

Monthly Report January 2022

Performance ¹	Quarter %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a ²
Fund return (net)	0.6	3.5	32.6	21.2	18.2	14.7
MSCI World Net Total Return Index (AUD) ³	3.0	4.6	26.9	17.9	15.0	13.1
Excess return ⁴	-2.3	-1.1	5.7	3.2	3.2	1.6

Fund facts

Portfolio managers	Jonas Palmqvist, Jeff Thomson, Trent Masters, Mary Manning
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	\$204.2M
Distributions	Annually at 30 June
Min. Investment	\$10,000
Max. cash position	20%

Fund features

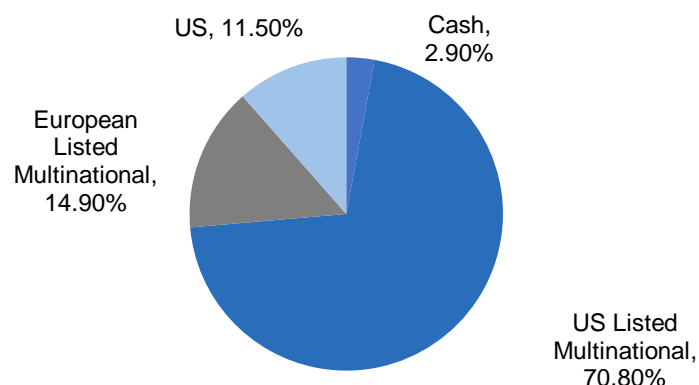
Concentrated: A long only, concentrated portfolio of 25-40 of our best ideas, highly diversified across sectors and regions. A truly global fund consistently exposed to powerful trends reshaping our world.

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.

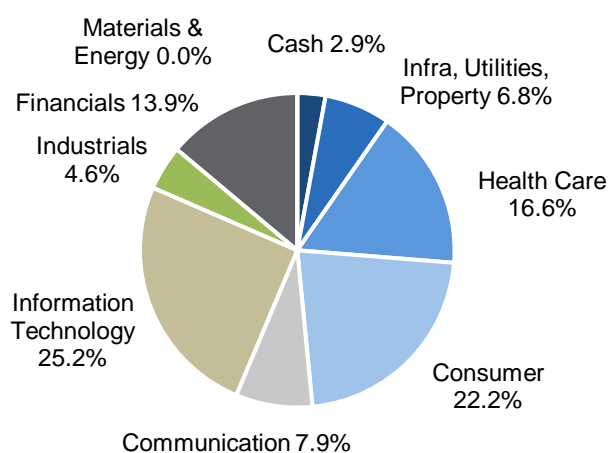
Talent: A united and deeply experienced team of global portfolio managers each with over 20 years in the industry.

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



Top 10 positions

Company	Sector	%
Apple	Info. Technology	6.2
Microsoft Corp	Info. Technology	6.1
Alphabet	Comm. Services	5.7
Bank of America Corp	Financials Ex Prop	5.2
UnitedHealth Group	Health Care	4.5
Danaher Corp	Health Care	4.1
LVMH Moet Henne	Consumer Disc	3.8
Nestle	Consumer Staples	3.7
Merck & Co	Health Care	3.5
Pepsico	Consumer Staples	3.4
Total		46.3

Data Source: Fidante Partners Limited, 31 January 2022

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.

Portfolio comment and outlook

The market backdrop is defined by policy tightening, elevated market valuations and a likely slowing of both economic and earnings growth. While global growth remains above trend, momentum has likely already peaked, and recent comments from the US Federal Reserve signal a hawkish pivot and a clear intention to accelerate tightening of monetary policy in the face of higher inflation. Taken together, this presents a more challenging environment for financial markets, and we expect that validation from higher corporate earnings will be even more important for equities and our portfolio this year.

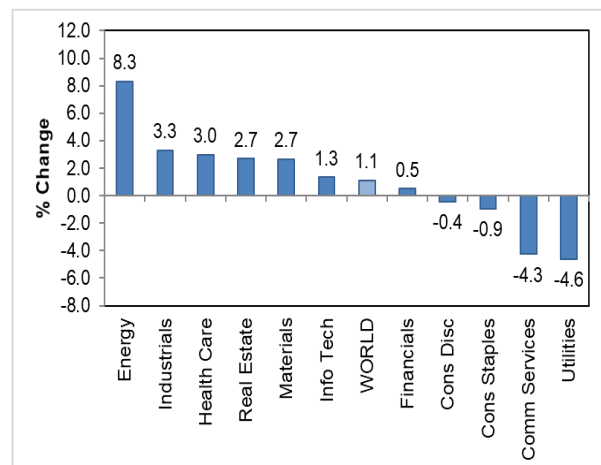
After 2021 earnings growth of +57% for the MSCI World (ex Australia) Index, analysts currently expect growth to slow to only +8% in 2022. Fourth quarter earnings have so far beaten analyst expectations on average, and while expectations for 2022 earnings have inched 0.4% higher over the last four weeks, relatively mixed forward guidance has seen a marked deceleration in both the magnitude and breadth of these revisions. Ongoing supply chain and labour costs have reduced visibility for management teams.

Relative earnings leadership has also begun to shift, with defensive sectors including Health Care and Property beating the market over three months, while Consumer Discretionary is lagging. After an extraordinarily strong post-Covid earnings recovery, the cycle now appears to be maturing with risks starting to shift to the downside. Negative earnings revisions would add to market headwinds, and likely accelerate the shift towards more defensive, quality leadership.

Reflecting this outlook, recent portfolio changes have mainly focused on consolidating positions in our highest conviction earnings stories, while continuing to take profits in some of our best performers from last year. These changes have continued to shift the Portfolio less cyclical at the margin versus a few months ago.

During the month we took some profit in positions including S&P Global, Morgan Stanley and Estee Lauder, and also exited positions in Netflix and HCA after weak/mixed earnings reports. New positions were initiated in Wells Fargo and Tesla, where we believe the outlook for earnings remains significantly under appreciated.

2022 3-Month Earnings Revisions - Earnings leadership is shifting more defensive



Source: Alphinity, Bloomberg, 2 February 2022

With economic growth and monetary stimulus peaking, the earnings cycle maturing, and elevated valuations, investment risks are higher. We intend to keep an open mind about the outlook, with a strong bench of high-quality stocks for different growth and market outcomes. We will maintain our vigilance on stock valuations and continue to let earnings conviction, on a stock by stock basis, guide us through the cycle.

For further information, please contact:

Fidante Partners Investor Services | p: 13 51 53 | e: info@fidante.com.au | w: www.fidante.com.au

This material has been prepared by Alphinity Investment Management Limited (ABN 94 002 835 592, AFSL 234668) Alphinity, the investment manager of the Alphinity Global Equity Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (**Challenger Group**) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Alphinity and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Alphinity and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the *Banking Act 1959* (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (**Challenger ADI**) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.