# Alphinity Global Equity Fund

## Monthly Report February 2022

| Performance[1] | Quarter % | 6 months % | 1 year % | 3 years % p.a | 5 years % p.a | Inception % p.a[2] |
|---|---|---|---|---|---|---|
| Fund return (net) | -10.3 | -6.8 | 22.0 | 16.6 | 16.3 | 13.3 |
| MSCI World Net Total Return Index (AUD)[3] | -5.9 | -4.0 | 18.2 | 13.7 | 13.4 | 11.9 |
| Excess return[4] | -4.4 | -2.9 | 3.9 | 2.9 | 2.9 | 1.4 |

| 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** | $193m |
| **Distributions** | Annually at 30 June |
| **Min. Investment** | $10,000 |
| **Max. cash position** | 20% |

### Top 10 positions

| Company | Sector | % |
|---|---|---|
| Apple | Info. Technology | 7.0 |
| Alphabet | Comm. Services | 6.7 |
| Microsoft | Info. Technology | 6.0 |
| Bank of America Corp | Financials Ex Prop | 5.1 |
| UnitedHealth Group | Health Care | 4.6 |
| Nestle | Consumer Staples | 4.2 |
| Danaher Corp | Health Care | 4.0 |
| McDonalds | Consumer Staples | 3.9 |
| Pepsico | Consumer Staples | 3.6 |
| Merck & Co | Health Care | 3.4 |
| **Total** | | **48.6** |

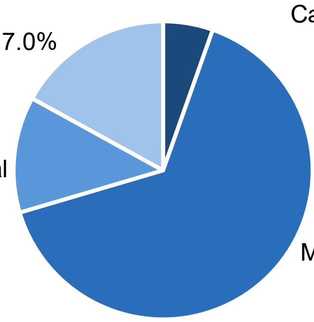
**Data Source: Fidante Partners Limited, 28 February 2022**

[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.

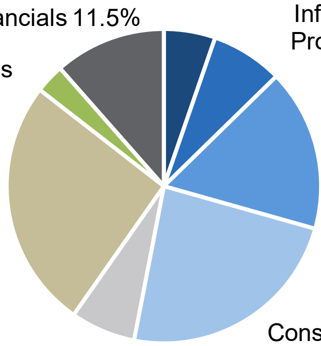
[2] The inception date for the Fund is 21 December 2015

| 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



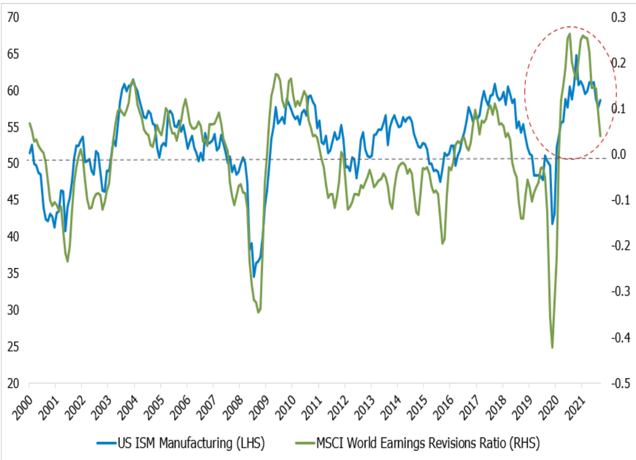

[3] From 21 December 2015 to 31 March 2019, the Benchmark was the MSCI World Equity ex Australia (Net) Index. The current index is effective from 1 April 2019.

[4] Numbers may not add due to rounding

## Portfolio comment and outlook

The overall market outlook has continued to deteriorate following the tragic Russian invasion of Ukraine, which creates significant risks of commodity supply shocks and accelerates the already ongoing global economic slowdown. Parallel to unpredictable geopolitics, the Federal Reserve is still signalling a hawkish pivot to a tighter monetary policy, adding to market uncertainty. Approaching the two-year mark of the global recovery, the financial markets environment looks set to be challenging and volatile in 2022.

**MSCI World EPS Revision Breadth vs US ISM Manufacturing – Global Earnings cycle is peaking**

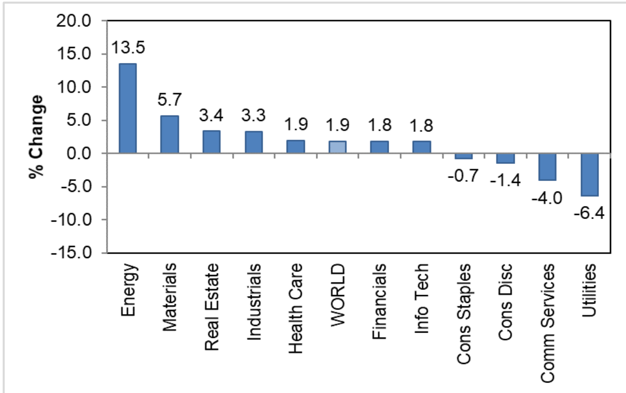



*Source: Alphinity, Bloomberg, 28 February 2022*

The fourth quarter reporting season was overall positive in terms of reported earnings, but it's clear that the extraordinary 'earnings beat' period of 2020-21 is behind us. Company guidance in the US was the weakest since 2019, and for the first time since this recovery started, we witnessed net earnings downgrades (-1.3%) by consensus for the next quarter. However, a majority of companies (and analysts) still reiterated full-year numbers, which added to a growing second-half skew for 2022. We believe downside risks to earnings are increasing across many parts of the market, especially as margin expectations are sitting well above previous records.

The relative sector leadership is more mixed than before, and differences between sectors have been shrinking. Cyclicals have overall lost some momentum, growth sectors remain mostly positive but with big differences between individual stocks, and defensives have caught up with the market in aggregate after being clear laggards in 2020-21.

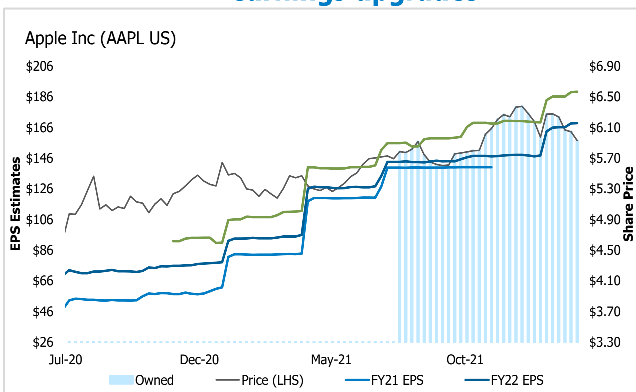
**2022 3-Month Earnings Revisions – Energy & Materials the outliers**




*Source: Alphinity, Bloomberg, 1 March 2022*

With a more negative cycle and lower future visibility, we believe stock selection and a relatively concentrated portfolio will be even more important for performance this year. Driven by our bottom-up convictions and changing views of earnings outlooks, our portfolio saw some continued change over the month. We trimmed and sold out of positions in Morgan Stanley and Trane Technologies, both cyclicals with more uncertain earnings outlooks from here. We also lost conviction in the Universal Music Group investment case and divested the holding. We added to Apple and McDonald's, with both these flagship defensive growth companies delivering strong quarterly reports.

**Apple – Adding to flagship growth plays with earnings upgrades**




*Source: Alphinity, Bloomberg, 1 March 2022*

In summary, the cocktail of a peaking earnings cycle, war, inflation and policy tightening have increased outlook risks for 2022. We continue to keep our minds open and look for stocks with the most reliable and misunderstood earnings outlooks.

## For further information, please contact:

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