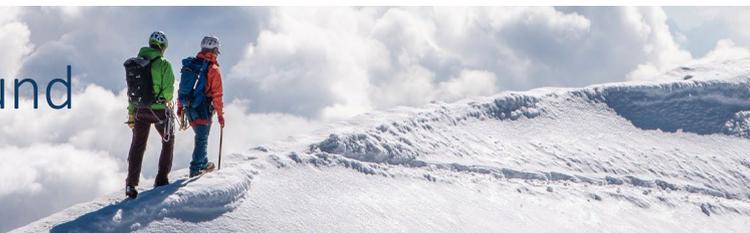


# Alphinity Global Equity Fund (Managed Fund)



## QUARTERLY REPORT – JUNE 2024

Performance <sup>1</sup>	1 Month %	Quarter %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception <sup>2</sup> % p.a.
Fund return (net)	3.2	1.2	22.1	11.6	14.4	14.8	13.4
MSCI World Net Total Return Index (AUD) <sup>3</sup>	1.6	0.3	19.8	11.1	12.9	13.1	12.3

### Fund facts

Portfolio managers	Jonas Palmqvist, Jeff Thomson, Trent Masters, 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. <sup>1</sup>
Buy/sell spread	+0.25% / -0.25%
Fund size	\$607m
Distributions	Annually at 30 June
Min. Investment	\$10,000
Max. cash position	20%

### Top 10 positions

Company	Sector	%
Nvidia	Info. Technology	7.0
Microsoft	Info. Technology	6.5
Alphabet	Communication Services	5.7
Bank of America	Financials	4.2
Motorola Solutions	Info. Technology	4.2
Merck & Co	Health Care	3.7
Trane Technologies	Industrials	3.6
Apple	Info. Technology	3.3
American Express	Financials	3.3
Waste Connections	Industrials	3.2
<b>Total</b>		<b>44.7</b>

### Fund features

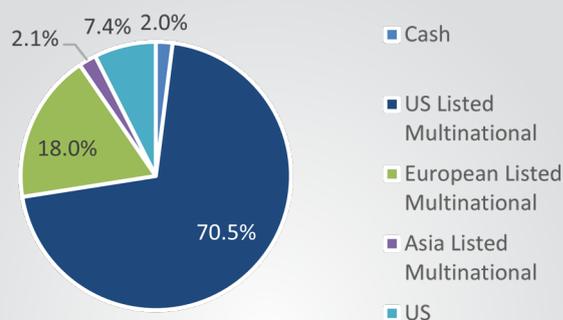
**Concentrated:** A long only, concentrated portfolio of 25-40 of our best ideas, highly diversified across sectors and regions. A truly global fund consistently exposed to powerful trends reshaping our world.

**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.

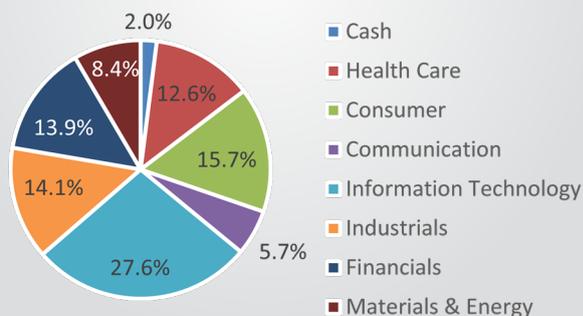
**Talent:** A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

**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, 30 June 2024

<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

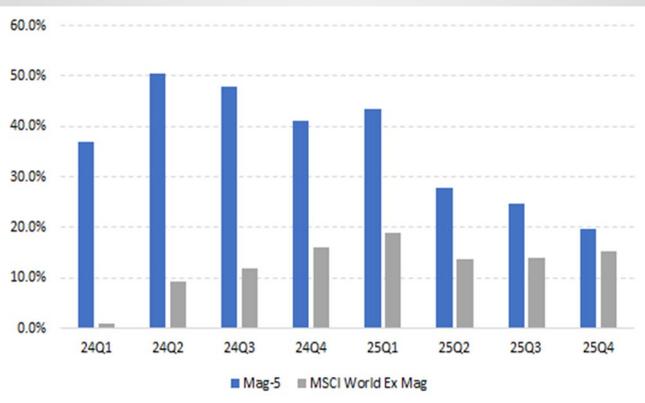
<sup>2</sup> The inception date for the Fund is 21 December 2015

