

Alphinity Global Sustainable Equity Fund – Active ETF



MONTHLY REPORT – FEBRUARY 2025

Performance ¹	1 Month %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	Since Inception ² % p.a.
Fund return (net)	-2.5	-1.1	10.9	11.4	-	11.7
MSCI World Net Total Return Index (AUD)	-0.4	4.9	21.1	16.0	-	14.8

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	\$225m
Distributions	Annually at 30 June
Min. Investment	\$10,000
Max. cash position	20%
Carbon Intensity (ave weighted) Scope 1 & 2	85.8 (vs MSCI Benchmark 97.6)

Top 10 positions

Company	Sector	%
Microsoft	Information Technology	6.3
Bank of America	Financials Ex Property	5.2
MasterCard	Financials Ex Property	4.8
Apple	Information Technology	4.7
Nvidia	Information Technology	4.5
CBRE Group	Property Trusts	4.1
Motorola Solutions	Information Technology	4.0
Intuitive Surgical	Health Care	4.0
Thermo Fisher	Health Care	3.9
Procter & Gamble	Consumer Staples	3.8
Total		45.4

Data Source: Fidante Partners Limited, 28 February 2025

Fund features

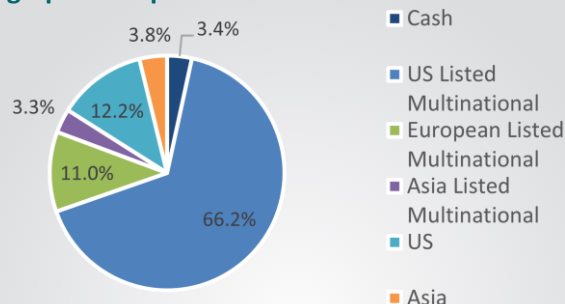
Sustainable: A long only, concentrated portfolio of 25-40 global companies with strong ESG practices that contribute towards at least one of the UN sustainable development goals. Diversified across sectors and regions.

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.

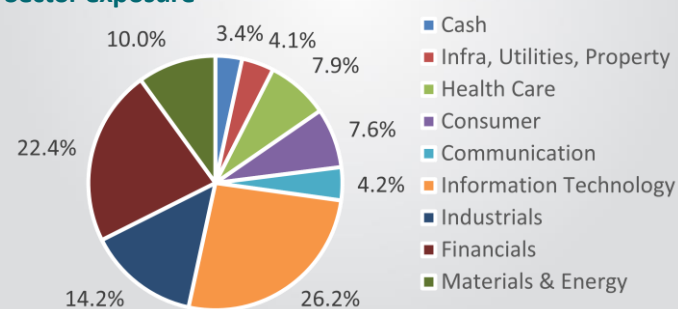
Talent: A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

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.

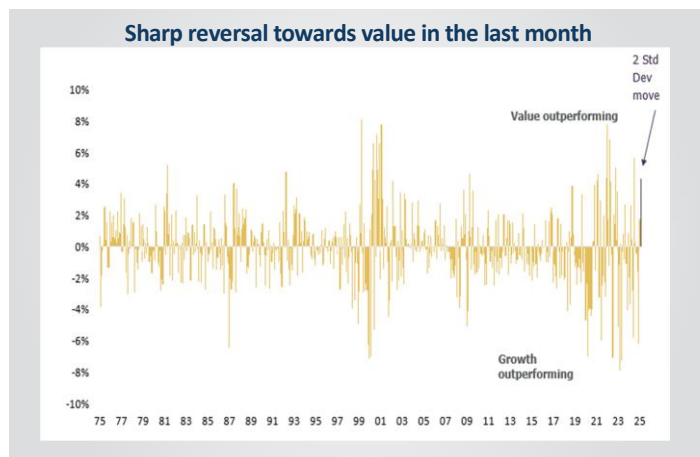
² The inception date for the Fund is 3 June 2021

³ Numbers may not add due to rounding

Market comment and outlook

The ‘Trump Inauguration’ rally that kicked off 2025 reversed sharply in February as tariff risk and heightened volatility gave global markets a reality check of the uncertainty that lies ahead. In addition to geopolitical risks, companies reported their Q4 2024 earnings, and despite earnings coming in better-than-expected the lack of clarity around tariff negotiations drove a rotation of US equities into other regions including Europe and Asia.

Global shares were flat in February in AUD terms, with the US market falling 0.6% while Europe (+3.9%) and Emerging Markets (+1.2%) outperformed. There was a large momentum unwind that saw US MAG-7 stocks slide 8%, largely driven by Tesla weakness, and the flow of funds got directed into other markets like Asia and Europe that trade on cheaper multiples and have also historically underperformed. It remains to be seen whether this is the start of a more sustained re-positioning, acknowledging the numerous false starts on China stimulus and some structural issues in Europe around its regulatory environment, minority governments and lack of AI leaders. Recent data out of China has been supportive including increased loan growth and retail trading activity picking up.



