Alphinity Global Equity Fund

Monthly Fact Sheet April 2020

Performance[1]	Quarter %	6 months %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a[2]
Fund return (net)	-7.1	1.3	8.2	10.7	12.8	11.2
MSCI World Net Total Return Index (AUD)[3]	-9.9	-2.4	3.2	8.6	9.8	9.7
Excess return[4]	2.8	3.7	5.0	2.2	3.0	1.5

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	$26.5M
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

Top 10 positions

Company	Sector	%
Microsoft Corp	Info. Technology	5.7
Keysight Technologies Inc	Info. Technology	4.0
ASML Holding NV	Info. Technology	3.8
Nestle SA	Consumer Staples	3.7
NextEra Energy Inc	Utilities	3.5
FMC Corp	Materials	3.5
Merck & Co Inc	Health Care	3.4
Activision Blizzard Inc	Communication Services	3.4
UnitedHealth Group Inc	Health Care	3.3
Mondelez International Inc	Consumer Staples	3.3
Total		**37.5**

Data Source: Fidante Partners Limited, 30 April 2020.

Fund features

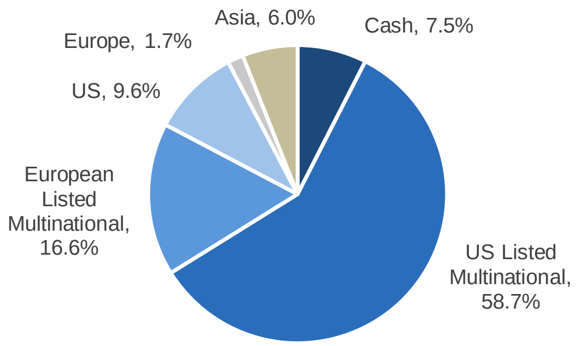
Concentrated: A long only, concentrated portfolio of 30-45 of our best ideas, highly diversified across sectors and regions. A truly global fund consistently exposed to powerful trends reshaping our world.

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.

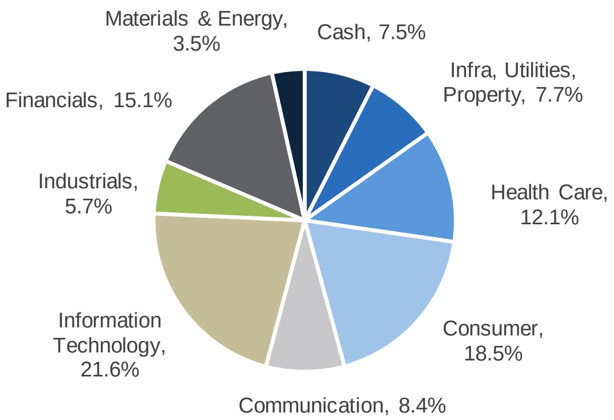
Talent: A united and deeply experienced team of global portfolio managers each with over 20 years in the industry.

Aligned: Alphinity Investment Management is a boutique firm, strongly aligned with its clients' investment objectives and focused solely on growing clients' wealth.

Geographical exposure



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

April was a month with very weak macro data but a strong market rally, as focus turned to falling Covid infection numbers and the planned, gradual re-opening of economies. The MSCI ACWI Index rose +10.6%, led by the U.S. with +12.7% and Asia ex Japan +8.9% in USD terms. Japan was the main laggard but still rallied +4.4% for the month. The best performing sectors were cyclical, including Energy, Consumer Disc and Materials. Defensives like Utilities and Consumer Staples lagged, as did Financials (weighed down by both Banks and Insurance).

During the month, US first quarter gross domestic product (GDP) fell -4.8% year on year, and US initial unemployment claims reached an astounding 20 million. The US 10y bond yield fell slightly to 0.64%. Purchasing Managers' Indices fell to new lows in the US, Europe and China. With a severe demand shock and limited storage capacity, oil remained one of the most volatile assets. After a -66% drop in the first quarter, the U.S. WTI futures price (May contract) briefly fell into negative territory for the first time on record, before recovering to $19 a barrel at the end of the month. Other major commodities, such as Copper, also recovered somewhat in April, but are still significantly down from the recent peak.

