Alphinity Global Equity Fund

Monthly Fact Sheet August 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	11.0	12.4	18.8	17.4	13.0
MSCI World Net Index in AUD[3]	0.2	7.9	7.6	15.7	13.8	11.6
Active return[4]	2.4	3.1	4.8	3.2	3.7	1.5

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	$49.7M
Distribution frequency	Annual

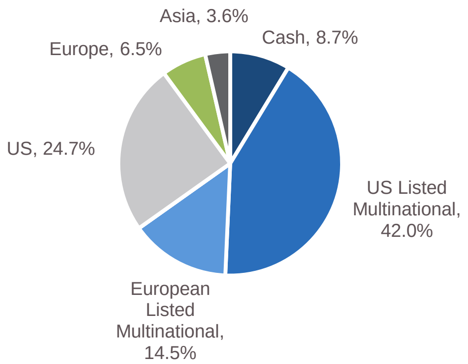
[1] The Performance Benchmark is the MSCI World Net Total Return Index (AUD). Performance is calculated after fees and expenses and adding back distributions.
[2] The Performance Hurdle is the Reserve Bank of Australia cash rate target. If the hurdle isn't met, positive relative performance is carried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

Top 10 positions

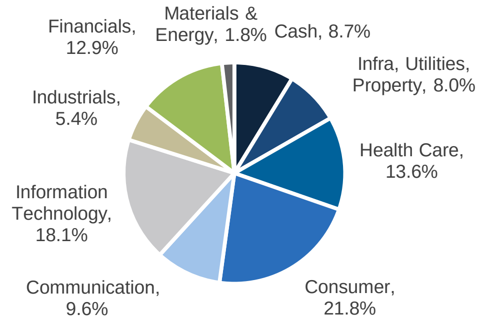
Company	Sector	Port
Alphabet Inc	Communication Services	4.9%
Microsoft Corp	Info. Technology	4.6%
McDonald's Corp	Cons. Discretionary	4.1%
Roche Holding AG	Health Care	4.0%
Mondelez International Inc	Consumer Staples	3.9%
UnitedHealth Group Inc	Health Care	3.8%
FleetCor Technologies Inc	Info. Technology	3.4%
Target Corp	Cons. Discretionary	3.2%
American Tower Corp	Property Trusts	3.2%
Bank of America Corp	Financials Ex Prop	3.2%

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

August was a risk-off month and the MSCI All Country World Index fell -2.6%. The US and Japan outperformed while Emerging Markets were the worst performers. Defensive sectors like Utilities, Property and Consumer Staples led performance, while Energy, Financials and Materials lagged being hurt by lower rates, weaker macro data and trade tariffs. The US-China trade war escalated further in August, with both countries raising tariffs and expanding the list of goods covered. The US also labelled China a "currency manipulator".

Economic data has continued to soften in China and Germany in particular, and the inversion of the US 2y10y treasury curve also indicated rising risks of a recession in the US. The Global manufacturing PMI weakened to 49.1 in August from 49.4 in July, and the US ISM dipped below 50 for the first time in three years. The month saw a significant rally in government bonds, with the US 10y falling -0.51% to 1.50% and a majority of European countries hitting record lows. US investment grade credit also rallied in the month, and the risk-off environment boosted Silver (+13.0%) and Gold (+7.5%). The major cyclical commodities fell sharply, such as Copper (-5.0%) and Brent Crude (-7.3%). The US Dollar strengthened another +0.5% against other global currencies (trade weighted), and the Japanese Yen showed its safety haven characteristic by in turn rising +2.3% against the USD during the month.

Global earnings revisions continued to be in negative territory despite the usual level of quarterly earnings beats during the US reporting season. Analysing the Alphinity Global earnings database, global earnings expectations for 2019 were cut by another -1% during the month led by the Eurozone (-2.5%) and UK (-1.4%). US earnings expectations held up best at -0.3%. At a sector level, the leadership remains firmly on the defensive side through Property, Communication Services and Consumer Staples. Energy, Consumer Discretionary and Materials are the weakest, mirroring sector stock performance.

Market outlook

The macro backdrop is challenging with deteriorating data and inverting yield curves. Trade tariffs are also becoming a growing issue for the cycle and markets. It is difficult to separate the lasting, economic signal from the noise around tariffs, but the escalation is starting to have a negative impact on the global growth outlook through corporate earnings, investments and confidence.

The global earnings cycle has stopped getting incrementally worse but is showing no signs of improving. Downgrades still outnumber upgrades by around 10% in the Alphinity Global Earnings Diffusion Ratio, a historically low level (except for recession periods which typically see levels of -20% to -30%). Of more importance for our portfolio is that the relative leadership remains on the defensive side of the market, and in fact this trend has strengthened further lately.

The portfolio remains overall positioned in defensive, quality and growth stocks, where we continue to see many of the strongest earnings ideas. We are watching valuations of these stocks carefully, but are comfortable with current levels which are generally driven by strong, idiosyncratic earnings upgrade stories. At the same time, we continue to look for bottom-up signs from cyclical companies that their earnings outlook is improving, but we have not yet built conviction that such a change is imminent. During August, portfolio changes were driven by quarterly reports and our recent research trips. We initiated a position in Blackstone as we see a multi-year under appreciated earnings story to play out ahead. Our position in Merck was increased following a strong report. We trimmed our holdings in Walt Disney (taking some profits) as well as Royal Dutch Shell and DBS (weakening earnings outlook). We sold out of Sony as our investment case had been achieved, as well as United Rentals since the earnings outlook deteriorated in line with the overall cycle.

For further information, please contact:

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