alphinity INVESTMENT MANAGEMENT

Class F Monthly Report October 2022

Performance[1]	3 months %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception % p.a.
Fund return (net)	2.4	3.3	-6.8	-	-	6.9
MSCI World Net Total Return Index (AUD)	1.7	2.1	-4.2	-	-	3.9
Excess return[2]	0.7	1.2	-2.5	-	-	3.0

Fund facts	
Portfolio managers	Jeff Thomson, Mary Manning, Jonas Palmqvist, Trent Masters, Chris Willcocks.
APIR code	HOW0792AU
Inception date	31 May 2021
Investment objective	To outperform the MSCI World Net Index (AUD).
Management fee	0.25% p.a.
Performance fee	Nil
Buy/sell spread	+0.25% / -0.25%
Fund size	$25m
Distributions	Annually at 30 June
Min. Investment	$500,000
Max. cash position	20%
Carbon Intensity (ave weighted)	78.7 (vs MSCI Benchmark 131.7)

Top 10 positions

Company	Sector	%
Chubb	Financials	6.2
Keysight	Info. Technology	5.6
United Health Group	Health Care	5.0
DBS Group	Financials	4.9
Danaher	Health Care	4.5
NextEra Energy Partners	Utilities	4.4
Waste Connections	Industrials	4.3
Mastercard	Financials	4.1
Agilent Technologies	Info. Technology	4.0
ASML	Info. Technology	3.9
Total		**47.1**

Data Source: Fidante Partners Limited, 31 October 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

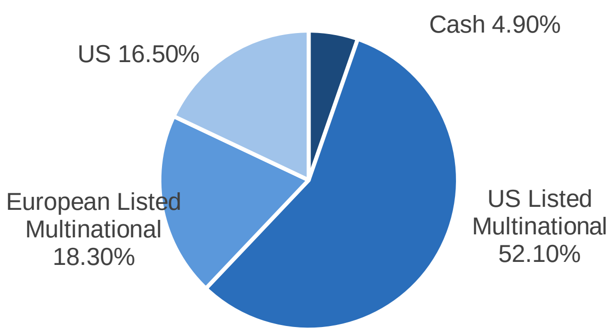
Sustainable: A long only, concentrated portfolio of 25-40 global companies with strong ESG practices that contribute towards at least one of the UN sustainable development goals. Diversified across sectors and regions.

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.

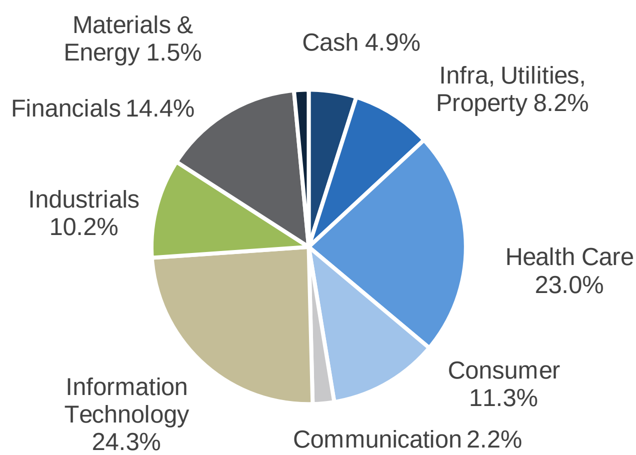
Talent: A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

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

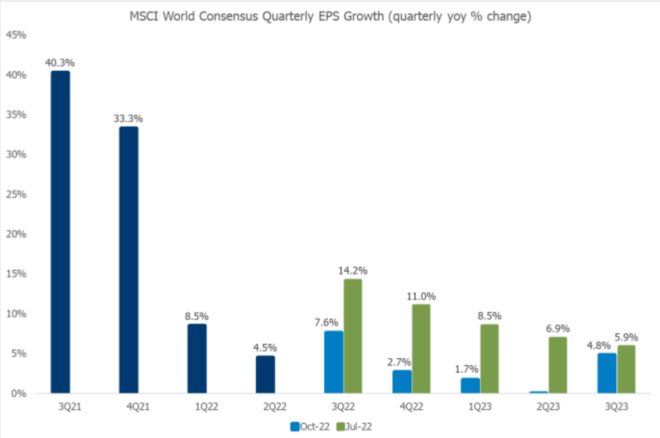


[2] Numbers may not add due to rounding.

