

Alphinity Global Sustainable Equity Fund (Managed Fund)



MONTHLY REPORT – MAY 2024

Performance ¹	1 Month %	3 Months %	1 Year % p.a.	2 Years % p.a.	3 Years % p.a.	Since Inception ² % p.a.
Fund return (net)	2.9	2.2	22.2	16.7	-	11.8
MSCI World Net Total Return Index (AUD)	2.0	1.6	21.6	17.3	-	12.1

Fund facts

Portfolio managers	Jeff Thomson, Jonas Palmqvist, Trent Masters, Chris Willcocks.
APIR code	HOW1000AU
Inception date	3 June 2021
ASX Code	XASG
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	\$82m
Distributions	Annually at 30 June
Min. Investment	\$10,000
Max. cash position	20%
Carbon Intensity (ave weighted) Scope 1 & 2	76.3 (vs MSCI Benchmark 104.6)

Top 10 positions

Company	Sector	%
Nvidia	Info. Technology	6.8
Alphabet	Communication Services	6.5
Microsoft	Info. Technology	6.2
Motorola Solutions	Info. Technology	4.6
Procter & Gamble	Consumer Staples	4.2
Mastercard	Info. Technology	4.1
Merck & Co	Health Care	4.0
Trane Technologies	Industrials	3.6
Schneider Electric	Industrials	3.6
Home Depot	Consumer Discretionary	3.6
Total		47.1

Data Source: Fidante Partners Limited, 31 May 2024

Fund features

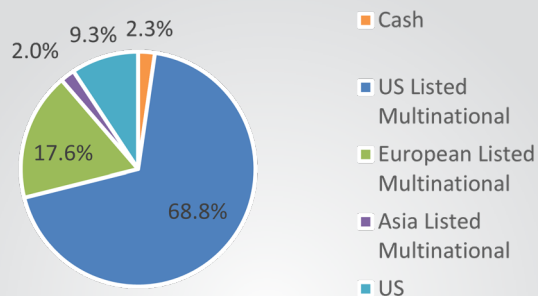
Sustainable: A long only, concentrated portfolio of 25-40 global companies with strong ESG practices that contribute towards at least one of the UN sustainable development goals. Diversified across sectors and regions.

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.

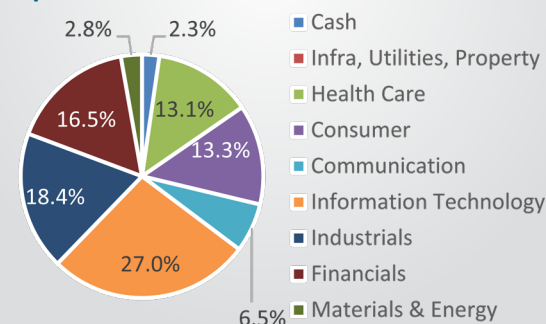
Talent: A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

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



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.

² The inception date for the Fund is 3 June 2021

³ Numbers may not add due to rounding

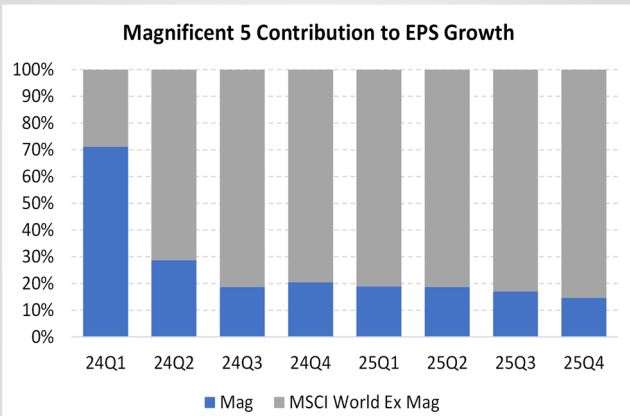
Portfolio comment and outlook

The US labour market continues to show impressive resilience, with unemployment remaining low and wages rising, which is supporting consumer spending and the broader economy. At the same time, moderating inflation has cleared a path toward policy normalisation, albeit at a pace that will be slower than most hoped for at the start of the year. As long as growth remains positive, a ‘higher for longer’ environment can remain supportive for financial markets despite stickier inflation and an unsettled geopolitical backdrop. Nevertheless, a complex mix of early and late cycle dynamics across different sub-sectors and geographies means that uncertainty is still present, and there remains a risk of central bank policy error.

