alphinity INVESTMENT MANAGEMENT

Alphinity Global Equity Fund

Monthly Fact Sheet July 2019

Performance[1]	1 month %	Quarter %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a[2]
Fund return (net)	2.9	4.2	14.6	18.6	16.8	12.5
MSCI World Net Index in AUD[3]	2.3	3.1	11.8	16.0	14.1	11.8
Active return[4]	0.6	1.1	2.8	2.6	2.7	0.7

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	$46.9M
Distribution frequency	Annual

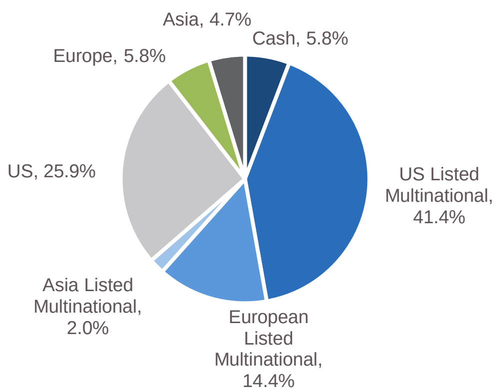
[1] The Performance Benchmark is the MSCI World Net Total Return Index (AUD). Performance is calculated after fees and expenses and adding back distributions.
[2] The Performance Hurdle is the Reserve Bank of Australia cash rate target. If the hurdle isn't met, positive relative performance is carried forward to the next period.

Top 10 positions

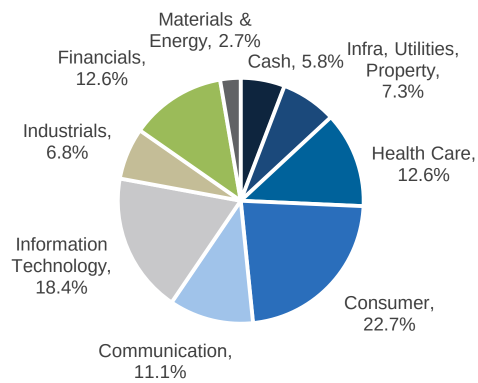
Company	Sector	Port
Alphabet Inc	Communication Services	5.2%
Microsoft Corp	Info. Technology	4.7%
UnitedHealth Group Inc	Health Care	4.2%
McDonald's Corp	Cons. Discretionary	4.2%
Bank of America Corp	Financials Ex Prop	3.7%
Roche Holding AG	Health Care	3.6%
Walt Disney Co/The	Communication Services	3.5%
Mondelez International Inc	Consumer Staples	3.4%
FleetCor Technologies Inc	Info. Technology	3.4%
ASML Holding NV	Info. Technology	3.3%

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

The MSCI World Index (USD) rose 0.5% in July, led by the US (MSCI USA: +1.5%), while a strong U.S. dollar and trade tensions saw broad-based emerging market weakness (MSCI Emerging Markets: -1.7%). US treasury yields were broadly unchanged, although government bond yields in much of Europe fell deeper into negative territory.

Data released in July continued to reflect a broad-based slowing in global growth. US Gross Domestic Product rose by +2.1% (quarter on quarter annualised) in the second quarter, a notable slowdown from +3.1% in the first quarter. Manufacturing indicators also weakened further, although retail sales, labour market and consumer inflation data all remained relatively resilient. Elsewhere data was even softer with notable weakness in the Eurozone and Chinese Manufacturing Purchasing Managers' Indices (46.5 & 49.7 respectively). As widely expected the US Federal Reserve cut rates by 25bps, but attempted to curb market expectations for further cuts.

The U.S. second quarter earnings season was relatively strong, with ~68% of companies beating expectations, however full year consensus estimates for the broader market continue to be revised lower for both 2019 and 2020. Earnings leadership remains firmly defensive, with Energy, Consumer Discretionary and Materials experiencing the largest downgrades. In contrast Communication Services, Health Care and Real Estate fared better with relatively smaller negative revisions.

Market outlook

Global growth is clearly slowing, and persistent trade tensions suggest that risks to the outlook remain to the downside. Consequently, it's no surprise to see central banks around the world switch to easing again, although the dramatic collapse in the forward rate curve shows that markets are sceptical that recent rate cuts are merely 'mid-cycle adjustments' and not the beginning of a new down-cycle. Notwithstanding the impact of higher tariffs, headline inflation also remains below target in the U.S. and even more worryingly, deflationary risks appear to be re-emerging in both Europe and Japan.

The range of outcomes remains relatively wide, with unpredictable policy interventions and trade negotiations both potentially having significant implications for markets. Nevertheless, our process closely follows earnings leadership, and with market expectations still looking too optimistic for the second half of the year, we remain defensively positioned for the time being.

At a portfolio level we continue to focus our risk on idiosyncratic stocks where we have confidence around earnings upside which is somewhat independent of the macro outlook. The portfolio had a relatively strong second quarter earnings season and we increased positions in several stocks including ASML, Microsoft, Alphabet, Roche and Lumentum, where good reports have increased our conviction. In contrast, we exited positions in Deutsche Boerse, Teck Resources and Exelon where valuation support and/or fundamentals have weakened.

For further information, please contact:

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