Source: Bloomberg, 28 February 2025

In terms of sector performance, this was also consistent with a rotation out of winning sectors into those that have historically underperformed, with Consumer Staples (+5.6%), Property (+3.8%) and Energy (+2.9%) the best performers while Consumer Discretionary (-6%), Communication Services (-4.4%) and Technology (-1.1%) were the biggest laggards.

Another feature of markets in February was the sliding US dollar, and after having rallied 10% in the final quarter of 2024, the US dollar fell 0.7%, and has fallen a further 3% in the first week of March. Although US equities have relatively underperformed, its bond market held up much better, with US 10 year bond yields fell 33 basis points to 4.21%, while Germany and Japan suffered a bond market sell-off as their yields spiked higher. Germany’s

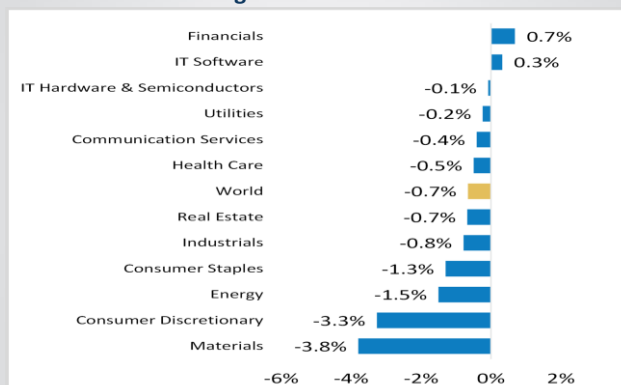
‘whatever it takes’ plan on infrastructure and defence spending pushed Bund yields higher in anticipation of more issuance. Economic data showed inflation printing a bit above expectation at 3% YoY vs 2.9% expected, while ISM Manufacturing prices paid also rose above expectations, indicating that inflationary pressures are still persisting. Consumer confidence indicators also weakened in Feb with both Uni of Michigan Consumer Sentiment and Conference Board consumer confidence both falling short of expectations.

Portfolio comment and outlook

Markets have witnessed significant turmoil over the last few weeks, with substantial changes to consensus views on the outlook for various key macro indicators and geo-political risks. One of the most important of these has been regarding tariffs; initially markets had largely discounted US rhetoric, however recent events have demonstrated an intent to follow through with actual tariffs at a scale and breadth that is worse than expected. Not only is this inflationary, but it is also a downward shock to the outlook for growth. At the same time, Trump 2.0 is pursuing an aggressive reset of various long-standing international alliances, which has also translated into an important re-appraisal of various geopolitical risks. One immediate consequence has been an announcement by Germany to substantially increase defence and infrastructure spending, which if executed would likely significantly improve the relative growth outlook for Europe. At the same time, China has signaled that more stimulus and reforms are coming.

While the outlook remains uncertain, and it’s likely that there will be a near-term ‘air pocket’ in growth as companies and consumers digest these abrupt changes, it’s still unclear how sustained this weakness will be and whether recessionary fears are justified. US policies remain highly unpredictable and may yet pivot back towards a more pro-growth agenda. Furthermore, there is some offset from potentially stronger growth in Europe and possibly also China.

1-month Change in consensus FY25 EPS – Majority of sectors saw EPS downgrades over the last month



Source: Alphinity, Factset, 28 February 2025

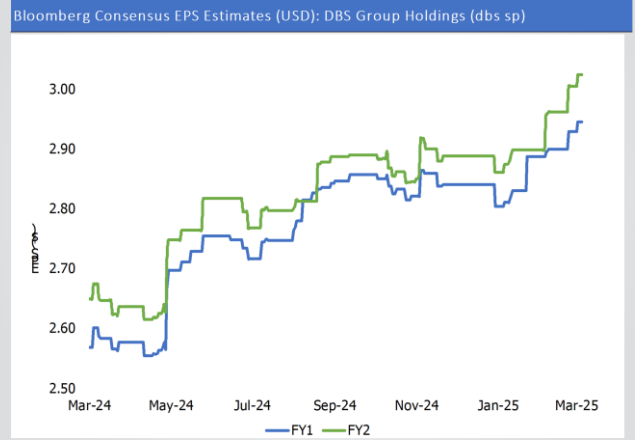
After a relatively solid earnings season, corporate earnings revisions have been broadly flat over the last month, with positive momentum in Financials and IT Hardware, offset with weakness in Consumer Discretionary, Materials and Staples. While this is encouraging and represents a marginal improvement from the beginning of the year, the unexpected escalation in trade and geopolitical tensions suggests that there are clear downside risks significant to estimates over the next few months. Of particular interest will be how relative leadership evolves reflecting some of the apparent changes to the outlook for regional growth, but also within defensives and cyclical sectors.

During February, we exited an investment in Cadence after another relatively weak guide and divested Qanta with lower conviction following the DeepSeek announcement. We also sold out of Merck continued weakness in China Gardasil sales with limited visibility on recovery) and Trane Technologies (taking

profit to recognize a maturing earning cycle). In addition, we also chose to further reduce our exposures to Mag-7 stocks including Nvidia, Apple, Alphabet and Amazon recognizing weaker relative earnings momentum. New investments were initiated in CRH (high quality construction aggregates exposure with pricing power), DBS (a leading Asian bank with growth upside) and Spotify (the world’s dominant leading platform with positive momentum).

