Alphinity Global Equity Fund

Monthly Fact Sheet February 2021

Performance[1]	Quarter %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a[2]
Fund return (net)	2.6	8.2	7.5	11.9	13.2	11.7
MSCI World Net Total Return Index (AUD)[3]	0.7	6.7	7.7	11.1	12.3	10.8
Excess return[4]	1.9	1.5	-0.2	0.9	0.9	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	$83.8M
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

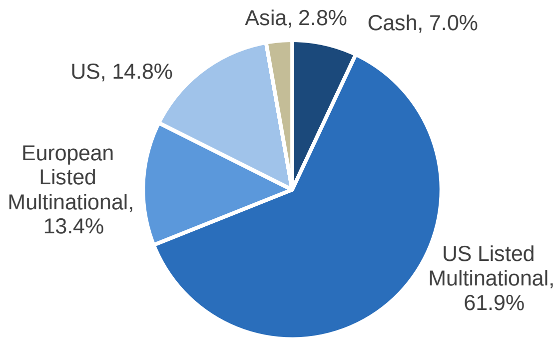
Top 10 positions

Company	Sector	%
Alphabet Inc	Communication Services	5.4
Microsoft Corp	Info. Technology	4.9
Morgan Stanley	Financials Ex Prop	4.8
Bank of America Corp	Financials Ex Prop	4.6
Nvidia Corp	Info. Technology	3.8
Teck Resources Ltd	Materials	3.8
Infineon Technologies AG	Info. Technology	3.5
Target Corp	Cons. Discretionary	3.5
Amazon.com Inc	Cons. Discretionary	3.4
Keysight Technologies Inc	Info. Technology	3.3
Total		**41.1**

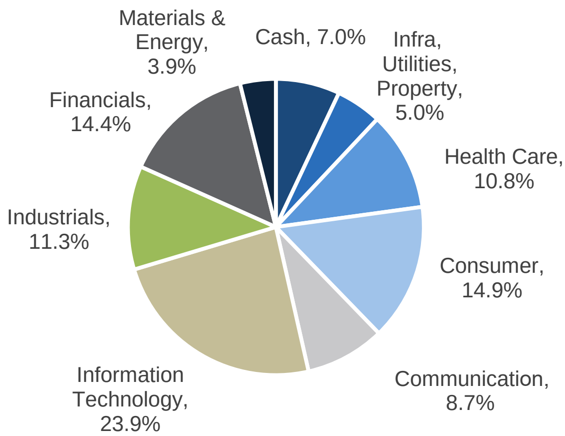
Data Source: Fidante Partners Limited, 28 February 2021.

Fund features
Concentrated: A long only, concentrated portfolio of 25-45 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	3	8	16
Outperformance consistency	100%	88%	69%
Down market capture	63%	79%	88%

All markets	1 Yr	3 Yr	Since inception
Outperformance consistency	33%	56%	57%
Up market capture	70%	90%	98%

[5] Measures shown after fees. Down markets defined as a negative quarter, rolled monthly, for the index.
Data Source: eVestment, 28 February 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 88% of down markets. It has captured only 79% 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 up +2.4%, with a rally in the early stage of the month tapering off in the second half. All major regions showed positive performance during February.

Rising bond yields were a major driver of markets - the U.S. 10y increased another +35bps to 1.41%, and European bonds also made noticeable moves, including the French 10y temporarily inflecting to a positive yield for the first time since mid-2020. Rising yields fuelled a global sector rotation during the month, with economically sensitive sectors outperforming (Banks, Materials, Energy) and defensive sectors underperforming (Utilities, Health Care, Consumer Staples). In fact, there was nearly an 18% performance spread between the best (Energy) and worst performing sectors (Utilities).

Markets were supported by a strong results season, with 61% of MSCI World companies beating expectations, and upgrades continued. Consensus earnings expectations for 2021 rose another +2.5% in January and have now risen +7.7% over the last three months. All regions have positive revisions. The global earnings cycle also reflects the economic recovery, with relative sector leadership tilted towards cyclical sectors such as Energy, Materials and Financials, which are seeing the largest upgrades. Defensive sector Consumer Staples, Utilities and Health Care are the main laggards, seeing around flat earnings revisions during the month.

Economic data during the period was generally positive and is starting to reflect economies re-opening from the most recent lockdowns. The Global Manufacturing Purchasing Managers Index (PMI) rose to 55.0 in Feb from 54.2, with a broad-based improvement across geographies. Rising GDP forecasts, and an acceleration of vaccination rates in the U.S., with currently 2-3m shots a day being administered, is adding to optimism for the world's largest economy. Rising demand in combination with low inventory levels and supply chain bottlenecks is leading to a global, inflationary pulse, and drove an accelerated rally in commodities during February (CRB All Commodities Index +6.1%).

Market outlook

The global economic cycle continues to build in strength, with positive vaccine-related news adding to the strong recovery in global corporate earnings. Meanwhile central banks are likely to remain supportive, on top of further fiscal stimulus which is still likely in the U.S. and elsewhere. The future development of the current inflation pulse will be key for the longer-term policy response - U.S. inflation expectations have now recovered to levels last seen at the previous cyclical peak in 2018.

Despite our continued conviction in the economic recovery, it's undeniable that markets have already re-rated significantly and valuations are higher than normal coming out of a recession. From here, it is likely that investors need continued strength in the earnings recovery, as economies gradually attempt to fully re-open. The rally has generally raised market risks, and we would expect periods of elevated market volatility this year, as we have seen at the end of both January and February.

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. We continue to look for the best bottom-up stock ideas where the market is under-estimating and under-valuing the future earnings of the company. Reflecting the earnings leadership, we have invested in more cyclical opportunities over the last six months, which was financed mainly from selling defensives. Meanwhile, we have maintained positions in our highest conviction growth stocks, which still have some of our strongest earnings stories for 2021 and beyond. During February we added a position in U.S. homebuilder Pultegroup, a company with a number of cyclical and structural growth drivers trading at an attractive valuation. We exited positions in Reckitt Benckiser, FMC and Aena due to a weakening earnings outlook. Taking advantage of recent stock price moves, we also made minor changes to a few positions during the month such as Prologis, Nvidia, HCA, Alphabet (added), as well as ASML and Eli Lilly (trimmed).

For further information, please contact:

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