![alphinity INVESTMENT MANAGEMENT]

Alphinity Global Equity Fund

Quarterly Report June 2019

Performance[1]	1 month %	Quarter %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a[2]
Fund return (net)	5.1	6.1	12.4	15.8	16.4	11.9
MSCI World Net Index in AUD[3]	5.2	5.3	12.0	13.8	14.1	11.4
Active return[4]	-0.2	0.8	0.4	2.0	2.4	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] 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.

[4] Numbers may not add due to rounding

Fund facts	
Portfolio managers	Jonas Palmqvist, Lachlan MacGregor, Jeff Thomson, Nikki Thomas
APIR code	HOW0164AU
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 above the Performance Benchmark[1] and only paid if performance is above the absolute return Performance Hurdle during the performance period[2].
Buy/sell spread	+0.25% / -0.25%
Fund size	$45.6M
Distribution frequency	Annual

[1] The Performance Benchmark is the MSCI World Net Total Return Index (AUD). Performance is calculated after fees and expenses and adding back distributions.

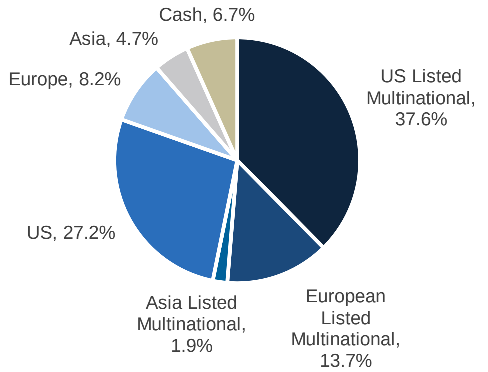
[2] The Performance Hurdle is the Reserve Bank of Australia cash rate target. If the hurdle isn't met, positive relative performance is carried forward to the next period.

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.

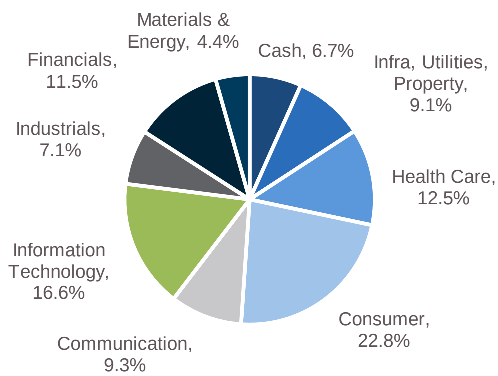
Top 10 positions

Company	Sector	Port
Microsoft Corp	Info. Technology	4.4%
UnitedHealth Group Inc	Health Care	4.2%
McDonald's Corp	Cons. Discretionary	4.1%
Roche Holding AG	Health Care	3.6%
Mondelez International Inc	Consumer Staples	3.5%
Alphabet Inc	Communication Services	3.5%
Walt Disney Co/The	Communication Services	3.4%
FleetCor Technologies Inc	Info. Technology	3.4%
Bank of America Corp	Financials Ex Prop	3.3%
American Tower Corp	Property Trusts	3.0%

Country exposure



Sector exposure



Market comment

Global equity markets (MSCI ACWI index) rose +2.9% in USD in the quarter, but with some significant monthly volatility. After a relatively stable April reporting season, the market sold off by over 6% in May, which was followed by a full recovery in June. This was the best June on record for the global index and was largely driven by central banks around the world establishing a stronger easing bias. The picture for sector stock performance was mixed, with not just growth and defensive (Diversified Financials, Software) but also some cyclicals (Consumer Discretionary, Industrials) outperforming the global market during the quarter. Likewise, the main laggards were an unusual mix of Energy, Property and Semiconductors. Regionally, the US (+3.8%) and Europe (+2.9%) led the market, with Emerging Markets lagging (-0.3%).

The macro back drop was overall weaker during the quarter. Global manufacturing Purchasing Managers' Index (PMI) fell to a contractionary 49.8 in June, the lowest level since February 2016. The weakness was broad, with over 80% of regions deteriorating and almost two-thirds now in contraction territory. The trade war between US and China escalated, with the US administration banning business with Chinese tech giant Huawei in early May, which added to uncertainty and lost global corporate confidence. Bond yields fell sharply on the back of slowing global growth and growing easing bias from major central banks during the quarter, with the US 10y govt bond yield dropping -0.40% to 2.00%. Commodity prices were in risk-off mode, with Copper down -7.6%, Brent -3.6% and Gold rallying +9.5%.

Analysts' global earnings expectations continued falling for the third quarter in a row, as the hopes for a profit rebound in the second half of the year appeared increasingly optimistic. Nonetheless, the pace and breadth of downgrades did improve somewhat during the quarter, led by the US and Europe. Emerging Markets and Japan saw the steepest downgrades. Global sectors with a defensive or growth bias maintained their relative earnings leadership, more specifically Property, Insurance, Software and Utilities. Cyclical sectors like Semiconductors, Materials and Tech Hardware saw the steepest earnings cuts.

Market outlook

The combination of weaker global growth, continued earnings downgrades and escalating trade war present a negative fundamental backdrop to markets. At the same time, the more pronounced easing bias by major central banks during the quarter are a powerful counterforce. We expect the higher volatility in global equities to continue. We focus on finding the most compelling stock investments with earnings upside, while seeking to limit unintended exposures to events which are binary in nature and hard to predict. On that note, after twelve months with a weakening trend, it is encouraging to see some of our proprietary Alphinity Global earnings indicators potentially bottoming. We have reached a point in the earnings cycle where historically expectations have 'caught up' with the new, weaker economic reality, leading to a better chance for a coming improvement. However, such an earnings recovery will only occur as long as the current 'earnings recession' doesn't turn into an 'economic recession', still probably an unlikely development but something which we're still unable to fully rule out. A recovery in the global earnings cycle is mainly dependent on the outlook for cyclical companies improving, and we are dedicating a lot of our time assessing this.

With few exceptions, our portfolio stocks delivered good fundamental earnings progress during the quarter. We continued to make relatively limited changes to the portfolio and remain positioned in stocks that are high quality and overall have a slight bias to growth and defensive characteristics. Noteworthy portfolio changes during the quarter were new investments in medical equipment company Baxter (long term growth case), United Rentals (undervalued cyclical quality) and Prologis (defensive under-appreciated growth), while adding to our previous holdings in ASML and DBS (strong earnings reports and value opportunities). We sold out of our Bristol-Myers, Lloyds and Allergan positions, as the earnings cases were not playing out as we had expected, as well as Vinci and Central Japan Railways after strong performance.

For further information, please contact:

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