

Alphinity Global Equity Fund

Monthly Fact Sheet October 2019

Performance ¹	1 month %	Quarter %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	-0.4	2.5	18.1	13.4	18.7	12.4
MSCI World Net Total Return Index (AUD) ³	0.4	2.6	15.8	12.7	15.7	11.7
Active return ⁴	-0.8	-0.2	2.3	0.7	3.0	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	\$56.9M
Distribution frequency	Annual

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

²The 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.

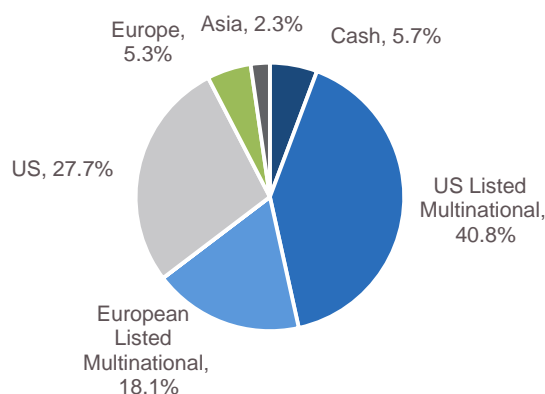
Top 10 positions

Company	Sector	Port
Alphabet Inc	Communication Services	5.3%
Microsoft Corp	Info. Technology	4.9%
UnitedHealth Group Inc	Health Care	4.6%
Roche Holding AG	Health Care	4.4%
Bank of America Corp	Financials Ex Prop	4.2%
McDonald's Corp	Cons. Discretionary	3.8%
ASML Holding NV	Info. Technology	3.5%
FleetCor Technologies Inc	Info. Technology	3.4%
Ingersoll-Rand Co	Industrials	3.1%
Target Corp	Cons. Discretionary	3.1%

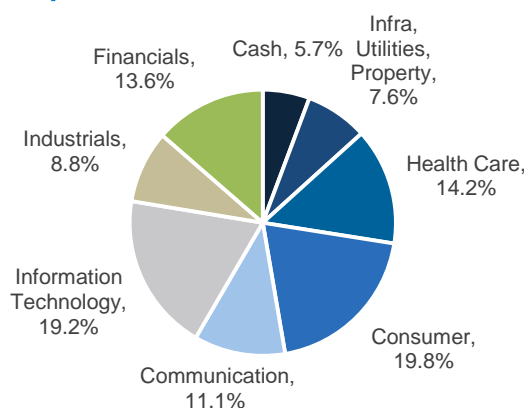
Source: Fidante Partners Limited, 31 October 2019.

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

In October the MSCI World Index rallied +2.5%, with Japan (+4.8%) and Emerging Markets (+4.1%) leading regional performance. The US market (+2.1%) was the worst performing major region. The risk-on tendency in markets was also reflected in relative sector performance as Technology, Banks and Industrials all outperformed, while defensive sectors such as Consumer Staples and Utilities lagged. There were some exceptions to this trend with Health Care also leading and Energy being the weakest sector globally.

At the macro level markets were fuelled by nearly all major central banks loosening monetary conditions, including renewed balance sheet expansion in the US. Growing hopes of a "Phase 1" trade deal between China and the US, as well as a final resolution to the Brexit impasse, also boosted investor spirits. Most of the significant economic activity measures continued to be weak. Institute of Supply Management (ISM) Manufacturing remained below 50 across major regions, even though the forward-looking 'New Orders' component in the US ISM rose slightly to 49.1, raising hopes of at least a stabilisation of the cycle. At the same time the non-manufacturing ISM unexpectedly dropped in the US, although remains expansionary at just above 50. The US labour market still appears to be resilient with Nonfarm Payrolls at 128k in October which was slightly ahead of expectations. The US 10y government bond yield rose by ~3bps to close the month at 1.69%. The quarterly corporate reporting season produced the normal frequency of earnings 'beats', albeit against estimates which had been revised lower ahead of reports. The reporting season did not lead to an improvement in the overall earnings cycle with global earnings expectations for 2019 falling another ~1% during the month. Japan and Europe saw the biggest downgrades, whilst US was once again the most resilient with only marginal downgrades. At a sector level, earnings for defensive and growth sectors such as Health Care, Tech and Consumer Staples held up well. Cyclical sectors like Materials, Energy and Industrials encountered the biggest earnings downgrades.

Market outlook

The economic backdrop remains challenging and frequently changing messages around the US-China trade negotiations is adding uncertainty. Corporate investments and business confidence are significant headwinds, although the US consumer has so far remained resilient and provides a significant offset. Looser monetary policy has probably boosted the case for economic stabilisation going forward, but we are late in the economic cycle and it is difficult to judge the real efficacy of monetary tools this time around. More fiscal stimulus may eventually be needed to prolong the cycle.

Our Alphinity Global earnings database shows that corporate earnings remain weak, with downgrades still clearly outnumbering upgrades, however further deterioration from here would likely require an outright economic recession. Of more importance for our portfolio is that the relative earnings leadership remains on the defensive, quality and growth side of the market, which is reflected in how the portfolio is currently positioned. We are watching valuations of these stocks carefully but are overall comfortable with current levels, which are supported by strong, idiosyncratic earnings upgrade stories. Several more-cyclical companies on our watchlist appear to offer good value, but in most cases we have yet to build conviction that their earnings outlook is improving.

During the month, portfolio changes were mainly driven by quarterly reports. We sold out of the remaining position in Amazon, seeing risks of further earnings disappointments from ongoing investments in transportation, headcount and infrastructure. Strong company updates from Blackstone, Comcast and Walt Disney led to us to increase these positions, as the key earnings drivers continue to show upside. We reduced our holdings in Mondelez and American Tower – both companies had solid reports but an extended period of strong performance and rising valuations led us to take some profit.

For further information, please contact:

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