<sup>3</sup> 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

## Market comment and outlook

Following an impressive first quarter return in 2024, global equity markets softened in the June quarter with the MSCI World index falling 0.2% in AUD terms. The US market (+1.5%) outperformed Europe (-3.3%) again driven by the US mega cap tech stocks and political election risk that weighed on France and dragged European stocks lower. Emerging markets finished the quarter in positive territory (+2.1%) with Hong Kong and China strength offsetting weakness in LatAm markets including Brazil and Mexico.

US Quarterly earnings growth – Expected to broaden out from Mag5



Source: Bloomberg, 30 June 2024

Election risk dominated the narrative in many markets, with most countries shifting to the right, excluding the UK where voters had enough of 14 years of a conservative government. France is looking directionless with both Right and Left parties winning in two different stages with the government likely unable to form a majority, while the US election in November will further heighten volatility in coming months.

Unlike Australia where expectations of a rate hikes are gaining traction, there are increasing signs of cooling inflation in the US with rates cuts still expected this year. Annualised CPI fell marginally below expectations (3.3% vs 3.4% expected) and there have been noticeable downward revisions to jobs numbers with non-farm payrolls being revised lower in each of the last 4 months. US 10-year bond yields ended the quarter little changed, rising 19 basis points to 4.39% although this move masked an initial run up and a mid-quarter fall in yields as inflation expectations lowered.

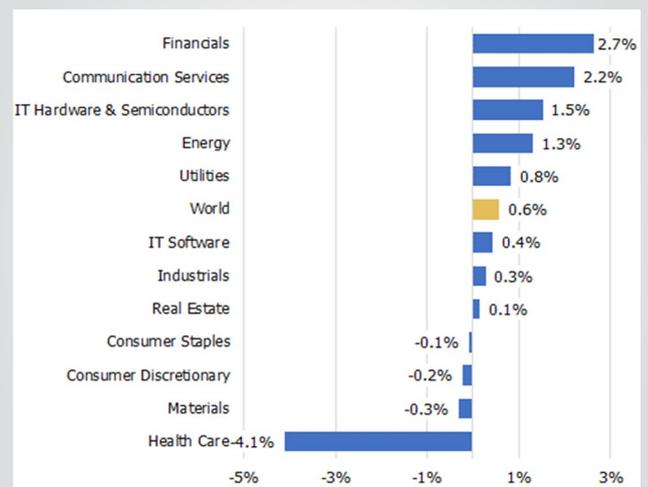
There was narrow breadth in outperformers with only 2 sectors recording positive returns, Tech (+8.7%) and Communication Services (+5.3%). Property Trusts (-6.3%) and Materials (-6.2%) were among the weakest sectors with softer commodity prices hurting Resources stocks, while some cracks appeared in consumer spending with consumer discretionary stocks losing 5%.

## Portfolio comment and outlook

Global economic growth still appears supportive for the positive narrative in global markets, even though the picture in some cyclical industries as well as manufacturing PMIs has been more mixed recently. 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 a 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 the risk of central bank policy error remains.