Portfolio comment and outlook

The outlook for growth remains challenging. The global economy is still struggling with high inflation, an abrupt tightening of financial conditions and of course a strong dollar. Together these represent significant headwinds for growth, pressuring real wages, consumer confidence and housing markets in the U.S. and across the world. While there are some recent signs of moderating inflationary pressures in the U.S., which could translate into a less hawkish Fed, there is a risk that this will be too late to avoid a sharp slowdown in global growth and corporate earnings.

Global Earnings Expectations consistently getting downgraded

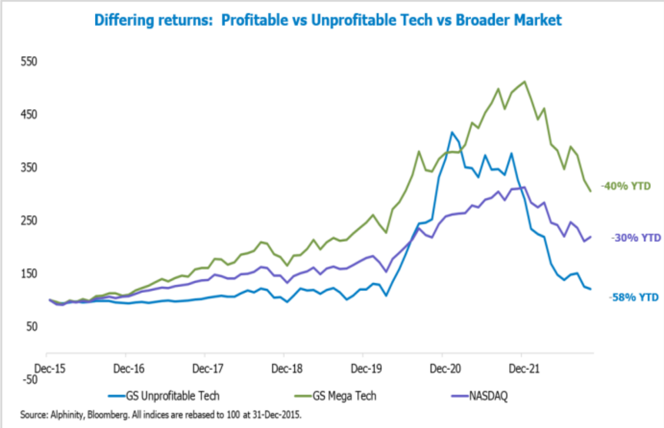


Source: Bloomberg, 31 October 2022

At the same time, analysts continue to be slow in recognising the full scope of the potential downturn in their 2023 earnings estimates. Over the last three months, estimates have been cut by 3.6%, with negative revisions across nearly all sectors. Utilities, Financial and Healthcare estimates have held up relatively well, whilst Materials and Industrials have experienced the sharpest downgrades. Despite these downgrades, bottom-up consensus still expects EPS growth for the MSCI World Index of +4.2%. This seems optimistic in the context of decelerating growth and margin headwinds, especially after strong EPS growth in both 2021 (+22%) and 2022 (+9.9%). Our analysis and recent overseas trips continue to suggest that further (potentially significant) earnings downgrades are likely over the next few months, especially as management provide guidance for 2023.

While the recent earnings reporting season has been better than feared, stronger reports have generally not been rewarded and misses have been sharply punished. In this context, portfolio changes have been focused on maintaining exposure to superior earnings growth. Alphabet reported weak third quarter earnings, which missed market expectations on both revenues and margins. Cyclical headwinds to advertising suggest earnings are likely to continue to be under pressure and consequently we have reduced our exposure.

2022 "Tech Wreck": E-commerce, Subscriptions, Deliveries, Crypto, Gaming, nothing has been spared

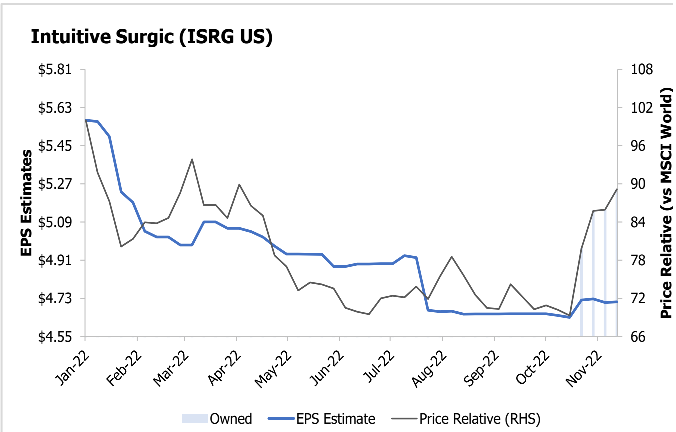


Source: GS, Bloomberg, 31 October 2022

Elsewhere, we took the opportunity to add new positions in Fortinet and Intuitive Surgical, global leaders in cyber security and robotic surgery respectively. Both stocks have pulled back this year, but strong secular growth drivers and good third quarter earnings reports, provide confidence that earnings can continue to surprise positively going forward. We also added Albemarle, the world's largest Lithium producer, benefiting from a strong rally in the Lithium price.

