

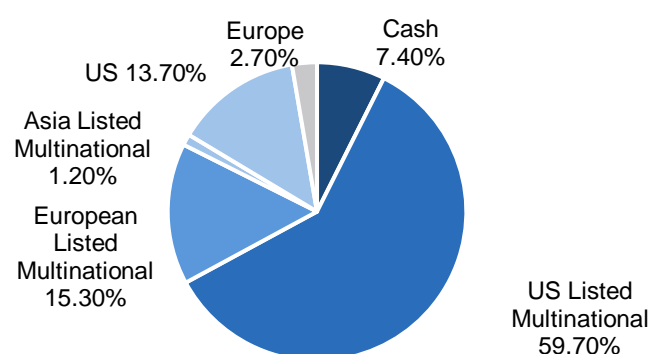
## Monthly Report November 2021

Performance <sup>1</sup>	3 months %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception % <sup>2</sup>
Fund return (net)	3.7	-	-	-	-	24.0
MSCI World Net Total Return Index (AUD)	2.1	-	-	-	-	14.2
Excess return <sup>3</sup>	1.6	-	-	-	-	9.7

Fund facts	
<b>Portfolio managers</b>	Jeff Thomson, Mary Manning, Jonas Palmqvist, Trent Masters, Nikki Thomas
<b>APIR code</b>	HOW1000AU
<b>Inception date</b>	3 June 2021
<b>Investment objective</b>	To outperform the MSCI World Net Index (AUD).
<b>Management fee</b>	1.00% p.a.
<b>Performance fee</b>	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. <sup>1</sup>
<b>Buy/sell spread</b>	+0.25% / -0.25%
<b>Fund size</b>	\$6.5M
<b>Distributions</b>	Annually at 30 June
<b>Min. Investment</b>	\$10,000
<b>Max. cash position</b>	20%
<b>Carbon Intensity (ave weighted)</b>	18.1 (vs MSCI Benchmark 134.1)

Fund features
<b>Sustainable:</b> A long only, concentrated portfolio of 25-40 global companies with strong ESG practices that contribute towards at least one of the UN Sustainable Development Goals. Diversified across sectors and regions.
<b>Discipline:</b> A disciplined process finding quality businesses with strong earnings that are under appreciated by the market. This approach used across all Alphinity strategies has proven successful through different market cycles.
<b>Talent:</b> A united and deeply experienced team of global portfolio managers each with over 20 years in the industry.
<b>Aligned:</b> Alphinity Investment Management is a boutique firm, strongly aligned with its clients' investment objectives and focused solely on growing clients' wealth.

## Geographical exposure

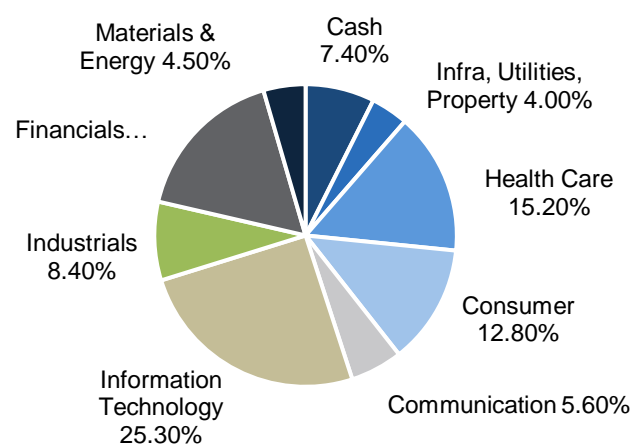


## Top 10 positions

Company	Sector	%
Microsoft Corp	Info. Technology	6.3
Alphabet	Communication Services	5.6
Apple Inc	Info. Technology	5.4
Danaher Corp	Health Care	4.2
UnitedHealth Group Inc	Health Care	4.1
ASML Holding NV	Info. Technology	4.1
Lowe's	Cons. Discretionary	4.0
Prologis Inc	Real Estate	4.0
Keysight	Info. Technology	3.7
S&P Global Inc	Financials	3.4
<b>Total</b>		<b>44.8</b>

Data Source: Fidante Partners Limited, 30 November 2021.