The global earnings cycle continues to be positive. Analysts’ company forecasts rising by another +0.6-1.2% for both 2024 and 2025 during the quarter, and our portfolio continues to be exposed to stronger earnings revisions than the overall market, in-line with previous years. In 2023, increasing valuation multiples initiated the current bull market, but earnings have joined this year and was a more important tailwind in the second quarter, which is in-line with historic patterns and a positive sign for the overall market. For the first time in two years, over half of the stocks globally are now consistently enjoying earnings upgrades, as the Alphinity Global Diffusion Index rose again in June to 55% (fell below the 50% midpoint in May 2022). Earnings upgrades are apparent in a majority of sectors, with relative leadership still in stocks with a growth profile, combined with more selective parts within cyclicals. During the quarter, 2025 revisions ranged from +4.7% for IT Hardware & Semiconductors as the strongest sector, down to -0.8% for the biggest laggard, Real Estate.

2024 3-month Earnings Revisions – Healthcare the main drag

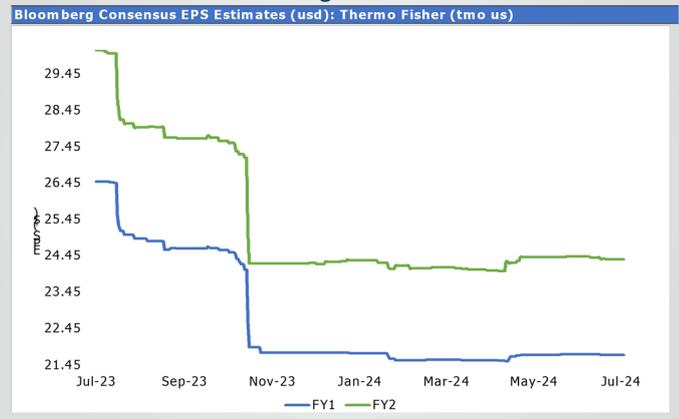


Source: Alphinity, Bloomberg, 30 June 2024

Consensus currently expects 2024 earnings growth of +8.5% y/y for the MSCI World Index, accelerating to +12.7% y/y in 2025. The ‘Big Five’ growth tech stocks (Nvidia, Microsoft, Alphabet, Meta, Amazon) continue to show some of the strongest earnings momentum in the market, but underneath this powerful driver, global earnings growth is also broadening across the market. In the first quarter, the ‘Big Five’ reported strong earnings growth (40%) year-on-year, as the remainder of the stocks in the MSCI World Index had just 1% growth. By the last quarter of 2024, consensus expects the ‘Big Five’ group to more or less maintain its 40% y/y growth, but the rest of the market to have accelerated to nearly 20%.

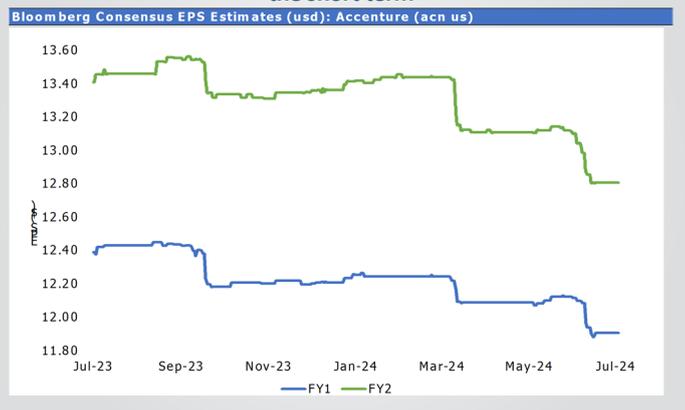
The overall portfolio profile remains unchanged - invested in our highest conviction growth stocks, combined with selective stocks of a more cyclical nature. Stock valuations have increased in some cases, and during the quarter we trimmed positions in a few of our stronger winners for this reason (Nvidia, SK Hynix, Novo Nordisk, Costco, Parker-Hannifin, Trane Technologies). We also divested the remainder of our positions in Prologis (delayed cycle and disappointing earnings outlook) and Accenture (headwinds to ex-AI tech spend are spreading). This facilitated the addition of new portfolio positions in early-stage earnings recovery stocks Thermo-Fisher (life science) and Apple (tech), as well as in Schneider Electric, a structural industrial winner from the growing global electrification trend. The team continues to analyse and meet with a large number of companies, to test current holdings and to maintain a strong ‘bench’ of alternative investment ideas, for any future changes of the global earnings cycle.

