Alphinity Global Equity Fund

Monthly Fact Sheet October 2020

Performance[1]	Quarter %	6 months %	1 year %	2 years % p.a	3 years % p.a	Inception % p.a[2]
Fund return (net)	1.7	3.4	4.7	11.2	10.4	10.7
MSCI World Net Total Return Index (AUD)[3]	2.0	5.0	2.4	8.9	9.1	9.7
Excess return[4]	-0.2	-1.6	2.3	2.3	1.3	1.0

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	$64.6M
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.

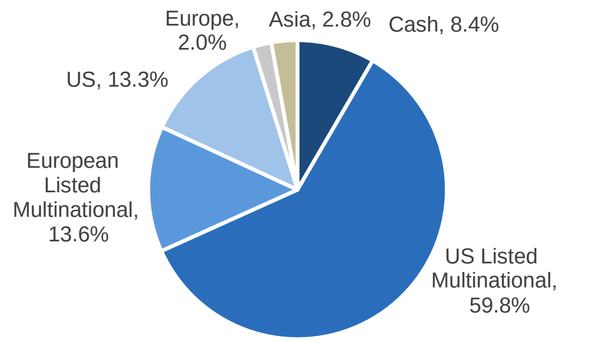
Aligned: Alphinity Investment Management is a boutique firm, strongly aligned with its clients' investment objectives and focused solely on growing clients' wealth.

Top 10 positions

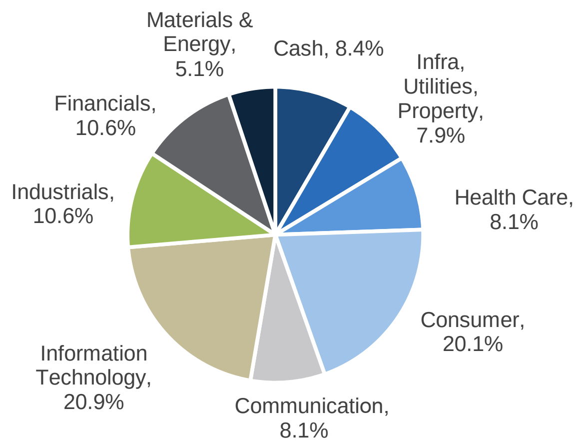
Company	Sector	%
Microsoft Corp	Info. Technology	5.0
Alphabet Inc	Communication Services	4.9
Trane Technologies plc	Industrials	4.0
Vestas Wind Systems A/S	Industrials	3.8
Morgan Stanley	Financials Ex Prop	3.5
FMC Corp	Materials	3.4
Target Corp	Cons. Discretionary	3.4
Nike Inc	Cons. Discretionary	3.3
Activision Blizzard Inc	Communication Services	3.3
Amazon.com Inc	Cons. Discretionary	3.2
Total		**37.7**

Data Source: Fidante Partners Limited, 31 October 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	9	16
Outperformance consistency	100%	89%	69%
Down market capture	79%	84%	91%

All markets	1 Yr	3 Yr	Since inception
Outperformance consistency	50%	64%	60%
Up market capture	88%	94%	100%

[5] Measures shown after fees. Down markets defined as a negative quarter, rolled monthly, for the index.
Data Source: eVestment, 31 October 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 64% of all monthly rolling quarters, and 89% 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

Global equities fell in October as investors nervously watched the upcoming US presidential election, as well as rising COVID-19 cases in several large economies and the reintroduction of lockdowns in parts of Europe. The MSCI World Index fell 3.1% led by Europe (STOXX Europe 600: -5.8%), the US (S&P 500 Index: -2.8%) and Japan (TOPIX: -2.0%), while Emerging Markets (MSCI EM: +2.0%) outperformed. By sector Energy (-5.5%), Technology (-5.2%) and HealthCare (-4.9%) were weakest, while Utilities (+1.8%) and Communications (+0.9%) outperformed.

Despite the relatively cautious market action, data released during the month continued to indicate that global growth was generally continuing to improve in both the manufacturing and service sectors. Global manufacturing PMIs (purhcasing managers' indices) reached a new cycle high of 53.0 (vs 52.3 in September), with a significant majority of economies now enjoying rising new orders – a key forward looking indicator. In the U.S., initial jobless claims fell to a new post-March COVID low of 751k, while Nonfarm Payrolls grew another 638k. The U.S. 10y bond yield rose 19bps to close at 0.87% and global commodity prices continued to grind higher (CRB All Commodities Index: +0.9%). The USD was broadly unchanged over the period.

Third quarter earnings reports were generally better than expected in both the U.S. and Europe, driving positive revisions to consensus earnings for both F20 and F21. Over the last three months, Materials, Consumer Discretionary, Communications and Financials have seen the strongest relative revisions for F21, while Energy, Real Estate and Industrials all continue to lag.

Market outlook

Our conviction in the sustainability of the current global growth cycle continues to build. What began as a snapback in activity post initial COVID lockdowns, relatively weak and patchy at first, has been sustained over the last several months despite second and even third waves of COVID infections in many countries. Recent events now suggest that the outlook for growth may have improved further, with political and vaccine-related news set to improve corporate and consumer confidence over the next few months.

At the time of writing, uncertainty around US elections is fading fast. Although Democrats appear to have fallen short of taking control of the Senate, meaning that pre-election expectations of a so-called 'blue-wave', and a significant 'Biden green deal', will be disappointed, we view a split government as a market friendly outcome to the extent that it keeps policy within the moderate consensus. At the same time prospects for an effective vaccine have significantly improved, with widespread availability increasingly probable next year. Meanwhile central banks should remain highly supportive, committed to keeping policy rates flat for several years, on top of further fiscal stimulus which is still likely in the U.S. and elsewhere. While this unusual level of policy support may continue to underpin valuations on the 'growth' side of the market, a stronger economic recovery makes a change in market leadership - away from expensive 'growth' stocks towards relatively cheaper, more cyclical, stocks and sectors – increasingly probable.

Near-term risks from lockdowns and the gap to additional fiscal support and widespread vaccine availability remain, however we continue to tilt the portfolio towards more cyclically sensitive stocks where we can build conviction about the outlook for earnings, while also remaining invested in growth stocks where we still see valuation support. During the month we entered Infineon Technologies, funded through the sale of Roche and taking some profit in American Tower and ASML.

For further information, please contact:

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