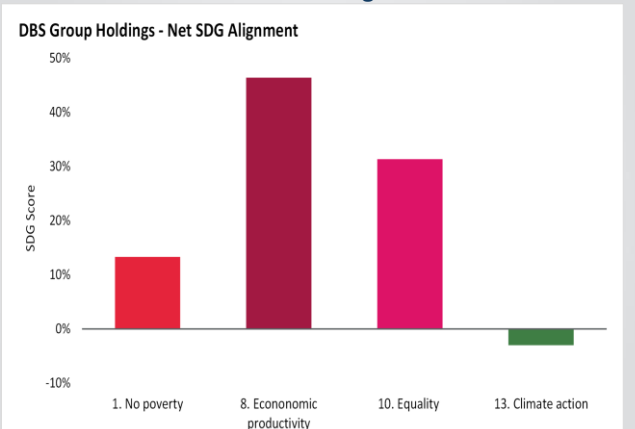
The Portfolio overall remains invested in our highest conviction Growth stocks, combined with a range of Cyclical and Defensives, and remains diversified across most sectors. We acknowledge that policy and geopolitical risks have materially increased, with potential downside risks to the outlook for economic growth and the earnings cycle. There are also implications for US leadership more broadly. The team will continue to travel widely to test conviction in our current investments and search for new ideas across a wide range of different sectors and geographies. We believe that our disciplined, bottom-up stock-selection focus which follows earnings leadership will be important in navigating a difficult period in the cycle.

BOUGHT: DBS – Leading Asian bank with growth upside & strong governance practices



Source: Alphinity, Bloomberg, 28 February 2025

BOUGHT: DBS – SDG Alignment = 88%



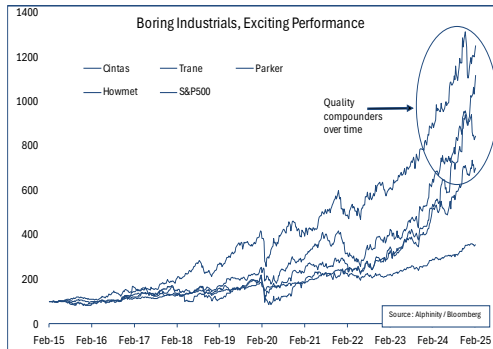
Source: Alphinity, 28 February 2025

On the Road with Alphinity Global

After a volatile fourth quarter earnings season in the US many of our global PMs hit the road to meet with companies and get a deeper understanding of recent results and to help find new ideas. Chris went to the US to attend two conferences and also visited a large number of companies across various industries taking in aerospace, equipment manufacturing, waste management and uniform making.

While areas like uniform cleaning and waste management might see some readers tune out due to boredom, and we acknowledge they're not as

'hot' as companies like Netflix, Apple or Tesla, these seemingly boring companies can actually be 'quality compounders' over time. Chris met with Cintas, the largest US manufacturer and distributor of corporate uniforms; Trane, industrial air conditioning and heating equipment; Howmet, provider of engineered materials for aviation; and Parker Hannifin, which makes aerospace systems. This chart shows the extent to which these companies outperformed the US market over the past ten years.



Cintas, the uniform company, gained 1150% since 2015 in \$A terms, which compares with the overall US market at 260%. Not only is Cintas a great quality compounder, it has a fascinating history and is a great example of American capitalism. After their circus closed during the Great Depression, Doc and Amelia Farmer (pictured here) saw the opportunity to collect old rags factories had thrown away, wash them and sell them back to those same factories. That was the foundation of the company that would become Cintas.



On to some of the learnings of his trip, the US industrial vibe could be best described as 'low and slow' in terms of economic recovery, although there were glimpses of green shoots. While there were subtle positive trends, the overall trajectory suggested a gradual industrial recovery rather than any rapid resurgence. Perhaps the exception to this may prove to be those companies' activities outside the US, as activity in Europe and China had seen sharp declines and therefore might experience a more pronounced, albeit optically stronger, recovery phase.

Two themes Chris saw in his trip were the potential impact of tariffs and the presence of a short-cycle manufacturing recovery. Management teams in general were cautious, a wise stance considering the prevailing uncertainties surrounding inflation, tariffs, politics and the economic landscape in China. While CEOs were reluctant to make definitive predictions, it is notable that no executive reported a deterioration in business conditions. All confirmed either the continuation of the previous trend or nascent signs of improvement. Investor sentiment, however, remained relatively subdued and somewhat confused by what to do next. One person he spoke to called it as "peak not sure what to do".



Given the conference was in Miami, the divide in the US between the haves and the have-nots was plain to see, although there seemed to be more 'haves' in Miami. Chris didn't need to walk far from the conference centre to see expensive cars and luxury fashion stores. It was quite a contrast with the relatively boring industrial companies he was talking with. Not that he is unfamiliar with expensive cars, he covers Ferrari shares too.



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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. 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.