**BOUGHT: Thermo Fisher – Leader in life science & benefiting from recovering end-markets**



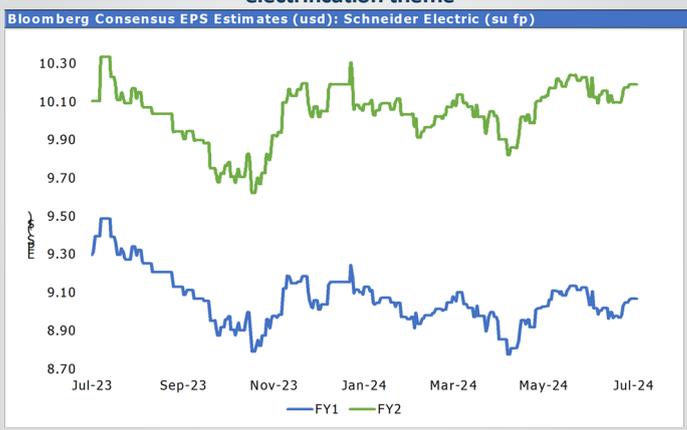
Source: Bloomberg, 30 June 2024

**SOLD: Accenture – AI spend crowding out existing tech spend in the short term**



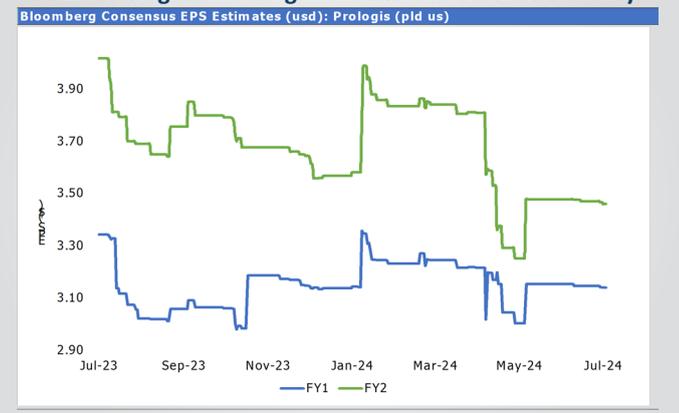
Source: Bloomberg, 30 June 2024

**BOUGHT: Schneider Electric – Benefiting from the strong global electrification theme**



Source: Bloomberg, 30 June 2024

**SOLD: Prologis – Missed guidance & lower forward visibility**



Source: Bloomberg, 30 June 2024

## Alphinity - 2023 ESG & Sustainability Report

During April, we released our third Environmental, Social and Governance (ESG) and Sustainability Report. This report highlights key ESG and sustainability outcomes and achievements across all Alphinity strategies including the Australian Share Fund, Concentrated Australian Share Fund, Australian Sustainable Share Fund, Global Equity Fund, and Global Sustainable Equity Fund. Unless stated otherwise, the data, outcomes and examples in this report are from 1 July 2022 to 31 December 2023.