Consensus earnings revisions collapsed in April, with our Alphinity Global Diffusion Index dropping below the trough seen during the GFC. Analyst expectations have now fallen from +9% earnings growth for 2020 before the economic lockdowns, to currently -21%. The relative earnings leadership continued to be clearly defensive, with Consumer Staples, Healthcare and Utilities showing the largest resilience. Energy, Consumer Discretionary and Financials saw the steepest downgrades.

Market outlook

Covid-19 is a significant negative shock to the global economy, with second quarter GDP likely to contract well into the double digits for most major economies. In response, the speed and scale of policy reactions from central banks, regulators and governments have generally surprised positively. Global monetary stimulus at more than 6% of global GDP has already superseded that of the GFC. Fiscal support has also been significant, especially in the U.S. So far, these measures have been successful in averting a systemic financial crisis, and somewhat mitigate the hit to growth, however the length and severity of the recession will ultimately be driven by the trajectory of the virus itself, and whether policy makers choose to re-instate lockdowns with any new wave of infections. These are complex medical and political questions, which introduce unusually high uncertainty to the outlook for growth.

We currently believe the most likely outcome is a 'U-shaped' economic recovery into 2021, as consumers, labour markets and investments normally only recover gradually from deep recessions. Nevertheless, it's important to acknowledge significant tail-risks associated with either a longer than expected shut down, or indeed faster than expected progress on treatment protocols and/or vaccines. We also expect that the virus will continue to develop on different timelines in each country, depending on their respective policies and achieved immunity in the population.

The portfolio remains overall positioned with a defensive and growth profile, in-line with current earnings leadership. As the recession and bear market has unfolded, we have been active in the portfolio, selling stocks where fundamentals have suddenly and materially weakened, but also opportunistically adding companies trading at unusually attractive valuations. All bear markets are different, but they always present opportunities. In April, we continued this process, divesting our remaining holding in Bank of America (earnings outlook) and trimming positions in Roche, Merck and LSE (valuation after strong performance). Amazon was added to the portfolio (earnings outlook) and positions in American Express, FMC Corp and CME increased (valuation/earnings).

Global earnings expectations have collapsed by -30% in three months, and the frequency of downgrades recently surpassed GFC trough levels (fourth quarter 2008). Having worked through the first quarter corporate reporting season, we are not yet seeing a broad and convincing earnings recovery from a bottom-up perspective. However, we are aware that a downgrade cycle such as this one has historically created the foundation for a fresh cyclical recovery, which would eventually rotate the earnings and market leadership. The outlook from here has an unusually wide range of potential outcomes, and we continue to research and refresh our 'bench' of potential stocks to be prepared for any path.

For further information, please contact:

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

Unless otherwise specified, any information contained in this publication is current as at the date of this report and is provided by Alphinity Investment Management Pty Limited ABN 12 140 833 709 AFSL 356 895 (Alphinity), the investment manager of the Alphinity Global Equity Fund ARSN 609 473 127 (**Fund**). Fidante Partners Limited ABN 94 002 835 592 AFSL 234 668 (**Fidante Partners**) is the responsible entity and issuer of interests in the Fund. The information in this publication should be regarded as general information and not financial product advice, and has been prepared without taking into account of any person's objectives, financial situation or needs. Because of that, each person should, before acting on any such information, consider its appropriateness, having regard to their objectives, financial situation and needs. Each person should obtain and consider the Product Disclosure Statement (PDS) and any additional information booklet (AIB) for the Fund before deciding whether to acquire or continue to hold an interest in the Fund. A copy of the PDS and AIB can be obtained from your financial adviser, our Investor Services team on 13 51 53, or on our website www.fidante.com.au. Please also refer to the Financial Services Guide on the Fidante Partners website. Past performance is not a reliable indicator of future performance. Neither your investment nor any particular rate of return is guaranteed. The information contained in this document is not intended to be relied upon as a forecast and is not a recommendation, offer or solicitation to buy or sell any securities or to adopt any investment strategy, nor is it investment advice. If you acquire or hold the product, we, Fidante Partners or a related company will receive fees and other benefits which are generally disclosed in the PDS or other disclosure document for the Fund. Neither Fidante Partners nor a Fidante Partners related company and its respective employees receive any specific remuneration for any advice provided to you. However, financial advisers (including some Fidante Partners related companies) may receive fees or commissions if they provide advice to you or arrange for you to invest in the Fund. Alphinity, some or all Fidante Partners related companies and directors of those companies may benefit from fees, commissions and other benefits received by another group company.