Elsewhere, we took profits in United Health and Deutsche Boerse, while also reducing American Tower & Prologis to acknowledge macro headwinds from higher rates and a strong U.S. Dollar. With elevated earnings risks across most sectors, we continue to believe a relatively concentrated portfolio of high quality, high conviction investments will continue to be important for performance.

Intuitive Surgical – Pioneer in Robotic assisted surgery



Source: Alphinity, Bloomberg, 31 October 2022

What's on our mind - The very real risk of greenwashing

The term "greenwashing" was coined by environmentalist Jay Westerveld in 1986 when he claimed that the hotel industry was falsely promoting the reuse of towels as part of an environmental strategy, when in fact the initiative was designed as a cost-saving measure[1]. The term officially entered our vocabulary in 1999 when it was added to the Oxford English Dictionary. In 2011, the first Australian Guideline on greenwashing titled 'Green marketing and the Australian Consumer Law' was published under the Competition and Consumer Act 2010.

In a recent guidance note published by the Australian Securities and Investments Commission (ASIC), greenwashing is defined for investors as "the practice of misrepresenting the extent to which a financial product or investment strategy is environmentally friendly, sustainable or ethical". In general terms, greenwashing is essentially the practice of providing misleading information, or making misleading statements, about the 'sustainability credentials' or 'greenness' of a product or service.

How Alphinity avoids accusations of greenwashing:

1. Clearly define "sustainability":
2. Internal assessment of ESG:
3. Shared responsibility:
4. We do not make any claims around 'impact':
5. Engage with investee companies:
6. Reporting:

Implications for investors

For investors, greenwashing risk is increasing. The introduction of new ESG reporting requirements, like the EU Taxonomy, along with new guidelines from regulators, like the proposed new rules for labelling ESG funds from the US Securities and Exchange Commissions (SEC), help to clarify reporting requirements for ESG funds but they also make the space quite complex and difficult to navigate.

Large flows into ESG funds, pressure to show positive ESG outcomes, and growing ESG fund market share all elevate the focus on ESG investors and their claims. This includes claims about sustainability outcomes, impact, and ESG integration throughout investment decision making. Looking ahead it is going to become increasingly important that all investors, including those specifically focused on ESG investing, manage greenwashing risk through investments and through fund-specific statements and marketing.

There are three ways to think about this risk:

Three types of greenwashing risk in funds management

Source: Alphinity

Conclusion:

Greenwashing risk for investors is increasing. This is due to the growing focus on ESG investing, the changing regulation around ESG reporting and accounting, and ultimately, the greater pressure for investors and corporates to create a positive impact on society and the environment.

In our view, there are three types of greenwashing risks for investors; direct fund greenwashing risk, company greenwashing risk, and indirect fund greenwashing risk which is the overlap of the first two. It's important that investors aim to manage all three types of greenwashing risks through transparent reporting, clarity in ESG messaging and labelling, and by encouraging companies to also avoid making misleading statements around ESG or sustainability outcomes.

At the end of the day, there is no perfect way to eradicate the risk of greenwashing. Alphinity manages it by clearly stating the way we think about sustainability and the way we implement it in our portfolios. We expect the pressure on companies and funds to disclose on ESG, make longer term aspirational targets, and improve the environmental and social credentials of companies' products and services will continue to increase and, as such, the risk will continue to grow.

Please find the link to the full article by *Jessica Cairns, Alphinity Head of ESG & Sustainability* here: The very real risk of greenwashing - Alphinity

For further information, please contact:

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