Alphinity Global Equity Fund (Managed Fund)

MONTHLY REPORT – JANUARY 2024

Performance[1]	1 Month %	Quarter %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception[2] % p.a.
Fund return (net)	5.4	12.2	19.4	13.7	14.6	14.4	12.3
MSCI World Net Total Return Index (AUD)[3]	4.5	11.2	24.7	13.5	13.6	12.8	11.7

Fund facts

Portfolio managers	Jonas Palmqvist, Jeff Thomson, Trent Masters, Mary Manning, Chris Willcocks.
APIR code	HOW0164AU
Inception date	21 December 2015
ASX Code	XALG
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	$514m
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

Top 10 positions

Company	Sector	%
Microsoft	Info. Technology	6.5
Alphabet	Communication Services	5.9
Nvidia	Info. Technology	5.4
Accenture	Info. Technology	3.8
Novo Nordisk	Health Care	3.7
Parker Hannifin	Industrials	3.7
Bank of America	Financials	3.6
ConocoPhillips	Energy	3.6
Trane Technologies	Industrials	3.5
Intuitive Surgical	Health Care	3.2
Total		**42.8**

Fund features

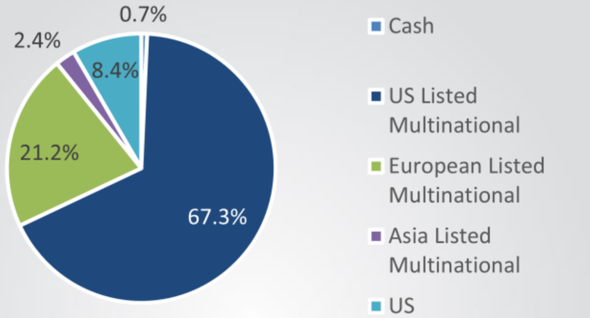
Concentrated: A long only, concentrated portfolio of 25-40 of our best ideas, highly diversified across sectors and regions. A truly global fund consistently exposed to powerful trends reshaping our world.

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.

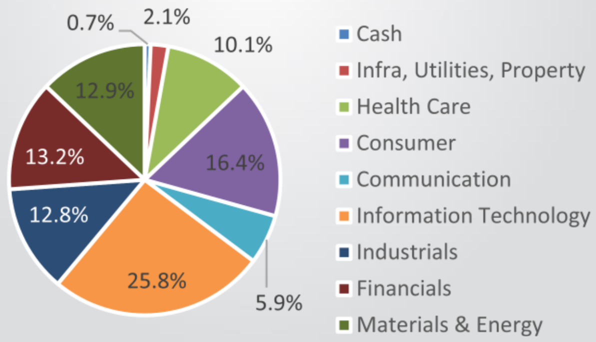
Talent: A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

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



Data Source: Fidante Partners Limited, 31 January 2024
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 30 April 2019, the Benchmark was the MSCI World Equity ex Australia (Net) Index. The current index is effective from 1 May 2019

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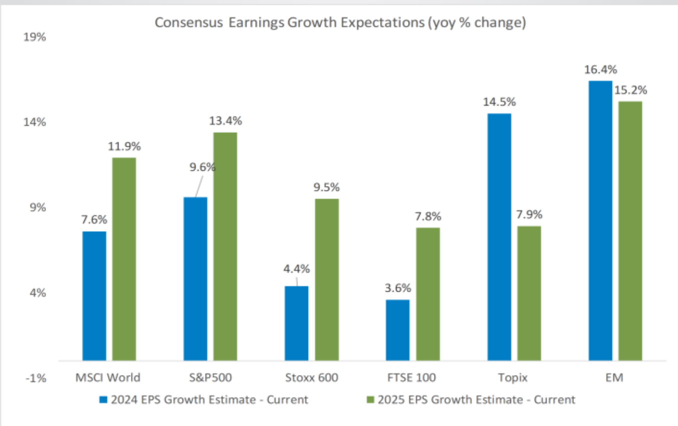
Market comment and outlook

Equity markets overcame early weakness to close out another positive month of returns, helped by the continued wave of money flowing into US mega-cap tech stocks and bonds yields stabilising at lower levels. China weakness persisted as economic data pointed to a slowing economy, and investors continued to deploy capital into other Asia Pacific markets including Japan and India. A stronger US Dollar enhanced offshore returns in AUD terms, with the US S&P 500 index +5.3% which dragged up the MSCI World Index to a +4.9% return. Japan's Nikkei gained 8% for the best performance among developed markets, while China (-3.8%) and Hong Kong (-6%) dragged Emerging Markets lower.