### Highlights

<p><b>112 tonnes of carbon offsets</b></p> <p>purchased through <a href="#">Carbon Positive Australia</a> as a donation to help fund nature-based projects across Australia.</p>	<p><b>7 thematic 24 ESG issues</b></p> <p>Climate change Nature Workforce Modern slavery Social licence Digital technology Sustainability governance</p>	<p><b>More than 70 company examples</b></p> <p>and case studies presented in this report</p>
<p><b>209 dedicated ESG meetings</b></p> <p>with 137 companies across the 18-month reporting period</p>	<p><b>10 ESG research reports</b></p> <p>Published deep dives on AI, the apparel supply chain, and antimicrobial resistance</p>	<p><b>Financed emissions</b></p> <p>Disclosed for the third consecutive year</p>
<p><b>Joined PRI Advance</b></p> <p>as lead investors for Freepoint McMoran and support investors for BHP</p>	<p><b>SDG3, SDG8, SDG9, SDG11</b></p> <p>100% of holdings across our sustainable funds align to one of these four SDGs</p>	<p><b>Limited assurance</b></p> <p>performed over the 2023 SDG Alignment Framework and Carbon metrics</p>
<p><b>Enhanced thematic frameworks</b></p> <p>for nature, responsible AI and modern slavery</p>	<p><b>Commitment to Net Zero Asset Managers (NZAM) initiative</b></p> <p>Confirmed our commitment to Net Zero by 2050</p>	<p><b>4 global ESG conferences</b></p> <p>PRI (Tokyo), RIAA, IGCC Summit, Responsible Investor (Europe)</p>

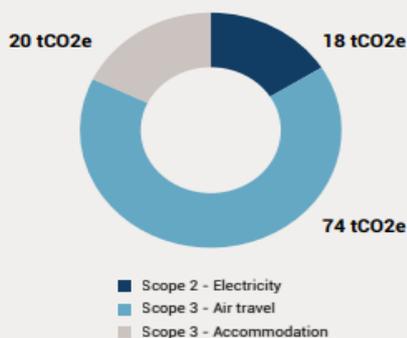
MEMBERS OF: Responsible Investment Association Australasia | Signatory of Principles for Responsible Investment | **40:40**™ | FAIRR A COLLEGE INITIATIVE

Investor Group on Climate Change | advance A membership association for human rights and social issues | Climate Action 100+

### Carbon Emissions

We have purchased 112 tonnes of carbon offsets through Carbon Positive Australia as a donation to help fund nature-based projects across Australia.

2023 Alphinity operational carbon emissions<sup>2</sup>



### Pillars of Responsible Investing

We are signatories to the United Nations-backed Principles of Responsible Investment (PRI). The PRI defines responsible investment as a strategy and practice to incorporate environmental, social and governance (ESG) factors in investment decisions and active ownership.

The following outlines the five pillars of our approach to responsible investing and key 2023 updates.

