Alphinity Global Equity Fund

Monthly Fact Sheet February 2020

Performance[1]	Quarter %	6 months %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a[2]
Fund return (net)	-0.7	5.1	20.9	14.2	17.5	12.7
MSCI World Net Total Return Index (AUD)[3]	-1.7	5.4	15.5	12.7	13.8	11.5
Excess return[4]	1.0	-0.3	5.4	1.4	3.7	1.2

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 excess return of the Fund above the Performance Benchmark (MSCI World Net Return Index (AUD)) and only paid if performance is above the Performance Hurdle (Reserve Bank of Australia cash rate target). Any negative or unpaid performance is carried forward to the next period.[1]
Buy/sell spread	+0.25% / -0.25%
Fund size	$67.6M
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

Fund features

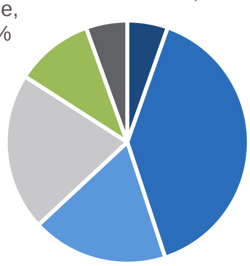
Concentrated: A long only, concentrated portfolio of 30-45 of our best ideas, highly diversified across sectors and regions. A truly global fund consistently exposed to powerful trends reshaping our world.

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.

Geographical exposure

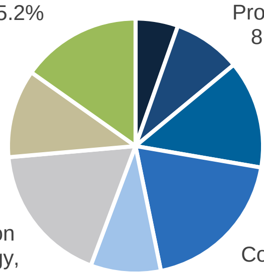


Top 10 positions

Company	Sector	%
Alphabet Inc	Communication Services	5.1
Roche Holding AG	Health Care	4.7
Microsoft Corp	Info. Technology	4.7
Keysight Technologies Inc	Info. Technology	4.0
Mondelez International Inc	Consumer Staples	3.7
Ingersoll Rand Inc	Industrials	3.7
Merck & Co Inc	Health Care	3.6
NextEra Energy Inc	Utilities	3.5
Bank of America Corp	Financials Ex Prop	3.5
Lumentum Holdings Inc	Info. Technology	3.0
Total		**39.5**

Data Source: Fidante Partners Limited, 29 February 2020.

Sector exposure



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

Market comment

The coronavirus dominated investor attention throughout the month, with growing fears about a potentially large hit to global growth driving a broad and significant risk-off move across financial markets. The MSCI World Index fell 8.6%, with especially large declines in Japan (TOPIX -10.1%), the UK (FTSE All-Share -8.9%) and the U.S. (S&P 500: -8.4%), all in local currency terms. The benchmark US 10y treasury yield fell to close the month at an historic low of 1.15% as markets moved to price in lower growth and likely rate cuts by the US Federal Reserve (Fed). Currencies including the British Pound (-2.9%), AUD (-2.6%) and Euro (-0.6%) all fell against the US Dollar. Oil prices also continued to correct sharply given the likely shock to demand (Brent Oil: -13.1%). By sector the sell-off was broad based with few places to hide, although cyclical sectors including Energy (-14.6%), Materials (-10.1%) and Financials (-10.1%) were weakest, while Communications (-6.5%) Healthcare (-7.0%) and Real Estate (-7.3%) were all relatively stronger.

The US labour market continued its strength, with January nonfarm Payrolls growing 225k (vs 160k expected) and weekly initial jobless claims remaining low. The January Institute of Supply Management (ISM) Manufacturing and New Orders surveys also both came in stronger than expected, while the eurozone composite Purchasing Managers' Index (PMI) rose slightly to 51.6 in February. Financial markets were however quick to discount this data given the backward-looking nature of the releases and the fast-evolving spread of the coronavirus. In contrast, the February Chinese Manufacturing PMI collapsed to an historic low of 35.7.

Earnings leadership at the end of the February remained defensive and we expect recent events to further reinforce this. Cyclical sectors including Materials, Energy, Industrials and Consumer Discretionary exhibited the largest downgrades to consensus earnings expectations over the most recent four weeks, as well as last three months. Information Technology, Utilities, Healthcare and Real Estate all show relative strength, although mostly still experiencing net downgrades.

Market outlook

The outlook for growth and earnings has decisively changed over the last few weeks as it has become apparent that the spread of the coronavirus has not been contained to China. The situation continues to evolve, and while it's not possible to predict how this will ultimately play out, it's clear that at a minimum we are in for a potentially extended period of significant disruption. The immediate hit to growth is already evident in data released in China where PMIs have recently collapsed to new historic lows. The initial supply-side impact on the rest of the world has quickly grown into a broad-based shock to global confidence and aggregate demand. The most recent labour and manufacturing data in the US has so far held up relatively well, but it now seems inevitable that growth here and elsewhere will also slow sharply in coming months.

The latest domino to fall in March is a significant drop in oil prices as OPEC+ failed to agree on production cuts to offset lower demand. While this does have some modest positives for consumer discretionary income, in the US at least this is outweighed by the impact on the energy sector and the related hit to credit markets. Moreover, the associated deflationary impulse from lower energy prices puts pressure on central banks to cut rates further, placing additional pressure on banks without any obvious boost to aggregate demand. The Fed's emergency 50bps rate cut in early March failed to have an impact.

The good news is that governments across the world have begun to respond to the situation with various fiscal programs aimed at supporting sectors and consumers most impacted by the virus. So far countries including China, Hong Kong, Australia, Korea, Japan, France, Singapore and the US have responded with various measures and we expect the size of these programs, as well as the list of countries, to grow rapidly over coming weeks. We also currently do not believe this is a repeat of the GFC. While there are obvious implications for credit and financial markets, the origin of the crisis remains outside the global banking system, which is also significantly better managed and capitalised than a decade ago.

The Fund entered 2020 aligned with existing, relatively defensive, earnings leadership, and so the immediate focus has been an assessment of the first order earnings impact from supply chain disruptions, travel bans and the collapse in global rates. In this context we have either exited or reduced positions in Diageo, Fleetcor, Bank of America, Walt Disney, Lloyds and American Express. In contrast we have used recent weakness to continue to build positions in stocks where our conviction around earnings remains high, including Blackstone, Prologis, Nestle, Keysight and Merck. We also initiated new positions in Berkeley Group, Nike and Seagate Technologies.

For further information, please contact:

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