US earnings season got underway with Q4 results and positive earnings surprises from many of the mega cap stocks kept the momentum going, even after the US Federal Reserve chief hosed down market expectations that rate cuts would be imminent. US economic data continued to improve, with Q4 GDP beating expectations at 3% QoQ, and January's Global PMI composite hit a 7-month high (52.3 MoM vs 51 consensus) on improved orders. Stocks continued to push higher despite stronger jobs data, with the US adding 353k jobs in January and upwardly revising numbers from the previous month. This sent bond yields higher with rate cut expectations being pushed further into 2024.

Geopolitical risk heightened with stresses building even further in the Middle East, while support for Trump's Republican nomination to run for President gathered momentum. Despite all these risks, oil prices haven't yet rallied with Brent hovering around US80/bbl, still down from the USD90 levels we saw in September last year. The narrative could quickly change if the fighting with Iran 'proxies' turned into a direct conflict with Iran itself, although a rapid rise in US production would cushion any break-out.

Rebound expected in in 2024 and 2025 earnings across key global regions



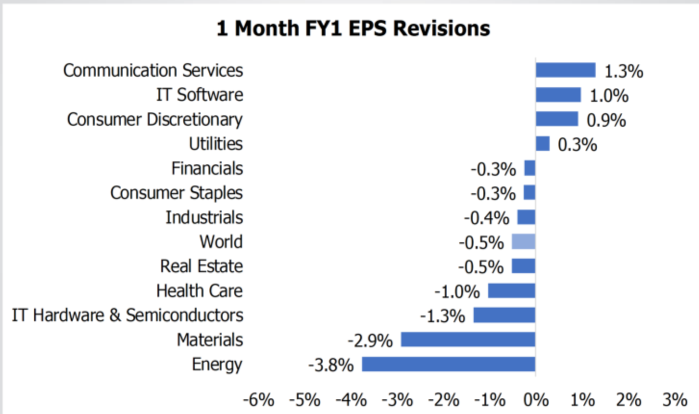
Source: Alphinity, Bloomberg, 9 February 2024

Portfolio comment and outlook

The US labour market remains strong, with sustained low unemployment and rising wages, which together have continued to underpin consumer confidence and spending. At the same time, moderating inflation has opened up the possibility of falling interest rates and easier financial conditions. On balance, this is a more constructive backdrop than most expected, which we believe has reduced the odds of recession and improved the outlook for growth. Of course, we remain mindful of various risks including geopolitics, commercial real estate concerns and the potential for central bank policy error as they continue to navigate what remains a complex and fluid macro environment. We will continue to monitor the environment closely and manage portfolio risk accordingly.

The fourth quarter earnings season has so far delivered the usual 'beat', although generally cautious forward guidance has meant that earnings revisions have so far remained modestly negative. According to Goldman Sachs, with approximately three-quarters of the S&P 500 having reported so far, 57% of companies have beaten consensus EPS expectations, which is above the long-term average of 48%.

Global consensus earnings revisions negative over last 4 weeks despite stronger than expected 4Q23 results



Source: Alphinity, Factset, 9 February 2024

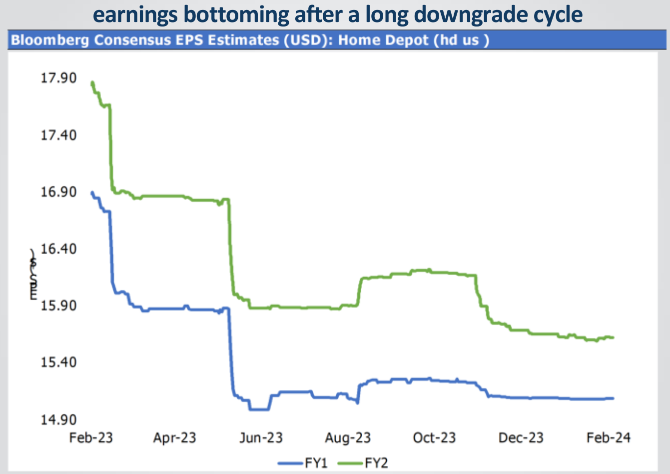
Despite this, overall forward earnings estimates have continued to fall modestly through earnings season, contracting -0.5%/-0.4% over the past four weeks. Communications Services, IT Software and Consumer Discretionary are leading with positive revisions, while the weakest sectors are an interesting mix of both defensive and cyclical sectors, including Energy, Materials, Health Care and Real Estate. Global corporate earnings in aggregate look set to finish 2023 with flat growth for the year, although analysts currently expect a recovery to +8.9% growth in 2024, which may turn out to be optimistic despite the more constructive outlook for growth.