Pillar	Goal	Updates from this reporting period
<p><b>ESG integration</b></p> <p>We integrate ESG factors into investment decision making</p>	<p>Use an ESG materiality process to identify and manage ESG risks and opportunities for holdings</p> <p>Monitor ESG risks and opportunities and any influence on investment decisions</p>	<ul style="list-style-type: none"> <li>We completed rolling out internal ESG risk levels for all investee companies as an enhancement to our established ESG Materiality process</li> <li>We continued our development of thematic frameworks and checklists for specific issues</li> <li>We have included examples of ESG integration throughout this report</li> <li>An ESG risk register was established in 2023 to aid the monitoring program for key issues</li> </ul>
<p><b>Stewardship and active engagement</b></p> <p>We are active managers and focus on using our influence to encourage better ESG outcomes and reduce risk</p>	<p>Establish ESG engagement objectives and engage with companies on an ongoing basis to manage ESG risks</p> <p>Vote all resolutions put to shareholders</p>	<ul style="list-style-type: none"> <li>We held 209 dedicated ESG-focused engagement meetings over the 18-month reporting period</li> <li>We have identified engagement objectives and tracked progress for material ESG issues across our holdings. Examples of outcomes are throughout this report</li> <li>We voted on 100% of proposals put to shareholders. Further information on voting practices is in the proxy voting section of this report</li> <li><b>NEW</b> Escalate ESG issues in line with our Stewardship Policy</li> <li>For specific ESG issues, we implemented escalation practices such as letters to Board and votes against the re-election of Directors</li> <li>Examples are within the Stewardship section of this report</li> </ul>
<p><b>Sustainable Strategies</b></p> <p>We have two dedicated sustainability strategies structured around the UNSDGs</p>	<p>Use a consistent and documented approach for the SDG analysis</p> <p>Report the SDG alignment of strategy holdings</p>	<ul style="list-style-type: none"> <li>We maintained sector-level assumptions for our SDG analysis process</li> <li>Our SDG alignment framework and carbon metrics were assured by KPMG for the second year. KPMG's limited assurance report is attached to this report</li> <li>Completed three bi-annual reviews of each Fund's SDG data with the Sustainable Compliance Committee</li> <li>Our weighted SDG alignment has been presented in this report. The positive and negative alignment to the SDGs for all holdings in the reporting period are presented in Appendix 2</li> <li><b>NEW</b> Maintain RIAA certification for both funds</li> <li>Our two sustainable strategies were re-certified under the RIAA certification program in May 2023</li> </ul>
<p><b>Thematics</b></p> <p>We consider, research, and assess key ESG and sustainability thematics</p>	<p>Identify key sustainability thematics and undertake research to inform broader views on ESG, sustainability, or for specific companies</p> <p><b>NEW</b> Integrate thematic assessments into our ESG Framework</p>	<ul style="list-style-type: none"> <li>We undertook research for specific thematics including:                             <ul style="list-style-type: none"> <li>Artificial intelligence</li> <li>Antimicrobial resistance</li> <li>Sustainable banking</li> </ul> </li> <li>See the Thematics sections of this report for more information</li> <li>In 2023 we started to develop two new thematic frameworks for nature and responsible AI. These will be completed in 2024</li> </ul>
<p><b>Transparency</b></p> <p>We disclose proxy activities, portfolio holdings and have a public ESG Policy and Stewardship Policy.</p>	<p>Publish annual ESG and Sustainability Report</p> <p>Review Responsible Investment policies and develop additional policies as needed</p>	<ul style="list-style-type: none"> <li>This is Alphinity's third ESG and Sustainability Report, covering the 18-month period between 30 June 2022 to 31 December 2023</li> <li>We completed the 2023 PRI Assessment and have published the Transparency Report on our website</li> <li>All policies have been reviewed and updated as necessary. No additional policies have been published in 2023</li> </ul>

### Pillar 1: ESG Integration

Generally, ESG risks and opportunities are related to operational practices such as emissions reduction, community management, employee safety and corporate governance.

Our ESG Framework includes a structured assessment of key issues across environmental, social and governance factors. The later sections of this report include an overview of these key ESG topics (e.g. workforce, nature) and the various issues that we consider. These sections also include specific case studies on company engagement and research for these topics.



**Pillar 2: Stewardship & active engagement**

As investors, we have the ability to influence the behaviour and actions of companies we own. We take this responsibility very seriously and are committed, where possible, to use this influence to reduce environmental, social and governance risks over the short, medium and longer-term in order to maximise shareholder value for our clients.

**2023 Highlights**

The main components of our stewardship approach are outlined below. The following pages in this section present our engagement activity through the 18-month reporting period, including key outcomes and collaborative engagement, alongside proxy voting insights and examples of escalation.



**Engagement**

**209** dedicated ESG meetings with **137** companies over the 18-month reporting period  
**59%** of meetings with ESG specialists or subject experts



**Collaboration**

Joined PRI Advance as lead investors for Freeport McMoran and support investors for BHP  
 Joined RIAA's Digital Technology and Human Rights working group



**Proxy Voting**

Voted on over **2200** resolutions  
 Voted against management **6%** of the time



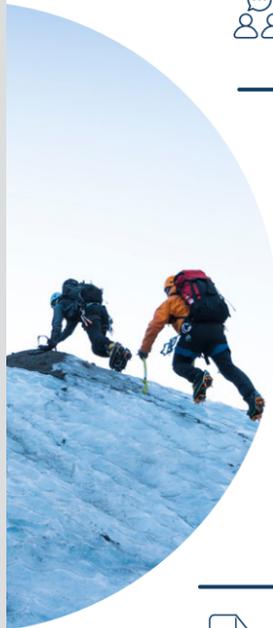
**Research and Thought Leadership**

Partnership with CSIRO on Responsible AI  
**10** public ESG research reports, including deep dives on AI, the apparel supply chain, and antimicrobial resistance  
 Developing a nature framework  
 Continued to leverage our workplace culture framework



