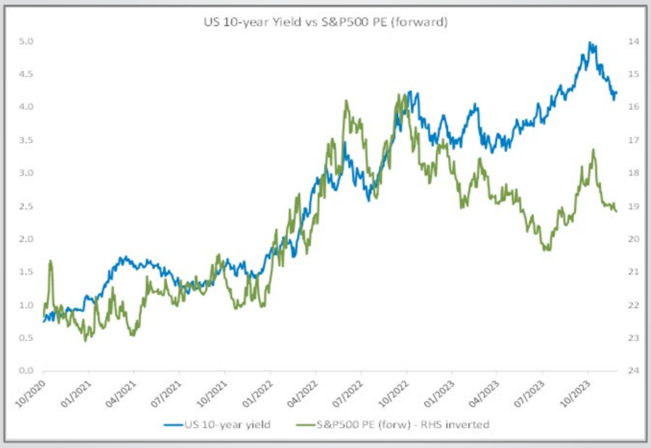
Alphinity Global Sustainable Equity Fund

MONTHLY REPORT – NOVEMBER 2023

Market comment and outlook

In November, risk assets sharply reversed recent losses and rallied strongly as better-than-expected inflation data raised hopes that the Fed has done hiking and may begin cutting in 2024. Global stocks closed out their best month in three years, with investors rotating into risky assets in the growing belief the Fed and other central banks are close to winning the inflation battle. The S&P 500 index recovered from a 3-month losing streak and gained 9.1% in November in USD terms, while the US bond market staged its biggest rally since 1985. With year-to-date performance being dominated by the so-called "Mag-7" group of US mega cap tech stocks, it was encouraging to see some broadening out of performance last month. While tech stocks were still the best performers (+13.5%), Financials, Consumer Discretionary, REITS and Industrials all closed more than 10% higher.

Retracement in US 10-year yields supporting equity valuations

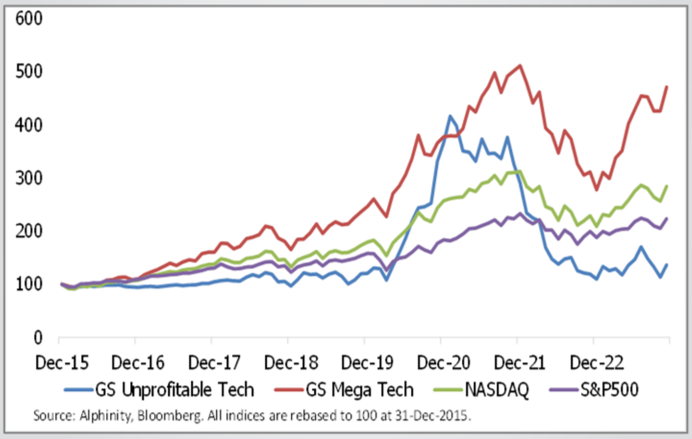


Source: Bloomberg, 30 November 2023

Even some of the most hawkish Fed policy makers like Chris Waller said he was 'increasingly confident' that monetary policy was in the right place. Market bulls are hoping for 'Goldilocks', whereby we don't get a recession and inflation falls, allowing the Fed to stop hiking and even potentially begin cutting. US 10-year bond yields fell 60 basis points to 4.32%. Inflation in Europe also dropped to 2.4%, the slowest pace in 2.5 years and well below expectations, which helped European shares. Emerging markets gained 8%, driven by Latam with strong performances in Argentina and Brazil after the far-right leader Javier Milei won a convincing election to become President.

Something else that fell beside bond yields was the US Dollar, losing nearly 3% against a trade weighted basket of global currencies as expectations for the US Fed to cut rates early next year gained traction. The MSCI World Index only gained 4.8% in AUD terms. The sharp depreciation in the USD also spurred a rally in gold, with the spot price moving well north of USD2,000/oz while copper prices also closed 4% higher. Oil prices declined for second straight month, falling 5% to USD81/bbl. OPEC+ delayed their meeting and was no closer to resolving a deadlock over oil-output quotas for some African members. The delays further hindered the oil price, which has helped to lower headline inflation.

November saw a strong rally across mega tech and unprofitable tech and the broader S&P500.