Market leadership continues to be mainly with Growth stocks, including many of the mega-cap, Technology titans which dominated performance in 2023; however, it's noteworthy that there is now increased dispersion within this group, as well as some early signs of broader market participation outside the 'Mag-7'. For example, both Tesla and Apple underperformed in January after disappointing earnings, while most of the other 'Mag-7' stocks reported strongly. This is a diverse range of businesses, with different strategies and earnings outlooks, and we would expect further performance dispersion going forward. We also believe it's reasonable to expect market breadth to improve if the Fed pivots decisively to rate cuts and macro uncertainty normalises. Many of the traditional Defensive sectors such as Utilities, Real Estate and Consumer Staples continue to underperform, while select, cyclical sectors such as Semiconductors, Homebuilders and Industrial Distribution are all performing strongly. We continue to watch this closely and will follow new cyclical earnings leadership if it continues to evolve.

During January, we invested in Prologis after a positive investor update which gave us confidence in the growth outlook. This is a high-quality industrial real estate business with powerful structural tailwinds and increased visibility on improved cyclicality going into 2025. We also initiated a position in Home Depot, the leading US home improvement retailer, given low organic growth expectations and fundamental signs of a bottoming housing cycle. These were financed by sales of Starbucks, after a disappointing earnings report and lower confidence about the earnings outlook, and Pepsico, where we chose to take profits recognising growing headwinds from price normalisation and an unclear path to volume recovery. We also took some profit in Cadence and Chubb to recognise fuller valuations after a period of strong performance.

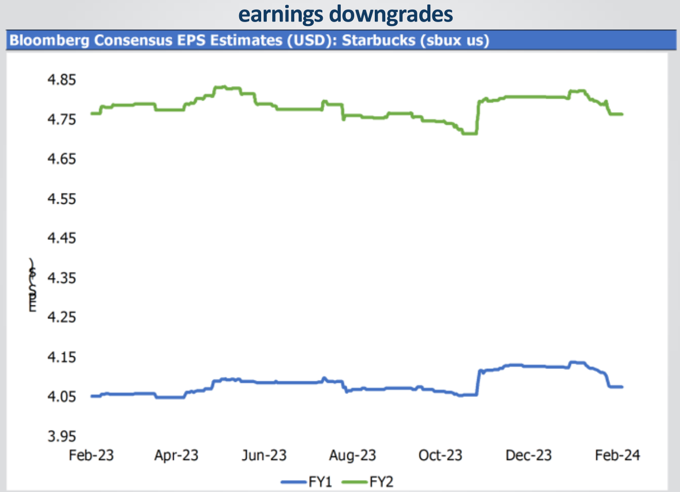
Overall positioning has not changed materially, with the portfolio well-positioned in high-quality, reasonably valued growth cases, well diversified across different sectors including Financial, Consumer Discretionary, Industrials, Communications, Health Care and Technology. We have over the last few 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 2024-2025, which we expect to drive performance over time. The investment team intends once again to travel widely over the next few months to meet and research companies across different sectors and geographies as the earnings cycle continues to evolve.

Home Depot – Leading US home improvement retailer – Bought on earnings bottoming after a long downgrade cycle



Source: Bloomberg, 14 February 2024

Starbucks – Sold on a disappointing earnings & guidance driving earnings downgrades



Source: Bloomberg, 14 February 2024

For further information, please contact:

Fidante Partners Investor Services
Phone: 1300 721 637 Email: info@fidante.com.au Web: www.fidante.com.au

Alphinity Investment Management
Web: www.alphinity.com.au