**Escalation**

**7** formal written communications to Boards and/or management on ESG matters  
 Voted against the re-election of Directors based on climate change concerns



**Engagement**

Wherever possible, we aim to actively engage with companies in our investment portfolio and those under consideration for investment. We firmly believe that this approach provides us with a detailed understanding of ESG risks and opportunities and allows us to communicate our expectations to company management. We engage primarily through one-on-one meetings but also engage via small group meetings and collaborative engagements. We also use engagement to support broader research into important and complex ESG and sustainability topics like workplace culture and human rights. This may also involve engagement with subject matter experts.

**2023 engagement outcomes**

Engagement often operates on long timelines and can take many years. Nonetheless, we are proud to share examples of where our engagement with companies has influenced a positive change. It's important to acknowledge that while our efforts may have contributed to the outcomes listed below, they may not have been the driving influence.

**Examples:**

**Australia: Commonwealth Bank of Australia Climate change**

We have held ongoing engagement with the Commonwealth Bank of Australia on its climate plan. In November 2022, we issued a letter to the Chairman of the Board regarding the application of the climate policy to oil, gas and metallurgical coal project financing. Outcome: In August 2023 the bank published its second climate report which included financed emissions targets for oil and gas, and metallurgical coal, and a commitment to roll out transition plans by January 2025.

**Global: Zoetis Inc Antimicrobial Resistance**

Since August 2022, we have engaged with Zoetis on three occasions to discuss the antimicrobial resistance (AMR) strategy and request further clarity on antibiotics sales. We have also advocated for a public animal welfare policy. Read more on this engagement on page 46. Outcome: In September 2023, Zoetis reported its antibiotic sales decreasing year-on-year (both as a percentage and in absolute terms for the past five years. The company also revised its AMR targets to focus on AMR stewardship, in comparison to the general goals around animal health in earlier years. Earlier in the year we were also pleased to note the release of Zoetis' animal welfare policy.

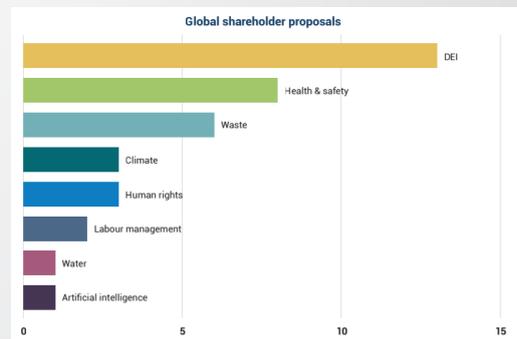
**Proxy voting**

As an investment manager, Alphinity takes its ownership responsibilities seriously and believe the right to vote as a proxy for our investors is a valuable asset. Our primary objective when voting is to maximise the value of our clients' investments. Our overall approach to proxy voting is outlined within our Stewardship Policy. The past 18 months saw us vote on over 2200 resolutions across our Australian and Global strategies. Of these, 93% were proposed by management and 7% were proposed by shareholders. Across all strategies:

- We voted on 100% of all proposals put to shareholders
- We voted against management 6% of the time
- We voted in favour of shareholder proposals 19% of the time

The votes exercised in FY23 are available on our website

**Example:** Global: Nextera Energy: At the 2023 AGM we voted in favour of a shareholder resolution which requested that the Board annually disclose its director skills matrix, particularly related to climate change and gender diversity.