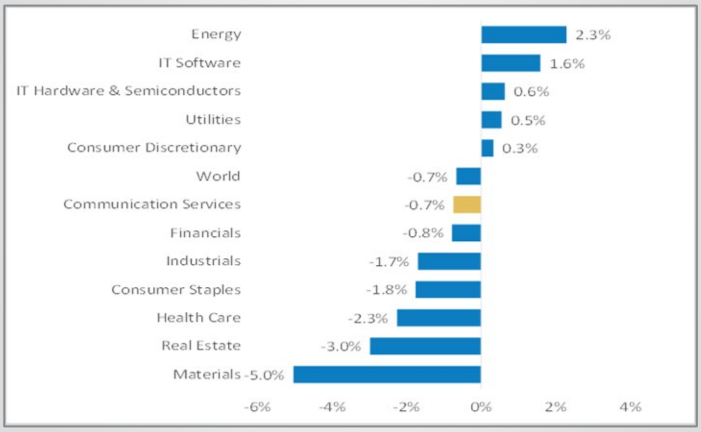


Source: Bloomberg, 30 November 2023

Portfolio comment and outlook

Inflation is trending lower in the U.S., and real-time data suggests that it will likely continue to do so for the foreseeable future at least. At the same time, U.S. economic growth appears to be decelerating again. Banks are tightening credit standards and the cumulative impact of rate hikes continue to feed into the real economy. Labor markets have remained resilient so far, however there are now signs of 'normalisation' there as well; and both consumers and businesses appear more cautious. All of this suggests that the Fed has likely done hiking for now and could begin cutting rates in 2024. An easing in financial conditions would be positive for risk assets, especially as we approach the 'wall of maturities' that corporates face from 2025 onwards. In the meantime, we remain vigilant about the near-term outlook for growth and corporate earnings. Policy error remains a significant concern, while geopolitical and election-related risks are also likely to continue to be prominent in 2024.

2024 3-Month Consensus Earnings Revisions - mix of defensive & cyclical sectors seeing the biggest downgrades



Source: Alphinity, Factset, 30 November 2023

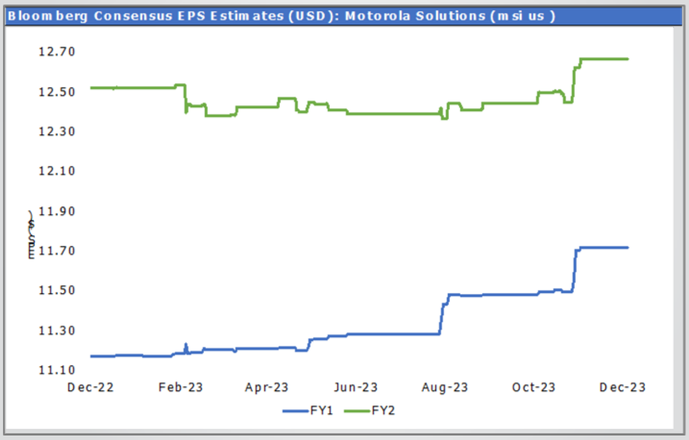
Corporate earnings overall look set to contract modestly this year, although analysts currently expect a high mid-single-digit recovery in 2024, which may turn out to be optimistic. Earnings revisions over the last three months are modestly negative, with overall downgrades of -0.3%/-0.5% for 2023 and 2024 respectively. Energy continues to lead with upgrades, but IT Software, Hardware and Semiconductors are also experiencing upward revisions to 2024 estimates. It's interesting to see a mix of both defensive and cyclical sectors with the weakest analyst revisions, including Materials, Real Estate, Health Care and Industrials.

During November, we exited a long-held position in On Semi after a disappointing earnings report, which included a weak order book and low forward visibility. This was replaced, with a new position in Motorola Solutions, which reported strongly and guided higher. We expect Motorola to be a long-term winner from increased investments in public safety and aligns well with SDG16 (Peace & inclusion) and SDG9 (Infrastructure). Elsewhere we initiated a new position in Arch Capital Group (a best-in-class reinsurer benefiting from the hard market in property catastrophe lines), where we have conviction on the outlook for earnings growth. Arch has a n overall net positive alignment to SDG8 (Economic productivity), SDG11 (Sustainable cities) and SDG10 (Equality).

So far this year, market leadership has rotated away from Defensive sectors such as Utilities, Real Estate and Consumer Staples, with leadership mostly from select Growth sectors and specifically the 'magnificent seven' group of mega-cap stocks. While these stocks together represent ~30% of the S&P 500 market capitalisation, they have so far delivered ~70% of YTD market returns through to the end of November (down from ~117% at the end of October). Historically, such periods of extreme market narrowness have tended to be temporary, and it's notable that the market already appears to be broadening somewhat. It's likely that investment risks and opportunities may shift again as we head into 2024, especially if the Fed pivots decisively. There are some early signs of new price and earnings leadership in very select, cyclical parts of the market including memory semiconductors, homebuilders and industrial distribution, for example. We will continue to watch this closely given the maturity of the current downcycle, however so far it seems too early to draw definitive conclusions for broader market leadership.

