

Alphinity Global Equity Fund

Quarterly Report September 2020

Performance ¹	Quarter %	6 months %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a ²
Fund return (net)	3.5	5.0	4.4	8.4	12.2	11.0
MSCI World Net Total Return Index (AUD) ³	3.7	10.0	3.9	6.5	11.1	10.2
Excess return ⁴	-0.2	-5.0	0.5	2.0	1.1	0.8

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	\$61.1M
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	5.0
Alphabet Inc	Communication Services	4.4
Trane Technologies plc	Industrials	3.5
Target Corp	Cons. Discretionary	3.4
Vestas Wind Systems A/S	Industrials	3.4
Morgan Stanley	Financials Ex Prop	3.4
FMC Corp	Materials	3.4
Nike Inc	Cons. Discretionary	3.3
Activision Blizzard Inc	Communication Services	3.3
Amazon.com Inc	Cons. Discretionary	3.3
Total		36.4

Data Source: Fidante Partners Limited, 30 September 2020.

Past performance is not a reliable indicator of future performance.

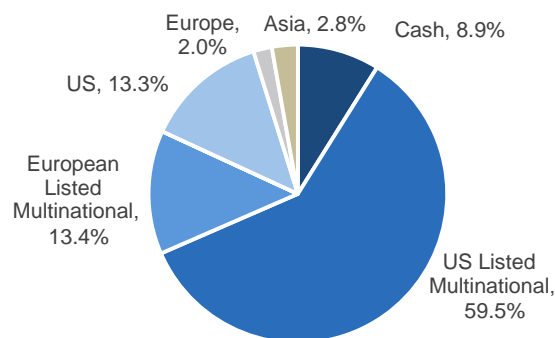
¹ Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

² The inception date for the Fund is 21 December 2015

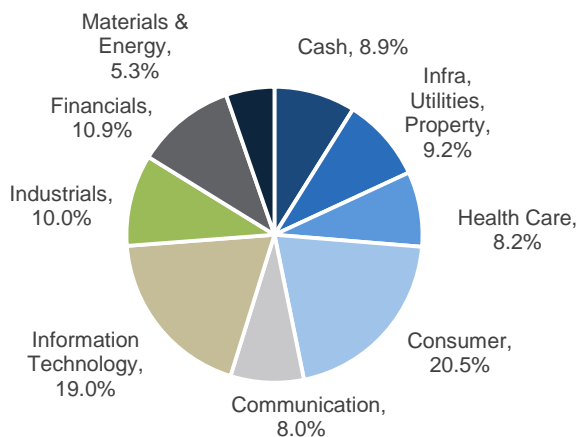
³ From 21 December 2015 to 31 March 2019, the Benchmark was the MSCI World Equity ex Australia (Net) Index. The current index is effective from 1 April 2019.

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	83%	86%	92%

All markets	1 Yr	3 Yr	Since inception
Outperformance consistency	50%	67%	61%
Up market capture	84%	96%	100%

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

Data Source: eVestment, 30 September 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 67% of all monthly rolling quarters, and 89% of down markets. It has captured only 86% of the fall in down markets. Since inception, it has captured more than 100% of up market returns.

Market comment

The MSCI World Index rose +7.5% (in USD) in the September quarter and is now more or less flat since the beginning of the year. The rally was led by the U.S. (S&P 500: +8.5%), with exceptionally strong performance by Technology Hardware stocks, while Europe lagged (STOXX Europe 600: +4.5%). Emerging markets delivered a respectable +8.7% (all in USD). By sector, the overall performance mostly reflected the continued economic recovery, with Consumer Discretionary, Semiconductors and Technology Hardware all outperforming and rallying more than 15%. Industrials and Material also outperformed, while Utilities and Real Estate were broadly flat. Banks and Energy were the main exceptions to the cyclical leadership, finishing the quarter slightly down.

Continued positive economic momentum, and rising optimism about an effective vaccine, were balanced by a second wave of COVID-19 cases in several countries (primarily in Europe), as well as uncertainty around further U.S. fiscal stimulus and the upcoming presidential election. Economic data moved further into expansion, with global manufacturing Purchasing Managers' Indices (PMI's) rising from 52.4 to 53.0 in September. The increase in activity was broad-based across regions, and forward-looking components such as New Orders (55.3) indicate the recovery is sustainable. In contrast to manufacturing, the indicators for Service PMIs continue to be more mixed with China and the US in recovery, while Europe weakened again towards the end of the quarter. The U.S. housing market continued its very strong growth path, with some fundamental indicators hitting levels not seen since well before the GFC. The U.S. 10-year Treasury yield fell to 50bps in early August, before finishing broadly unchanged at 68bps. The USD has been noticeably weak since April, and despite some relative strength in September, ended the period down another 3.6%.

Consensus earnings estimates for both 2020 and 2021 have increased by ~1.5% on average over the last three months, led by the U.S. (+3.5% for both years) but offset by more downgrades in both Asia and Japan. From a sector perspective, earnings leadership continued to inflect towards cyclical sectors such as Energy, Materials and Consumer Discretionary. The main laggards were Real Estate, Communication Services and Industrials.

Market outlook

The S&P 500 set a new record-high in September, with unprecedented fiscal and monetary stimulus instrumental in generating the quickest recovery from the fastest bear market in history; and the US Federal Reserve's move to average inflation targeting appears to have entrenched this support into formal policy. More recently, however, risk assets have been further boosted by an economic recovery which continues to gain pace. The bottom of the recession is now firmly behind us, even though the ultimate strength and duration of this cycle, beyond the recent initial bounce in activity, remains unusually uncertain. In combination, these two forces have resulted in not just growth stocks, but also certain segments of cyclical stocks, performing very well.

After the recent period of unsustainably narrow stock price leadership, and ever-rising valuation multiples, there are reasons for concern about stretched valuations in some 'growth' stocks. While unusual levels of policy support are likely to continue for at least the foreseeable future, potentially underpinning valuations on that side of the market, it's also increasingly likely that if the recovery continues, potentially boosted by positive vaccine news over the next few months, a significant change in market leadership will become increasingly likely - away from expensive growth stocks and towards relatively cheaper, more cyclical stocks and sectors.

Consequently, we have added new positions in some more cyclically sensitive stocks, where we have growing conviction about the outlook for earnings, while also remaining invested in growth stocks where we still see valuation support. During the quarter Otis, Bank of America and Teck Resources were added to the portfolio, reflecting emerging cyclical earnings trends. We also made new investments in Adobe, Nvidia, Reckitt Benckiser and Eli Lilly during the quarter, where recent developments have confirmed that their earnings potential remains under-appreciated. Significant positions in secular growth stocks Amazon, Activision Blizzard, Nike and Microsoft have been maintained. During the quarter, weakening earnings cases caused us to divest positions in Baxter, CME, Seagate, Ping-An Insurance and Comcast.

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.