/or a Fidante Partners related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the product. Neither Fidante Partners nor a Fidante Partners related company and our respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. Alphinity, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.