Alphinity Global Equity Fund

Quarterly Report December 2020

Performance[1]	Quarter %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a[2]
Fund return (net)	5.6	9.3	5.8	11.9	11.5	11.6
MSCI World Net Total Return Index (AUD)[3]	5.9	9.7	5.6	11.1	10.9	10.9
Excess return[4]	-0.2	-0.5	0.2	0.8	0.7	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	$82.0M
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

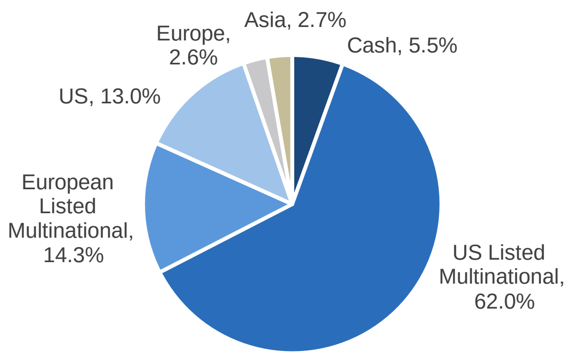
Top 10 positions

Company	Sector	%
Microsoft Corp	Info. Technology	4.9
Morgan Stanley	Financials Ex Prop	4.4
Alphabet Inc	Communication Services	4.4
Bank of America Corp	Financials Ex Prop	3.9
Amazon.com Inc	Cons. Discretionary	3.7
Nike Inc	Cons. Discretionary	3.5
Target Corp	Cons. Discretionary	3.4
Teck Resources Ltd	Materials	3.4
Eli Lilly & Co	Health Care	3.3
Infineon Technologies AG	Info. Technology	3.2
Total		**38.0**

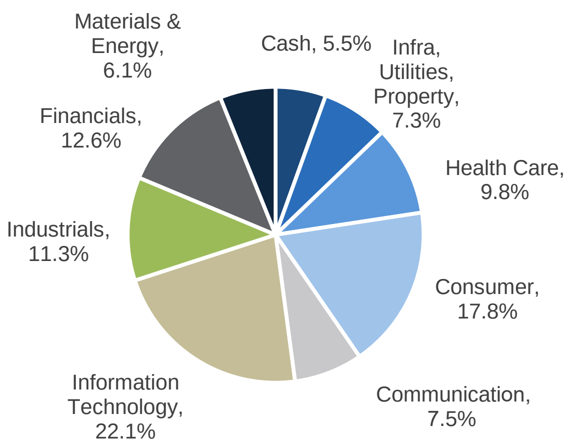
Data Source: Fidante Partners Limited, 31 December 2020.

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.

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	71%	80%	90%

All markets	1 Yr	3 Yr	Since inception
Outperformance consistency	42%	58%	58%
Up market capture	72%	90%	98%

[5] Measures shown after fees. Down markets defined as a negative quarter, rolled monthly, for the index.
Data Source: eVestment, 31 December 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 58% of all monthly rolling quarters, and 89% of down markets. It has captured only 80% of the fall in down markets. Since inception, it has captured 98% of up market returns.

Market comment

Global equities continued to rally strongly in the fourth quarter despite new COVID lockdowns in many countries across the world, with investors choosing to focus instead on several positive vaccine announcements and the Joe Biden election victory, which have spurred hopes of a strong post-COVID economic recovery. Positive news on the fiscal and monetary front also helped sentiment, with U.S. Congress approving additional financial support for COVID impacted businesses and households, as well as further supportive commentary from major central banks, including an extension of planned asset purchases by the European Central Bank (ECB) and Bank of England (BOE).

The MSCI World Index rallied +13.6% (in USD), led mainly by cyclical sectors including Energy (+25.5%), Financials (+23.5%) and Consumer Discretionary (+16.0%). Traditionally defensive sectors such as Consumer Staples (+5.8%), Real Estate (+8.0%) and Utilities (+8.7%) lagged on a relative basis. Higher global growth expectations and a weaker dollar (U.S. Dollar Index -4.2%) also helped emerging markets (MSCI Emerging Markets Index +19.34%) and commodities (CRB All Commodity Index +9.3%). Oil (Brent: +26.5%), copper (+16.0%) and iron ore (+12.3%) were all particularly strong. The U.S. 10y bond yield rose 23bps to close the year at 0.91%.

Economic data during the period was generally positive and resilient despite new lockdowns and social distancing restrictions in many countries. The Morgan Stanley Global Manufacturing Purchasing Managers Index hit a new cycle high of 54.8 in December, with broad geographic strength, and a strong forward-looking new orders component which remained in expansionary territory at 57 and close to its October cycle high of 57.5. U.S. unemployment also remained generally firm, although weakened somewhat in the December Nonfarm Payroll (-140k).

The new economic growth cycle is now also evident in corporate earnings. Consensus earnings expectations for the MSCI World Index have been revised higher for both 2020 (+6.2%) and 2021 (+3.2%), with relative strength from cyclical sectors including Materials, Consumer Discretionary and Financials in both years. Defensive sectors including Health Care, Utilities and Real Estate are also experiencing positive revisions, although lagging on a relative basis. It's also worth noting that Technology, a leading sector in the previous cycle, has experienced the weakest relative revisions over the last three months (although still positive).

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 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 in 2021.

Meanwhile central banks are likely to remain highly supportive having publicly 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 is also likely to carry on driving a change in market leadership - away from defensives and relatively expensive growth stocks towards more cyclical stocks and sectors.

Reflecting this new market leadership, we have continued to selectively rotate into more cyclical opportunities, financed mainly from defensives. We have generally maintained positions in many of our growth stocks, which still represent some of our highest conviction earnings stories for 2021 and beyond. Notable changes during the quarter included new positions in cyclical stocks such as Infineon and Volvo, financed through divestments/trimming of defensives such as Roche, American Tower and Nestle. We also initiated new positions in Danaher and S&P Global, and exited Aon, for stock specific reasons.

Despite our conviction around further recovery in global growth in 2021, markets have re-rated significantly and valuations are higher than normal coming out of a recession, and so it's likely that investors will now be looking for confirmation of recent gains from vaccine efficacy, re-opening and higher corporate earnings. Furthermore, many of the perceived re-opening winners remain structurally challenged and may disappoint recently inflated expectations. Our focus on investing in regions, sectors and companies with the strongest underappreciated earnings prospects, within a diversified portfolio, will be critical in what is likely to remain a relatively challenging market backdrop.

For further information, please contact:

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