Alphinity Global Sustainable Equity Fund

alphinity INVESTMENT MANAGEMENT

Monthly Report August 2022

Performance[1]	3 months %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception %[2]
Fund return (net)	1.2	-5.3	-12.7	-	-	3.0
MSCI World Net Total Return Index (AUD)	-1.2	-5.7	-9.5	-	-	1.0
Excess return[3]	2.4	0.4	-3.3	-	-	2.0

Fund facts

Portfolio managers	Jeff Thomson, Mary Manning, Jonas Palmqvist, Trent Masters, Chris Willcocks.
APIR code	HOW1000AU
Inception date	3 June 2021
Investment objective	To outperform the MSCI World Net Index (AUD).
Management fee	0.75% 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	$44m
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%
Carbon Intensity (ave weighted)	83 (vs MSCI Benchmark 130.5)

Top 10 positions

Company	Sector	%
Apple Inc	Info. Technology	5.2
UnitedHealth Group	Health Care	4.9
Danaher	Health Care	4.9
Waste Connections	Industrials	4.8
Chubb	Financials	4.7
Keysight	Info. Technology	4.2
Deutsche Boerse AG	Financials	4.2
Alphabet	Comm. Services	4.1
Mircrosoft	Info. Technology	4.1
American Tower	Real Estate	3.8
Total		**44.8**

Data Source: Fidante Partners Limited, 31 August 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. Past performance is not a reliable indicator of future performance.

Fund features

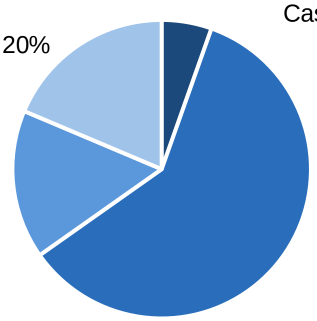
Sustainable: A long only, concentrated portfolio of 25-40 global companies with strong ESG practices that contribute towards at least one of the UN sustainable development goals. Diversified across sectors and regions.

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.

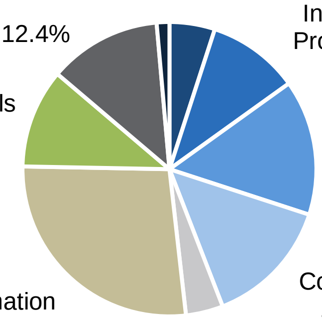
Talent: A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

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



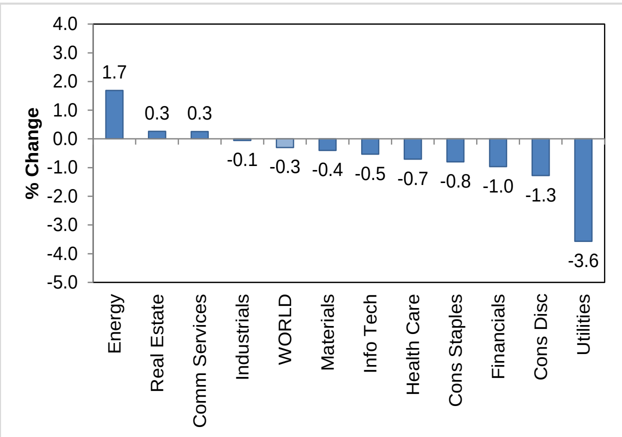
[2] The inception date for the Fund is 3 June 2021.
[3] Numbers may not add due to rounding.

Portfolio comment and outlook

We would expect financial markets to continue to be volatile against the current macro-economic and geopolitical backdrop. Some of the large, current uncertainties are Europe heading into winter with an ongoing energy crisis, the end game for the Fed's tightening cycle, and China's persistence with Covid lockdowns. Meanwhile, the global earnings cycle has continued to weaken at a similar pace as before, with market earnings expectations falling another -0.3% for both 2022 and 2023 during August. With third quarter reports approaching, we have also seen a ramp up in profit warnings lately across many sectors and regions.

From a sector perspective, relative differences in earnings revisions are small, with most sectors now seeing net downgrades. Overall, aided by insights from our team's many recent overseas research trips, we still believe earnings expectations seem overall too high. Global analysts expect nearly 10% earnings growth in the second half of 2022, which appears too optimistic.

MSCI World Sector 2022 – 4 Week Earnings Revisions



Source: Bloomberg, Alphinity, MSCI, 1 September 2022

In terms of portfolio decisions, this is a period of headwinds (macro and earnings) where individual stock picking and detailed fundamental analysis come to the fore. We have seen plenty of examples where similar companies, which operate in the same market segment, produce very different earnings outcomes. Company market position, pricing power, operational quality and management execution are big drivers of relative stock performance at the moment, which isn't unusual when economies are slowing down, financial conditions tightening, and equity markets are volatile.

During the last month we added a new position in Nextera Energy Partners, a high-quality renewables owner and operator. MercadoLibre, the leading e-commerce and payments platform in Latin America, also entered our portfolio after another revenue beat and with earnings having turned a corner. Finally, we also added back some cyclical exposure through Advanced Drainage Systems, the market leader in HDPE and PPE water management solutions. We trimmed our position in Microsoft due to some potential earnings risks going forward and reduced our exposure to Prologis and Keysight on valuation grounds after good performance.

We continue to look for global stocks with misunderstood and under-appreciated earnings potential, and our highest conviction and quality ideas make up our relatively concentrated portfolio.

What's on our mind – Five global growers outstripping the market

Global equity investors remain on edge. Investors have mainly been concerned about higher inflation and interest rates year to date, but fears are shifting to slowing economic growth. Specifically, whether slower growth will spill over into lower future corporate earnings growth.

Despite the likelihood of entering a downgrade cycle, there are companies that can grow earnings ahead of expectations and enjoy *earnings upgrades*. Investors need to pivot towards 'Upgraders' because they can protect against downside risks and generate solid returns in a difficult market.

In this note we look at 5 high quality, diverse global upgraders that bucked the trend during the recent second quarter reporting season.

NextEra Energy Partners (NEP US) – Defensive US utility with multiple growth levers

NextEra Energy Partners is a utility Yield Company which acquires, manages, and owns contracted wind clean energy projects with stable, long-term cash flows. It is a growth-oriented limited partnership formed by NextEra Energy (NEE US), the largest and highest quality US utility company, which also owns 55% of the company.

NEP reported solid 2Q22 results with EBITDA of $500m (vs consensus expectations of $460m) and reiterated the recently raised guidance for FY22 EBITDA of $1.79-1.99bn. The company is also on track for 12-15% dividend growth until 2025 with the currently yield at 3.9%. Over the last month, NEP has seen both consensus dividend and earnings upgrades for FY22 and FY23.

With clear growth visibility, NEP is a great way to participate in the significant US renewables growth. The recent passage of the federal clean energy legislation will also give an extra boost to clean energy producers such as NEE/NEP. For more detail in this note, please visit our website: [Insights - Alphinity]

For further information, please contact:

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