Alphinity Global Equity Fund

Monthly Fact Sheet April 2021

Performance[1]	Quarter %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a[2]
Fund return (net)	11.1	18.1	22.1	14.4	15.6	13.2
MSCI World Net Total Return Index (AUD)[3]	10.2	17.4	23.2	13.2	13.8	12.1
Excess return[4]	0.9	0.8	-1.0	1.2	1.8	1.1

Fund facts	
Portfolio managers	Jonas Palmqvist, 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	$90.8M
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

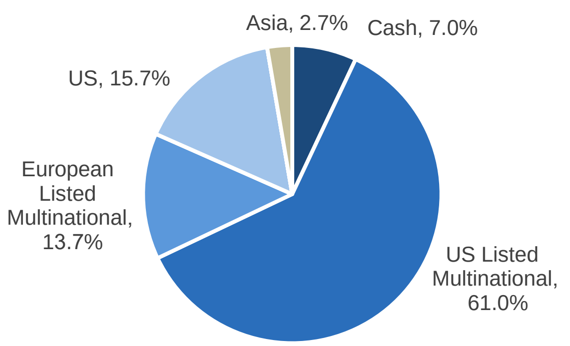
Top 10 positions

Company	Sector	%
Alphabet Inc	Communication Services	5.8
Bank of America Corp	Financials Ex Prop	5.0
Microsoft Corp	Info. Technology	4.9
Morgan Stanley	Financials Ex Prop	4.8
Nvidia Corp	Info. Technology	3.9
Otis Worldwide Corp	Industrials	3.7
Target Corp	Cons. Discretionary	3.6
Teck Resources Ltd	Materials	3.6
Amazon.com Inc	Cons. Discretionary	3.5
PulteGroup Inc	Cons. Discretionary	3.2
Total		**41.9**

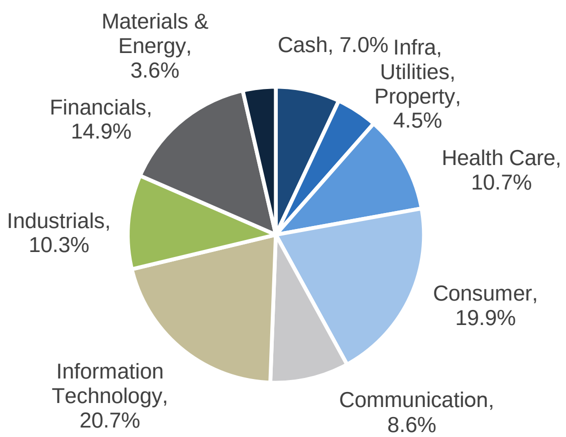
Data Source: Fidante Partners Limited, 30 April 2021.

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	1	8	16
Outperformance consistency	100%	88%	69%
Down market capture	63%	77%	88%

All markets	1 Yr	3 Yr	Since inception
Outperformance consistency	33%	56%	59%
Up market capture	89%	91%	99%

[5] Measures shown after fees. Down markets defined as a negative quarter, rolled monthly, for the index.
Data Source: eVestment, 30 April 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 77% of the fall in down markets. Since inception, it has captured 99% of up market returns.

Market comment

Global equities continued to push through to new highs during April, with a strong earnings reporting season, accommodative policy, and continued vaccine roll out. The US was the best performing region (S&P 500 Index +5.2%), while Japan's Topix (-2.9%) was the worst. Developed Markets outperformed Emerging Markets.

Cyclical and growth sectors outperformed defensives in April. The best performers were Tech (Communication Services) +6.7%, REITS +6.3% and Materials +5.1%. Underperforming sectors included Utilities, Consumer Staples and Energy. This stock performance mirrors the relative earnings leadership – analysts' global earnings expectations for 2021 rose another +5.2% in April, led by Financials, Communication Services and Materials (all above +7%), while defensive Utilities, Health Care and Consumer Staples saw modest 1% upgrades.

The incoming macro data moderated somewhat in April, but overall remains clearly in expansionary territory. The Global Manufacturing PMI was 56.5 after reaching a previous cycle high of 57.3. Geographically, the moderation was largely due to China and the US, which already have risen substantially. Inflation expectations continued to rise and are now above the 2017-18 level, the peak of the previous economic cycle. Input costs are becoming increasingly topical, with shortages and price rallies across many commodities and goods (semiconductors, timber, steel etc). The CRB All Commodity Index rallied another +5% during the month. Low inventory levels are an issue, with a record-high proportion of companies in Evercore's US corporate survey now stating inventories are "too low". Against this backdrop, the US 10-year Treasury yield, perhaps surprisingly, fell slightly during April, from 1.75% to 1.63% although has still risen over 70 bps this year. At the beginning of May, the US labour report was unexpectedly weak, showing private payrolls up just 218k jobs versus 933k expected.

Market outlook

The outlook for growth and inflation, and the associated impact on bond yields, is likely to continue dominating the investor debate for the next several months. In the near term, it seems clear that global economic activity continues to increase, with positive vaccine-related news adding to an already strong recovery in corporate earnings. Meanwhile policy makers remain supportive, with no apparent appetite to begin reigning in fiscal or monetary stimulus in any of the larger global economies, despite inflation expectations moving higher.

Nevertheless, it's undeniable that markets have already re-rated significantly, valuations are higher than normal and current investor positioning looks extended. We can't count on support from further expanding valuation multiples to drive markets higher from here. Given the unique re-opening dynamics, combined with significant levels of stimulus, this cycle is also likely to run hotter but also potentially shorter than normal. Leading indicators such as credit spreads remain positive, however investors will need confirmation from a further recovery in corporate earnings to validate higher valuations.

It also remains to be seen whether near term inflationary pressures, exacerbated by various manufacturing and logistic supply constraints, will persist and broaden and therefore requiring an earlier than expected policy response. The probability of higher corporate taxes and more active regulatory intervention also appear to be rising. The strong market rally has clearly raised risks and we expect periods of elevated market volatility this year as all of this plays out.

Against this backdrop, our portfolio positioning continues to reflect the current cyclical leadership in markets. However, we are also conscious of remaining disciplined on both value and quality, as we move deeper into the cycle. As the economic recovery strengthened in previous quarters, we increased our exposure to cyclical companies, a change financed by divesting defensive stocks. We have largely maintained our investments in our highest conviction growth stocks through this volatile "Covid" period, as they maintain some of our best earnings stories for 2021 and beyond. Overall, our portfolio activity was relatively limited in April. We added to our position in US homebuilder Pultegroup after a very strong quarterly report. Similarly, good earnings updates from both S&P Global and Nestle led to us increasing our exposure in both names. We sold out of our remaining position in Lumentum, with some concerning signs emerging around its market position in 3D sensing equipment. We cut back our position in Volvo somewhat, to reflect growing risks to truck production from semiconductor shortages across industry supply chains.

For further information, please contact:

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