

# Alphinity Global Equity Fund

## Monthly Fact Sheet July 2020

Performance <sup>1</sup>	Quarter %	6 months %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a <sup>2</sup>
Fund return (net)	1.6	-5.6	5.5	9.9	14.0	10.9
MSCI World Net Total Return Index (AUD) <sup>3</sup>	2.9	-7.3	3.1	7.3	11.5	9.8
Excess return <sup>4</sup>	-1.3	1.7	2.4	2.6	2.5	1.1

Fund facts	
<b>Portfolio managers</b>	Jonas Palmqvist, Lachlan MacGregor, Jeff Thomson, Nikki Thomas
<b>APIR code</b>	HOW0164AU
<b>Inception date</b>	21 December 2015
<b>Investment objective</b>	To outperform the MSCI World Net Index (AUD).
<b>Management fee</b>	1.00% p.a.
<b>Performance fee</b>	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. <sup>1</sup>
<b>Buy/sell spread</b>	+0.25% / -0.25%
<b>Fund size</b>	\$49.0M
<b>Distributions</b>	Annually at 30 June
<b>Min. Investment</b>	\$10,000
<b>Max. cash position</b>	20%

Fund features
<b>Concentrated:</b> 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.
<b>Discipline:</b> 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.
<b>Talent:</b> A united and deeply experienced team of global portfolio managers each with over 20 years in the industry.
<b>Aligned:</b> 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	5.8
Amazon.com Inc	Cons. Discretionary	4.4
Activision Blizzard Inc	Communication Services	4.1
HCA Inc	Health Care	3.8
FMC Corp	Materials	3.7
Trane Technologies plc	Industrials	3.7
Nestle SA	Consumer Staples	3.6
Vestas Wind Systems A/S	Industrials	3.5
Morgan Stanley	Financials Ex Prop	3.5
NextEra Energy Inc	Utilities	3.4
<b>Total</b>		<b>39.6</b>

Data Source: Fidante Partners Limited, 31 July 2020.

### Past performance is not a reliable indicator of future performance.

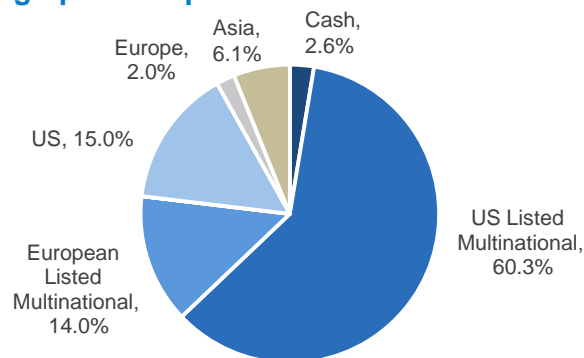
<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

<sup>2</sup> The inception date for the Fund is 21 December 2015

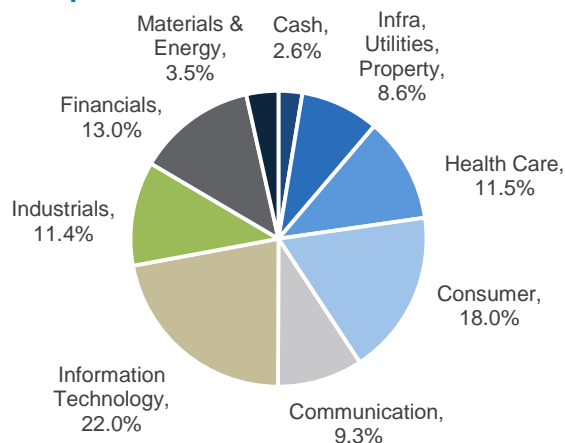
<sup>3</sup> From 21 December 2015 to 31 March 2019, the Benchmark was the MSCI World Equity ex Australia (Net) Index. The current index is effective from 1 April 2019.

<sup>4</sup> Numbers may not add due to rounding

### Geographical exposure



### Sector exposure



## Market comment

Global equities rallied +5.1% in July (MSCI ACWI Index USD), seemingly driven by better economic data and earnings reports, as well as vaccine optimism. Emerging Markets, Asia Pacific and the US outperformed, while Europe and Japan lagged. Japan was the only major market down during the month. By global sector, some of the cyclicals outperformed again, with IT Hardware, Consumer Discretionary, Materials and Semiconductors leading. Energy, Banks and Property were the main laggards, with Energy being the only sector ending the month in negative territory.

The global recovery is progressing – albeit with some moderation in the pace after the sharp jump in indicators in May-June. Global manufacturing Purchasing Managers Indices (PMIs) moved back into expansion mode, reaching 50.6 in July, from 48.8 in June. The improvement appears to be sustainable, with the New Orders component jumping to 52.6 and inventory levels historically low. However, the upswing is still held back by weak global trade. The US labour market is on a gradual recovery path, with jobless claims resuming its recovery, after a brief setback in mid-July after new lockdowns in certain states. Retail sales in both the US and EU are already close to or above their Jan-20 levels.

Against this backdrop, the USD weakened significantly during the month, with the trade weighted DXY index falling -4.1%. Bond markets continued to rally and the US 10y yield fell from 0.66% to 0.53%. The weaker USD and significantly negative real interest rates contributed to commodity strength, including Gold which rose +11% to a new all-time high of \$1,976/Oz.

The global earnings cycle is bottoming and analysts' overall earnings expectations for 2020 rose by +2.0% for the month. US earnings were the strongest, up +3.4%, as the reporting season produced unusually large earnings beats against aggressively cut expectations. By global sector Energy, Consumer Discretionary and Healthcare saw the biggest upgrades, and Industrials, Property and Financials the biggest downgrades.

## Market outlook

The macro outlook continues to be clouded by COVID lockdowns, vaccine timing, the US presidential election, and the current escalation of the geopolitical dispute between the US and China. We can't accurately forecast the pace of growth from here, but our bottom-up work on companies across all sectors indicate that global economies are currently steadily improving.

As always, we focus on company earnings insights to identify interesting trends and stocks. The second quarter earnings season produced unusually large, positive surprises. Broadly speaking, expectations had been lowered too far, and cost cutting was under-estimated. The earnings downgrade wave due to the economic shutdowns earlier in the year were the most aggressive on record, but currently a bottom in the global earnings cycle is forming. The US and Europe are leading, with Japan and Asia Pacific lagging somewhat.

Also adding to the outlook is that the earnings recovery is broadening, i.e. the change of direction is not just due to the substantial, well-published earnings 'beats' of US large cap technology stocks. Our Alphinity Global Earnings Diffusion Ratio, which measures all earnings revisions across the market, recently inflected to positive territory, i.e. upgrades now outnumber downgrades. It had been in negative territory since end-2018.

A changing earnings-cycle always produces fresh investment ideas and we are currently finding plenty of new opportunities where we believe the market is significantly under-estimating earnings. These earnings and valuation 'gaps' are visible both in the near term (economic recovery), as well as over the longer term (world class franchises in growing industries). These new ideas also come from both sides of the market (i.e. growth and cyclicals). Consequently, at present there is healthy competition for capital in the portfolio. During the month, we added Adobe, Reckitt-Benckiser and Otis to the portfolio. The remaining position in CME was sold out as the earnings case deteriorated.

## 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](http://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.