Alphinity Global Equity Fund

Quarterly Report December 2019

Performance[1]	1 month %	Quarter %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a[2]
Fund return (net)	-1.3	4.2	29.3	15.0	17.1	13.1
MSCI World Net Total Return Index (AUD)[3]	-0.9	4.2	27.9	13.9	13.8	12.2
Active return[4]	-0.4	0.0	1.4	1.1	3.4	0.9

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	$63.3M
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.

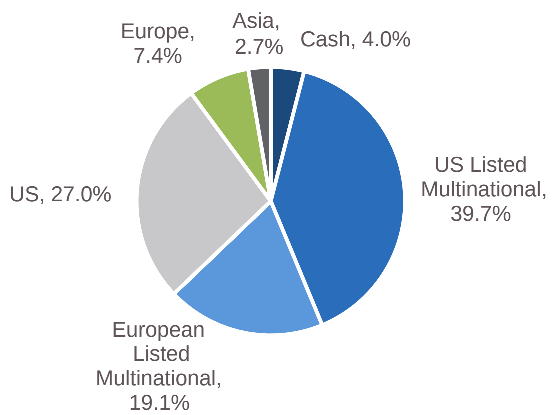
Top 10 positions

Company	Sector	Port
UnitedHealth Group Inc	Health Care	5.0%
Alphabet Inc	Communication Services	4.8%
Microsoft Corp	Info. Technology	4.5%
Roche Holding AG	Health Care	4.5%
Bank of America Corp	Financials Ex Prop	4.2%
Target Corp	Cons. Discretionary	3.5%
ASML Holding NV	Info. Technology	3.4%
Lumentum Holdings Inc	Info. Technology	3.1%
Ingersoll-Rand Co	Industrials	3.1%
NextEra Energy Inc	Utilities	2.9%

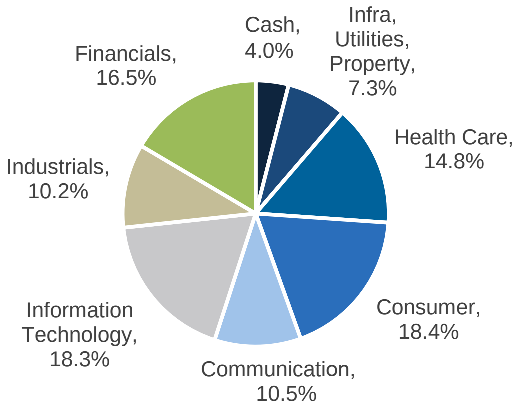
Data source: Fidante Partners Limited, 31 December 2019.

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

Financial markets finished the year strongly, with the MSCI World Total Return Index rallying 8.6% over the quarter in USD terms, led by emerging markets (MSCI EM +11.9%) and the U.S. (S&P 500: +9.1%). The rally was driven by increased optimism of a US/China trade deal, as well as some evidence of stabilisation in manufacturing data outside of the US. Government bonds softened somewhat with the benchmark US 10y finishing at 1.92%, up 25 basis points over the quarter.

The US labour market continued to be a standout source of strength with US Nonfarm Payroll reports averaging more than 200k per month over the period. The unemployment rate remains historically low at 3.6% and average hourly earnings have grown by over 3% p.a. for 17 months now; in contrast U.S. Institute of Supply Manufacturing and New Orders both dipped further into contractionary territory. Elsewhere Purchasing Managers' Indices in China and the Eurozone have stabilised, although still at relatively weak levels.

Sector price leadership during the quarter came from Information Technology (+13.7%), Healthcare (+13.4%) and Materials (+8.4%), while defensive sectors including Real Estate (+0.6%), Utilities (+1.5%) and Consumer Staples (+2.1%) all lagged. In contrast to price action, global earnings revisions continued to fall, albeit with some stabilisation towards the end of the year. Similarly, sector leadership remained defensive, although again with some tentative signs of improved cyclical performance. For example, by December earnings revisions within Financials were positive, although Industrials, Materials and Energy have remained consistently amongst the weakest sectors.

Market outlook

Global equities have been boosted by a wave of rate cuts by central banks across the world, including a return to bond purchases and balance sheet expansion by the Federal Reserve. Investor confidence has been further underpinned by a US/China trade deal and some signs of stabilisation in the global manufacturing sector.

These are welcome developments, however we remain cautious about the prospect of a robust cyclical recovery in global growth which financial markets are increasingly beginning to discount. Economic data has stabilised recently, but other key lead indicators such as Institute of Supply Management New Orders have continued to fall. Corporate confidence remains fragile with still significant tail-risks from trade tensions, Hong Kong, Brexit and the approaching U.S. Federal election cycle. Corporate earnings have also so far failed to confirm the recovery, with mostly defensive sector leadership persisting. We continue to expect headwinds to the outlook for earnings from higher labour costs.

In the context of a late-cycle economy, with U.S. unemployment levels already at levels not seen since 1969, we expect any growth recovery to be relatively weak at best. Consequently, we have made limited changes to our positioning over recent months and remain somewhat defensively positioned. After strong performance and acknowledging higher valuations, we took some profit in several stocks including American Tower, Diageo, Mondelez, Fleetcor, Google and Microsoft. Stock additions (Lloyd's and Vestas Wind) and exits (Amazon) were largely for idiosyncratic reasons. Should current hopes for improved growth be confirmed by corporate earnings over the next few months, our earnings-focused process means that stock selection would likely become more cyclically focused.

For further information, please contact:

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