For a copy of the full note, visit our website: [2023 Alphinity-ESG-and-Sustainability-Report\\_Final.pdf](#)

**Authors:** Jessica Cairns – Head of ESG & Sustainability; Moana Nottage: ESG and Sustainability analyst.

## Travellers' Tales

A lot of air miles were clocked up by team Alphinity in June, both from the domestic and global teams. Andrey, from the domestic team, travelled to the UK to see a number of companies including accounting software giant Xero. He attended its user conference, XeroCon, which is often known as 'Coachella for accountants'. XeroCon might evoke in some people images of accounting superheroes, with adoring fans desperate to get their hands on the latest software. The reality



was a little more subdued than a Comicon but only a little, and Andrey came away feeling good about the company's prospects. Xero highlighted the increasing flexibility of its payment options with this slide ← which received an unprompted round of applause from the fans, highlighting a feature that made the payment of invoices quicker and easier. Accountants clearly excite easily.



Meanwhile Stuart had a whirlwind visit to the US covering medical devices, building materials and

various other things. First stop was a little town in the Temecula Valley, north of San Diego, to see a medical device contact. From the idyllic photo he sent, however, we thought he must have turned left out of LAX instead of right and gone to the Napa Valley by accident. No, he assured us he was in San Diego, on the border of Mexico, where the US office of sleep apnoea device maker Resmed is located. Set amongst lush scenery, with a vineyard in the background, it was hard to feel too sorry for him.



With the global team's average travel distance being way more than 10,000km per trip, it was refreshing for them to be able to do some research much closer to home when Jess, Jeff and Ty took an Uber to a Costco store on the outskirts of Sydney. Costco is held in our global equity fund.

Costco is a US-based retailer of pretty much anything which has had stores in Australia for about 15 years. Its first store was in Melbourne, under the defunct Ferris Wheel at Docklands, but it has opened a store just about every year since then. It is an incredible business, one that probably deserves an entire page dedicated to it. It's often thought of a place where growing families can shop to stock up on bulk goods, but Costco is so much more than that. The company has become a cultural icon in US retail and beyond. It strives to always give the customer a great experience, and has a collaborative culture which helps retain and develop their employees. You can only shop there if you're a member which requires you to pay an annual fee, but once you do you're part of the club, and Costco goes to great lengths to make you want to remain a member. The model is for them to mark up the products they sell by a reasonably small amount which covers all its operating costs; the membership fee is effectively the company's profit.

Some fun facts we learned from the Costco tour:

- The Costco "Hot Dog and Soda" combo deal has cost the same \$US1.50 in the US stores for 40 years. It's a very inexpensive \$A1.99 here. Take that Bunnings sausage sizzle!
- Costco is the biggest seller of Australian lamb and beef internationally.
- The Casula store they visited sells up to 10,000 roast chicken a week.
- It sells \$17,000 watches. It also sells diamonds. In fact, Costco is the biggest retailer of diamonds in the USA.



Making Aldi's middle aisle look boring, Costco offers everything from fresh fruit to half-price ski lift passes. You can choose a coffin, or buy a concrete mixer. Just what you've always wanted! Jess was positively surprised by the quality of the meat and fresh fruit and vegetables, and shoppers' ability to see behind the scenes in the bakery, the butcher and the ready meal preparation section. It made the whole experience feel even more fresh. The ability to try loads of free samples including pork bao, choc treats and beef massaman curry was a highlight.



Don't expect early store opening times at Costco. Opening hours are later than usual retailers at 9:30am or 10am. This is again by design to uphold the customer experience, ensuring all the shelf stackers are well and truly finished by the time the doors open – something our supermarkets could benefit from. Happy shopping!

Alphinity Global Equity Fund  
QUARTERLY REPORT – JUNE 2024

**For further information, please contact:**

Fidante Partners Investor Services

Phone: 1300 721 637 Email: [info@fidante.com.au](mailto:info@fidante.com.au) Web: [www.fidante.com.au](http://www.fidante.com.au)

Alphinity Investment Management

Web: [www.alphinity.com.au](http://www.alphinity.com.au)



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 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](http://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.