

Alphinity Global Equity Fund

Monthly Fact Sheet January 2020

Performance ¹	1 month %	Quarter %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	4.2	9.0	31.3	16.4	19.4	13.9
MSCI World Net Total Return Index (AUD) ³	4.4	8.3	28.2	15.4	16.3	13.1
Active return ⁴	-0.2	0.8	3.0	1.0	3.1	0.8

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	\$67.8M
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.

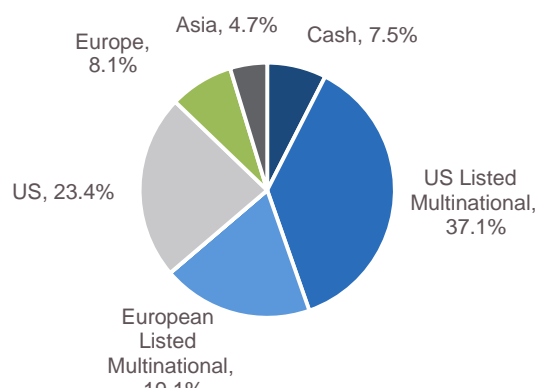
Top 10 positions

Company	Sector	Port
Alphabet Inc	Communication Services	5.1%
Microsoft Corp	Info. Technology	4.8%
Roche Holding AG	Health Care	4.6%
UnitedHealth Group Inc	Health Care	4.5%
Bank of America Corp	Financials Ex Prop	4.1%
Mondelez International Inc	Consumer Staples	3.7%
Ingersoll-Rand Co	Industrials	3.5%
NextEra Energy Inc	Utilities	3.2%
ASML Holding NV	Info. Technology	3.0%
Target Corp	Cons. Discretionary	3.0%

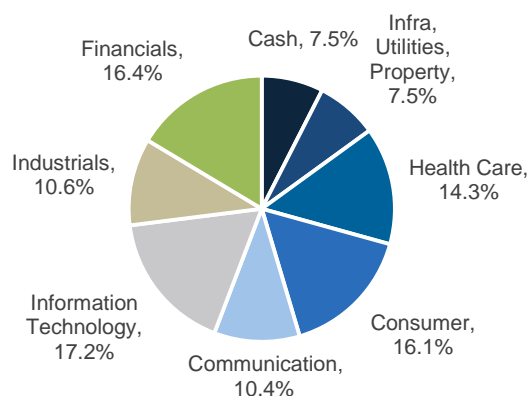
Data Source: Fidante Partners Limited, 31 January 2020.

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.

Geographic exposure



Sector exposure



Market comment

Financial markets had a turbulent start to the year, with an initial rally abruptly stopped by the rising, potential economic impact from the Coronavirus. The MSCI World ex Australia index ended the month slightly down (-0.7%) in USD terms, but rose +4.1% in AUD terms as the local currency fell with the risk sentiment. As markets shifted to risk-off mode, the US (+0.1% in USD) performed best, with Emerging Markets unsurprisingly performing worst (-4.7%). Government bonds rallied throughout the month with the benchmark US 10y finishing at 1.51%, down -40bps. The US 3m/10y yield curve inverted negative again for the first time since October. Brent Crude oil collapsed -13% during the month given the large near-term impact on Chinese oil demand from the Coronavirus.

Global macro was mixed, but with some potential green shoots for the manufacturing cycle. US Institute for Supply Management (ISM) Manufacturing for January surprised with a recovery to an expansionary 50.9 (from 47.2 in December), and ISM New Orders to 52.0 (47.6). The US labour market remains resilient with weekly Initial Jobless Claims staying at historic lows of just above 200k. US consumer confidence also bounced back above 130 in January after some weakness in the fourth quarter of 2019. Eurozone macro was overall weaker with Manufacturing Purchasing Managers' Index (PMI) for January (47.9) still in contraction phase. The German 10y yield fell deeper into negative territory during the month to -43bps.

Equity sector price performance was led by defensives and growth again, with Technology and Utilities performing best, rising around 5% for the month. The cyclical Energy, Banks and Materials sectors were the weakest performers, with Energy in fact dropping -9.1%. The global earnings cycle remained negative – whilst the number of consensus downgrades decreased in January, the magnitude of downgrades was unchanged (cuts to full-year forecasts running close to -1% per month). US earnings continue to hold up better than the rest of the world, and relative revisions still favour defensive and growth sectors like Health Care, Technology, and Property.

Market outlook

Looking beyond the recent market impact from the Coronavirus, 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.

Recent signs of improvement of US manufacturing macro signals are encouraging, however we are cautious about the prospect of a robust cyclical recovery in global growth, which financial markets are increasingly beginning to discount. In the context of a late-cycle economy, with U.S. unemployment levels already at levels not seen since 1969, we also suspect any growth recovery could be relatively weak.

Consequently, we have made limited portfolio changes and remain overall more positioned on the growth and defensive side of the market. However, reflecting the rising valuations in some of our best performing stocks, in January we continued to take some profits by shaving positions in ASML and FleetCor. Strong fourth quarter reports by American Express, Mondelez and Vestas led us to add to the positions. We added Ping An Insurance to the portfolio in January as we see a multi-year, structural growth case currently trading at an attractive valuation. During the month, our remaining positions in McDonald's and Reinsurance Group of America were divested following our lower conviction in the earnings outlooks. As regards cyclical companies, we continue to be quite selective and typically require multiple earnings drivers for investment case conviction. We added to Bank of America and Ingersoll-Rand after strong earnings results. 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:

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