Following a solid first quarter reporting season, global earnings revisions have continued to be positive with consensus expectations rising another +0.3% in May for both 2024 and 2025. After expanding valuation multiples initiated the bull market in 2023, earnings have joined as a tailwind, which is in-line with historic patterns and a positive sign for the overall market. Importantly, the breadth of positive revisions improved notably in May with 55% of global companies seeing net upgrades, versus 50% in April and 47% back in January. Most sectors saw upgrades in May, with the difference in magnitude of revisions between sectors falling, as the earnings cycle broadens and matures. During May, revisions ranged from +1.8% for IT Hardware & Semiconductors as the strongest, down to -0.8% for Communication Services as the biggest laggard.

During the month, we initiated a position in Bank of America, a leading global bank benefiting from a recovery in capital markets and wealth management. We also added Apple to the portfolio as we are now beginning to see upside to the market’s earnings expectations for the next hardware cycle, which could be boosted by Ai-enabled devices. This was funded by some profit-taking within the consumer sector, by trimming Mercado Libre and AirBnB, as well as high bandwidth semiconductor leader SK Hynix, after very strong recent performance. We sold out of the remainder of our holding in Prologis after a disappointing change to guidance recently, and lower visibility of a future improvement in parts of its industrial logistics portfolio. We also trimmed back our positions in Linde (still reporting some weak end markets), Mastercard (FX downgrades) and LSEG (lack of earnings upgrades).

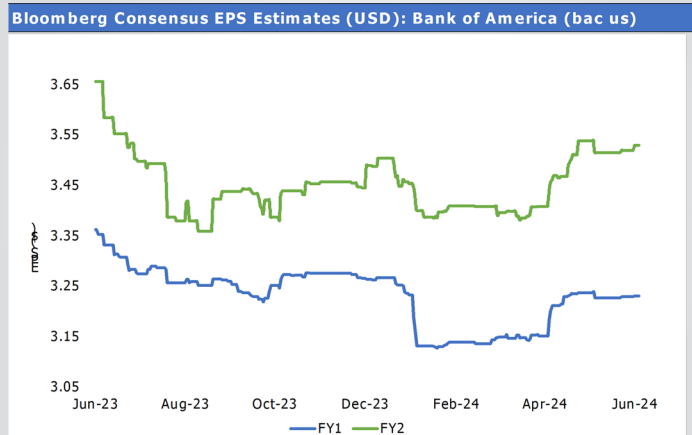
MSCI World Earnings growth expected to broaden out.



Source: Alphinity, Factset, 31 May 2024

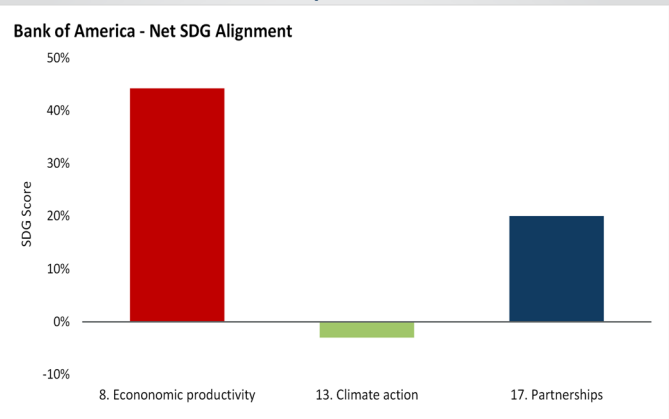
Consensus currently expects 2024 earnings growth of +9.6% for the MSCI World Index, accelerating to +12.8% in 2025. The ‘Big Five’ growth tech stocks (Nvidia, Microsoft, Alphabet, Meta, Amazon) continue to enjoy some of the strongest earnings momentum in the market, but underneath this powerful driver, global earnings growth is expected to broaden across the market. In the first quarter, the ‘Big Five’ grew earnings nearly +40% y/y, a pace which they are expected to maintain by the fourth quarter this year. At the same time, the remainder of all the stocks in MSCI World are expected to accelerate from flat growth in the first quarter, to nearly +20% y/y by the fourth quarter.

BOUGHT Bank of America – Benefiting from recovery in capital markets



Source: Bloomberg, 31 May 2024

Bank of America - Net positive SDG Score of 61%



Source: Alphinity, 31 May 2024

Alphinity Global Sustainable Equity Fund

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Important information: This material has been prepared by Alphinity Investment Management Limited (ABN 94 002 835 592, AFSL 234668) Alphinity, the investment manager of the Alphinity Global Sustainable Equity Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Alphinity and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Alphinity and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.