## Sector exposure



<sup>2</sup> The inception date for the Fund is 3 June 2021.

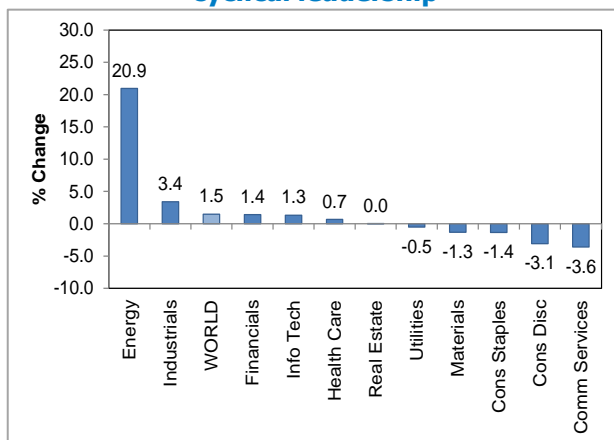
<sup>3</sup> Numbers may not add due to rounding.

## Portfolio comment and outlook

Global growth remains above trend as we enter 2022, however growth momentum appears to have already peaked and, despite recent market jitters from the new omicron variant, valuations remain historically elevated. Hawkish comments from Chairman Powell also suggest that the US Federal Reserve (Fed) would like to accelerate tightening of monetary policy in the face of higher inflation. Taken together, this presents a relatively challenging backdrop and consequently we expect that validation from higher corporate earnings will be increasingly important.

The recent reporting season was supportive, with analyst forecasts for both 2021 and 2022 global earnings rising another +1.5% over the last three months. Continued cyclical sector leadership also suggests it is still too early to get outright defensive, however the upgrade cycle is losing some its' breadth, with not all sectors participating as strongly as before. For 2022, Energy, Industrials and Financials have experienced the strongest positive revisions, while Communication Services, Consumer Discretionary and Consumer Staples all seeing downgrades on average.

### Earnings Revisions for 2022 - Continued cyclical leadership



Source: Alphinity, Bloomberg, 2 December 2021

While we have largely maintained a bias to our best sustainable growth and cyclical investment ideas, we have continued to make some changes to reflect the maturing cycle and higher valuations. In November, we took some profit in Nvidia, HCA, Keysight, DSM, Tesla and Prologis, which have all performed strongly recently. We also chose to exit Nomad Foods due to growing headwinds from higher input costs. New positions were initiated in Recruit and Daimler. Recruit is a leading staffing and technology business with earnings tailwinds from labour shortages and post-covid job turnover, and strong positive alignment with SDGs 8 (decent work and economic growth) and 10 (reduced inequalities).

### Recruit – Staffing & Tech company enjoying earnings tailwinds



Source: Alphinity, Bloomberg, 30 November 2021

Daimler is a leading motor and truck manufacturer set to benefit from the transition to full electrification and trading on an attractive forward price to earnings (PE) of only ~7x.

With growth and monetary stimulus peaking, the earnings cycle maturing, and valuations high, investment risks appear to be rising. We intend to keep an open mind about the outlook, with a strong bench of high quality, sustainable stocks for different growth and market outcomes. We will continue to let earnings leadership, on a stock by stock basis, guide us through the cycle.

## What's on our mind – Active Ownership & Collaborative Engagement

Alphinity has recently released our first ESG and Sustainability Report, which is an accumulation of the effort we have made in responsible investing across all our Funds for more than a decade. In this monthly, we include a summary out of the Active Ownership section of the Alphinity ESG and Sustainability Report. You can find the full report on our website: [Alphinity ESG and Sustainability Report 2021 - Alphinity](#)