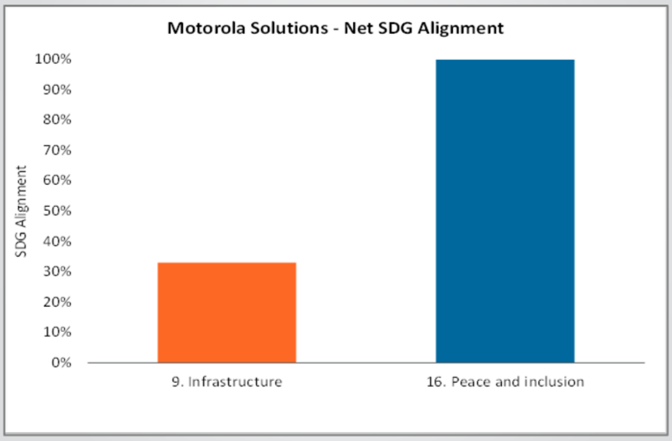
This was financed through trims in Waste Connections, Chubb and Cadence, amongst others. Overall positioning has not changed materially, with the portfolio well-positioned in high-quality, reasonably valued growth cases, well diversified across different sectors including Financial, Consumer Discretionary, Industrials, Communications, Health Care and Technology. We have over the last few quarters added some selective cyclical exposure where we have established stock-specific, fundamental earnings conviction. The Portfolio continues to see significantly better earnings revisions than the market and should continue to generate a superior earnings growth in both 2023 and 2024, which we expect to drive performance over time. The investment team has once again travelled widely over the last few months to meet and research companies across different sectors and geographies as the earnings cycle continues to evolve.

Motorola Solutions – Winner from increased investment in public safety with a record backlog



Source: Bloomberg, 30 November 2023

Motorola Solutions - Net positive SDG Score of 133%



Source: Bloomberg, 30 November 2023

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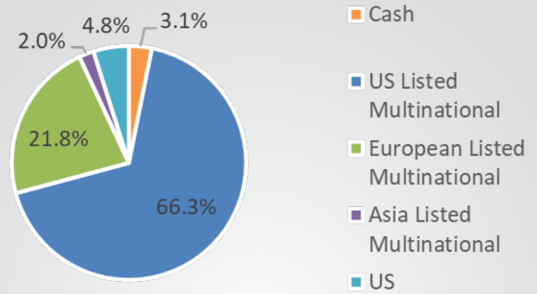
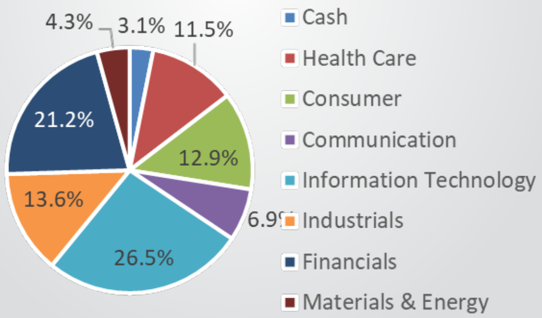
Performance[1]	3 Month %	1 Year %	2 Years %p.a.	3 Years % p.a.	5 Years % p.a.	Since Inception[2] % p.a.
Fund return (gross)[1]	-0.4	7.3	-1.5	-	-	7.6
MSCI World Net Total Return Index (AUD)	-0.7	14.1	3.8	- -		8.7
Active return[3]	0.3	-6.9	-5.3	-	-	-1.0

Geographical exposure



Sector exposure



Top 10 position

Company	Sector	%
Microsoft	Info. Technology	7.4
Alphabet	Communication Services	6.9
Procter & Gamble	Consumer Staples	5.2
MasterCard	Financials	4.6
Schneider Electric	Industrials	4.5
Nvidia	Info. Technology	4.4
Linde	Materials	4.3
Trane Technologies	Industrials	4.3
Novo Nordisk	Health Care	4.0
Accenture	Info. Technology	3.9
Total		**49.4**

Data Source: Fidante Partners Limited, 30 November 2023

1 Returns are calculated before 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 3 June 2021

3 Numbers may not add due to rounding

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