Alphinity Global Equity Fund

Monthly Fact Sheet January 2021

Performance[1]	Quarter %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a[2]
Fund return (net)	6.4	8.2	2.2	11.4	12.2	11.5
MSCI World Net Total Return Index (AUD)[3]	6.5	8.6	0.7	10.3	11.5	10.6
Excess return[4]	-0.2	-0.4	1.4	1.1	0.7	0.9

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	$85.8M
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.

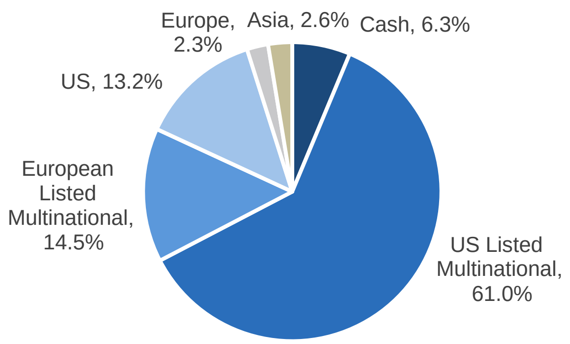
Aligned: Alphinity Investment Management is a boutique firm, strongly aligned with its clients' investment objectives and focused solely on growing clients' wealth.

Top 10 positions

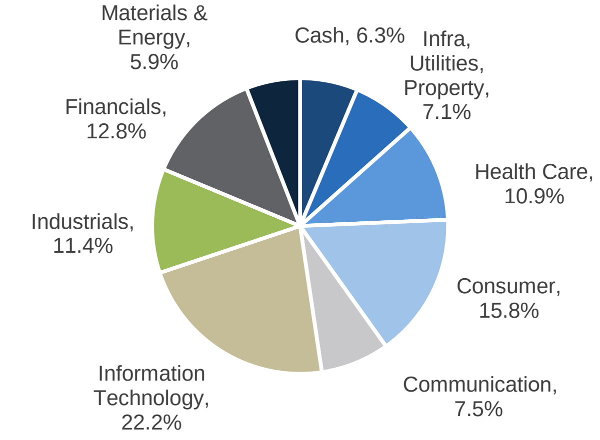
Company	Sector	%
Microsoft Corp	Info. Technology	5.0
Alphabet Inc	Communication Services	4.5
Morgan Stanley	Financials Ex Prop	4.3
Bank of America Corp	Financials Ex Prop	4.0
Eli Lilly & Co	Health Care	4.0
Amazon.com Inc	Cons. Discretionary	3.6
Target Corp	Cons. Discretionary	3.5
Teck Resources Ltd	Materials	3.4
Keysight Technologies Inc	Info. Technology	3.3
Infineon Technologies AG	Info. Technology	3.3
Total		**38.9**

Data Source: Fidante Partners Limited, 31 January 2021.

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	66%	77%	88%

All markets	1 Yr	3 Yr	Since inception
Outperformance consistency	33%	56%	57%
Up market capture	67%	89%	98%

[5] Measures shown after fees. Down markets defined as a negative quarter, rolled monthly, for the index.
Data Source: eVestment, 31 January 2021.

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 56% of all monthly rolling quarters, and 89% of down markets. It has captured only 77% of the fall in down markets. Since inception, it has captured 98% of up market returns.

Market comment

The MSCI World Index ended the month down -1.1% (in USD), despite rallying in the first three weeks of the year. Markets were initially supported by news of another significant U.S. fiscal support package, as well as better-than-expected fourth quarter earnings. Major central banks also maintained accommodative policies and associated supportive commentary. The pullback at the end of the month came against a backdrop of historically high market valuations and coincided with nervousness around a retail-driven short squeeze on some hedge fund positions.

Cyclical leadership continued with Semiconductors, Energy, Health Care and Consumer Discretionary leading market performance. Traditionally defensive sectors such as Consumer Staples and Diversified Financials lagged. Expectations of higher global growth drove the U.S. 10y bond yield up by 0.15% to 1.06% and commodities continued rallying (CRB All Commodities Index +3.2%).

The global earnings cycle also reflects the economic recovery. Consensus earnings expectations for 2021 rose another +2.1% in January and are now up +5.6% over the last three months. The relative sector leadership continues to be tilted towards cyclicals with Consumer Discretionary, Materials, IT and Financials seeing the largest upgrades. Consumer Staples, Communication Services and Industrials were the main laggards during the month.

Economic data during the period was generally positive and resilient despite new lockdowns and social distancing restrictions in many countries. The manufacturing cycle is in a robust re-stocking and expansion phase. The Global Manufacturing Purchasing Managers' Index (PMI) moderated slightly to 54.4 in January (from 55.0 in December), but has remained in expansion territory for five months now, at similar levels to the 2017 economic recovery. The services sector remains more sensitive to COVID-restrictions. The Services PMI Index continued to recover in the U.S. (to 58.7), although dropped back to 45.4 in Europe. U.S. headline payrolls of +49k in January were softer, held back by COVID-related restrictions in the retail and hospitality sectors. Beneath the surface, the U.S. employment market seems to be gaining momentum with leading indicators such as hours worked (+0.9% month-on-month) and average weekly earnings (1.1% month-on-month and +7.5% year-on-year) both pointing towards stronger payroll numbers in the months to come.

Market outlook

The current global growth cycle continues to build in strength, despite temporary pauses and setbacks from renewed lockdowns and restrictions in different geographies. Positive political and vaccine-related news has added to the already strong recovery of global corporate earnings. Meanwhile central banks are likely to remain highly supportive, on top of further fiscal stimulus which is still likely in the U.S. and elsewhere.

Despite our conviction in the economic recovery, markets have already re-rated significantly, and valuations are higher than normal coming out of a recession. From here it is likely that investors will need further confirmation of the strength of the earnings recovery as economies attempt to fully re-open. The broad rally in financial markets has also raised risks and complicated the outlook, and we would expect periods of elevated volatility this year.

The unusual level of policy support could continue to underpin valuations on the growth side of the market, but the economic recovery will likely carry on driving the current change in earnings leadership – away from defensives and some expensive growth stocks, towards more cyclical stocks and sectors. Reflecting this new leadership, we have continued to selectively invest in more cyclical opportunities, financed mainly from defensives. Meanwhile, we have maintained positions in our highest conviction growth stocks, which still have some of our highest conviction earnings stories for 2021 and beyond. During January we added to our existing positions in Otis and Volvo (cyclicals) as well as Nvidia, Danaher and S&P Global (growth). We exited our positions in Mondelez and Adobe due to weakening earnings support. We continue to look for the best bottom-up stock ideas where the market is underestimating and undervaluing the future earnings of the company.

For further information, please contact:

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