

Alphinity Global Equity Fund

Monthly Fact Sheet August 2020

Performance ¹	Quarter %	6 months %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	-0.1	-0.7	4.4	8.3	13.8	11.1
MSCI World Net Total Return Index (AUD) ³	3.0	0.9	6.4	7.0	12.5	10.4
Excess return ⁴	-3.1	-1.6	-2.0	1.3	1.3	0.7

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	\$55.4M
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	5.9
Alphabet Inc	Communication Services	5.0
Amazon.com Inc	Cons. Discretionary	4.4
Activision Blizzard Inc	Communication Services	3.8
HCA Inc	Health Care	3.8
Morgan Stanley	Financials Ex Prop	3.7
Trane Technologies plc	Industrials	3.5
UnitedHealth Group Inc	Health Care	3.5
FMC Corp	Materials	3.5
Nestle SA	Consumer Staples	3.4
Total		40.4

Data Source: Fidante Partners Limited, 31 August 2020.

Past performance is not a reliable indicator of future performance.

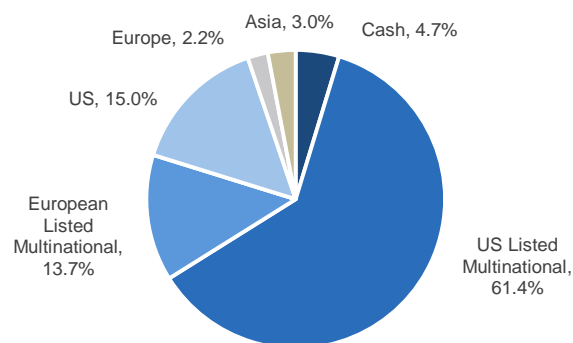
¹ Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

² The inception date for the Fund is 21 December 2015

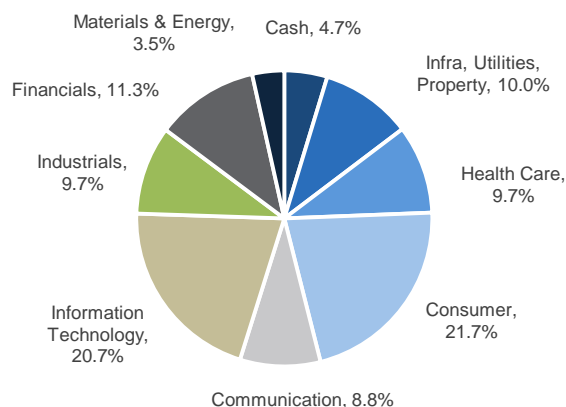
³ From 21 December 2015 to 31 March 2019, the Benchmark was the MSCI World Equity ex Australia (Net) Index. The current index is effective from 1 April 2019.

⁴ Numbers may not add due to rounding

Geographical exposure



Sector exposure



Market capture

Down markets ⁵	1 Yr	3 Yr	Since inception
No. of observations	4	9	16
Outperformance consistency	100%	89%	69%
Down market capture	86%	88%	93%

All markets	1 Yr	3 Yr	Since inception
Outperformance consistency	58%	69%	62%
Up market capture	77%	98%	100%

⁵ Measures shown after fees. Down markets defined as a negative quarter, rolled monthly, for the index.

Data Source: eVestment, 31 August 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 69% of all monthly rolling quarters, and 89% of down markets. It has captured only 88% of the fall in down markets. Since inception, it has captured 100% of up market returns.

Market comment

The MSCI World Index rose +3.0% (in USD) in August, led by mostly technology-related growth stocks including Apple (+21.4%), Facebook (+15.6%), Salesforce.com (+39.9%) and Tesla (+74.1%), which contributed the majority of Index performance during the month. By sector, Consumer Discretionary (+8.4%), Technology (+6.9%) and Industrials (+4.9%) were strongest, while Utilities (-5.0%), Energy (-2.5%) and Health Care (-1.4%) were all weak. The growth heavy Nasdaq Composite Index rose +6.0%.

Economic readings are increasingly reflecting an improvement in global economic activity. The US Economic Surprise Index reached a record high in August, with a further rebound in manufacturing activity (into expansionary territory), as well as stronger housing sales, durable goods new orders and Nonfarm Payrolls. Similarly, Manufacturing Purchasing Managers Indices in both Europe and China continue to reflect expansion.

Chairman Powell announced a significant new framework for US monetary policy, shifting to an average inflation target which would seek to compensate for persistent under-shooting of the 2% inflation target in recent years. The US Dollar Index fell another 1.3%, while the 10y Treasury Yield also rose modestly to close at 71bps.

Earnings revisions are now modestly positive for the MSCI World Index, although sector leadership remains mixed with the strongest revisions over August coming from Energy, Materials and Communication Services, whilst Industrials, Consumer Discretionary and Utilities all continue to experience downgrades.

Market outlook

During August the S&P 500 logged its first record close in over 6-months, marking the quickest recovery from the fastest bear market sell-off in history. It appears, however, that it has been the unprecedented levels of fiscal and monetary stimulus, more than any other factor, which has turbo charged this strong recovery in risk assets. While it's increasingly likely that the low point for activity in this recession is behind us, and the outlook for growth has certainly improved over the last few months, recent market strength does not appear to be mainly a fundamental bet on economic recovery, but instead mostly reflects unwavering investor faith in a high liquidity environment, backstopped by reliable and predictable central bank support. The US Federal Reserve's recent move to average inflation targeting has been widely interpreted as enshrining this support into formal policy – spurring an increasingly narrow cohort of growth stocks on to new highs.

There is no reason to question the Fed's commitment to ensuring continued monetary support, and while inflation may ultimately pose a threat, especially if further significant fiscal support is provided, this seems unlikely to happen over the near term. Nevertheless, significant parts of the equity market are losing fundamental valuation support and there are also growing signs of economic recovery, albeit still somewhat weak and uneven, which if continued may mean a significant change in market leadership towards relatively cheaper, more cyclical sectors and stocks.

Reflecting this, we have added new positions in more economically sensitive names where we have been able to build conviction on the outlook for earnings, including most recently Otis Worldwide and Bank of America. At the same time, however, recognising the still unusually uncertain outlook and historically low rates, the Fund also remains invested in growth stocks where we can find support for valuations. Significant positions in stocks including Amazon.com, Activision Blizzard, Nike and Microsoft Corp have been maintained. We have also recently initiated positions in Adobe and Nvidia.

Market conditions remain challenging with exceptionally narrow leadership in a small number of stocks including Apple, Tesla and Facebook where the Fund has not been invested, which has been a headwind to recent performance. Such extremely narrow leadership is ultimately unsustainable - we remain focused on stock selection and ensuring the Fund remains invested in under-appreciated earnings leadership.

For further information, please contact:

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