Alphinity Global Equity Fund

Monthly Fact Sheet May 2020

Performance[1]	Quarter %	6 month %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a[2]
Fund return (net)	-0.6	-1.2	16.0	12.3	13.0	11.8
MSCI World Net Total Return Index (AUD)[3]	-2.0	-3.7	11.5	10.2	10.1	10.3
Excess return[4]	1.4	2.4	4.5	2.1	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	$33.2M
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

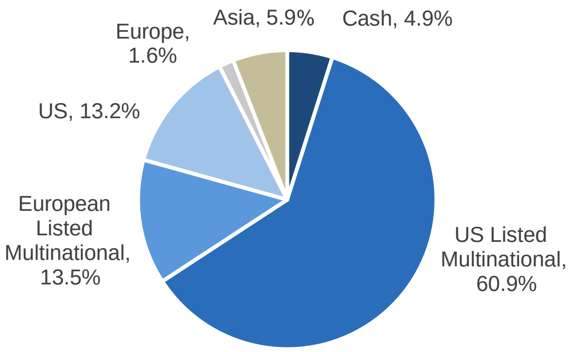
Fund features
Concentrated: A long only, concentrated portfolio of 30-45 of our best ideas, highly diversified across sectors and regions. A truly global fund consistently exposed to powerful trends reshaping our world.
Discipline: A disciplined process finding quality businesses with strong earnings 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.

Top 10 positions

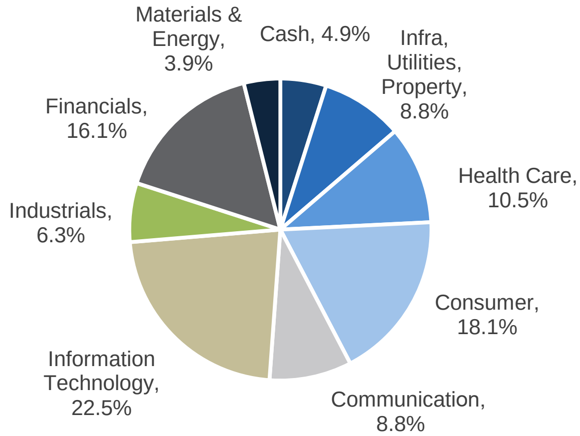
Company	Sector	%
Microsoft Corp	Info. Technology	5.6
Keysight Technologies Inc	Info. Technology	4.3
Nestle SA	Consumer Staples	4.1
ASML Holding NV	Info. Technology	4.0
FMC Corp	Materials	3.9
NextEra Energy Inc	Utilities	3.7
Activision Blizzard Inc	Communication Services	3.7
Alphabet Inc	Communication Services	3.3
UnitedHealth Group Inc	Health Care	3.3
Yum China Holdings Inc	Cons. Discretionary	3.2
Total		**39.2**

Data Source: Fidante Partners Limited, 31 May 2020.

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 capture

Down markets[5]	1 Yr	3 Yr	Since inception
No. of observations	4	11	16
Outperformance consistency	100%	91%	69%
Down market capture	77%	84%	90%

All markets	1 Yr	3 Yr	Since inception
Outperformance consistency	83%	75%	65%
Up market capture	96%	102%	101%

[5] Measures shown after fees. Down markets defined as a negative quarter, rolled monthly, for the index.
Data Source: eVestment, 31 May 2020.

Down market capture shows if the Fund has outperformed the benchmark during periods of market weakness, and if so, by how much. Over the past three years, the Fund return has exceeded the benchmark in 75% of all monthly rolling quarters, and 91% of down markets. It has captured only 84% of the fall in down markets. Since inception, it has captured more than 100% of up market returns.

Market comment

May was another risk-on month for global equities as investors chose to ignore generally weak backward-looking macro data, and instead focus on the re-opening of the global economy combined with ongoing monetary and fiscal stimulus. The US unemployment rate for April reached an historic high of 14.7%, while the flash Purchasing Managers Index (PMI) for May remained in deep contraction for both manufacturing and services, albeit improving slightly from what was the sharpest reduction on record in April. Economic data across Europe was similarly weak, although investors focused instead on the unveiling of a proposed €750bn recovery plan to directly address the damage caused by the virus-related lockdowns. Separately, the European Central Bank (ECB) purchased an additional €125bn in government and corporate bonds during the month.

The MSCI World Index rose 4.6% in USD, led by developed markets including the US (S&P 500: +4.5%) and Europe (STOXX Europe 600: +4.6%), while emerging markets lagged (MSCI Emerging Markets: +0.6%). By sector, Technology (+7.5%), Materials (+6.3%) and Industrials (+6.2%) were strongest, and Energy (+0.5%), Real Estate (+0.9%) and Consumer Staples (+1.8%) were all relatively weak. Global commodities also rallied (+4.3%) led by oil prices, which after reaching historic lows in April, surged higher to close at $35.5/bbl (+88%). Sovereign bond yields were broadly flat, with the benchmark US 10-year treasury closing at 65bps (+2bps month-on-month).

The conclusion of first quarter earnings season continued to push forward-earnings estimates sharply lower. Consensus earnings for 2020 fell another 4% during the month, bringing the three-month contraction to 30%. Cyclical sectors including Energy, Consumer Discretionary, Industrials and Financials have experienced the sharpest downgrades, while Utilities, Health Care and Consumer Staples have held up relative better. Earnings are now expected to fall 23.5% this year, before recovering +31.5% in 2021.

Market outlook

Economic lockdowns and social distancing policies employed in response to COVID-19 have pushed most major economies into deep recession. U.S. second quarter gross domestic product (GDP) is likely to contract by more than 30% (year-on-year annualised), however with significant stimulus already widely deployed, and economies now beginning to reopen, financial markets are understandably focused instead on the likely path of recovery over the next 12-18 months.

Difficult political, medical and behavioural questions continue to make the outlook unusually uncertain, however what is clear is that central banks and governments remain firmly in 'whatever it takes' mode – focused on stabilising financial markets and supporting consumers and businesses most impacted by these measures. Globally fiscal stimulus has already reached an extraordinary $9trn, or ~6% of global GDP, with significant additional programs already being actively contemplated in the U.S. and elsewhere. This is supported by an equally significant round of rate cuts and quantitative easing, including the Fed embarking on the unprecedented step of buying high yield bonds and exchange traded funds (ETFs). Morgan Stanley expects $13 trillion (or ~9% of Global GDP) in cumulative balance-sheet expansion during the current easing cycle from the U.S., Euro region, Japan and U.K. through the end of 2021. Further policy measures, including negative rates and formal yield curve control, remain possible in the U.S. and elsewhere. We currently believe the most likely outcome is a 'U-shaped' economic recovery into 2021, as consumers, labour markets and capital expenditure normally only recover gradually from deep recessions. However, the extraordinary level of stimulus seems likely at least to mitigate the immediate hit to the real economy and ultimately spur a strong recovery over the medium term.

Global earnings expectations have collapsed by >30% in three months, and the frequency of downgrades recently surpassed GFC trough levels (4Q 2008). In the aftermath of the first quarter corporate earnings season the pace of downgrades has slowed, although so far there is little evidence of a broad and convincing earnings recovery. Consequently our portfolio positioning remains relatively defensive, reflecting similar market earnings leadership. 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. During May we added two more cyclical positions (HCA and Morgan Stanley) where we have confidence on the earnings outlook. Similarly we took profits in more defensive positions including LSE and Merck on valuation concerns. Recognising the still unusually wide range of outcomes for markets, we continue to work hard on 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