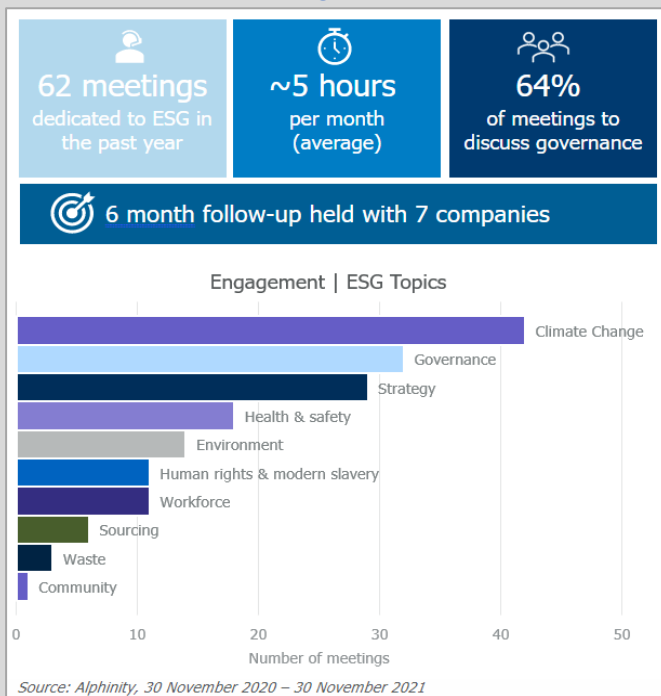
### Company engagement at Alphinity

We aim wherever possible to engage with all the companies in which we have invested, as well as those in which we are considering investing. We believe this is the most effective way to gain a detailed understanding of the ESG risks and opportunities the company is facing.

We engage with a range of internal stakeholders to better understand ESG issues and encourage stronger ESG outcomes. This is primarily done through 1 on 1 engagements however it can also include group investor meetings and collaborative engagements through industry groups such as PRI, RIAA and CA100+.

We record all dedicated ESG engagement activities separately to regular company meetings in an engagement log and track progress against specific engagement objectives.

### Alphinity Global Engagements – 12months to 30 Nov'21



The ESG-related topics shown in the figure above are the ten most discussed ESG themes from our ESG company engagements over the last 12 months. Of these, climate change and governance were the two most common topics:

- **Climate change** represents a significant systemic challenge for the global economy and as such was a central topic for engagement. Discussions covered net zero commitments, low carbon transition plans, emissions footprints and reporting, and management of physical risks.
- **Governance** is also a common topic for engagement. Along with the usual governance topics, discussions have been focussed on the integration of sustainability aspects into corporate governance frameworks. For example, the way sustainability targets are linked to senior management responsibilities and compensation.

### Engaging with specific objectives

We aim to be proactive and to use engagements to encourage specific objectives and outcomes. For each engagement we determine a set of objectives and monitor progress through ongoing engagement. Below we illustrate two examples of recent engagements with our specific objectives and the outcomes.

Company	ESG topics	Objective
<b>Daimler AG</b> August 21	Climate action and EV Strategy	<ul style="list-style-type: none"> <li>• General overview of ESG threats and opportunities</li> <li>• Transition to EVs/H2-fuel cells</li> <li>• Progress on emissions reduction targets and supply chain goals</li> </ul>
<b>Outcome:</b> <ul style="list-style-type: none"> <li>• We confirmed that Daimler is a leader in ESG and sustainability with very advanced policies and practices</li> <li>• By 2025 all newly launched vehicles will be electric only</li> <li>• It has set an ambitious goal to achieve a CO2 neutral supply chain for Mercedes vehicles by 2039</li> </ul>		
<b>DSM</b> June, August and November 21	Emissions, company strategy	<ul style="list-style-type: none"> <li>• Discuss emissions reduction strategy</li> <li>• Clarify modern slavery risk management and approach</li> </ul>
<b>Outcome:</b> <ul style="list-style-type: none"> <li>• Confirmed the high emissions intensity is largely due to the vitamin production process which requires gas as a feedstock.</li> <li>• In August 2021 DSM released a new carbon target to reduce 50% scope 1 and 2 emissions by 2030.</li> <li>• Ongoing work on modern slavery – provided direct feedback for future disclosures</li> </ul>		

*As investors, we have the ability to influence the behaviour and actions of companies we are invested in. We take this responsibility very seriously and, where possible, aim to use this **influence to create positive outcomes** for the business, shareholders, and society more broadly.*

**For further information, please contact:**

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