

Alphinity Global Sustainable Equity Fund – Active ETF



MONTHLY REPORT – APRIL 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)	-2.9	-11.3	1.5	9.2	-	8.5
MSCI World Net Total Return Index (AUD)	-1.7	-6.7	13.8	15.0	-	12.3

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	\$189m
Distributions	Annually at 30 June
Min. Investment	\$10,000
Max. cash position	20%
Carbon Intensity (ave weighted) Scope 1 & 2	127.3 (vs MSCI Benchmark 103.6)

Top 10 positions

Company	Sector	%
Microsoft	Info. Technology	5.5
Mastercard	Financials	5.0
Motorola Solutions	Info. Technology	4.6
ServiceNow	Info. Technology	4.6
AstraZeneca	Health Care	4.2
Waste Connections	Industrials	4.0
DBS Group	Financials	4.0
Linde	Resources	4.0
Novonesis	Resources	3.9
Intuitive Surgical	Health Care	3.7
Total		43.6

Data Source: Fidante Partners Limited, 30 April 2025

Fund features

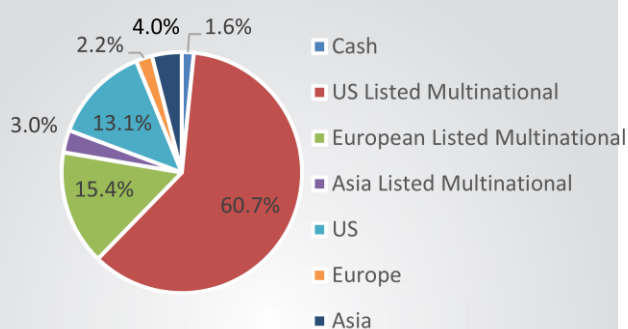
Sustainable: A long only, concentrated portfolio of 25-40 global companies with strong ESG practices that contribute towards at least one of the UN sustainable development goals. Diversified across sectors and regions.

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.

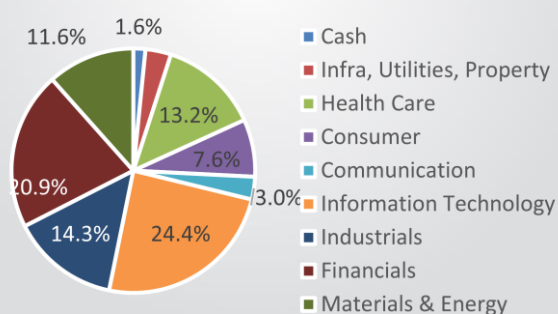
Talent: A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

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.

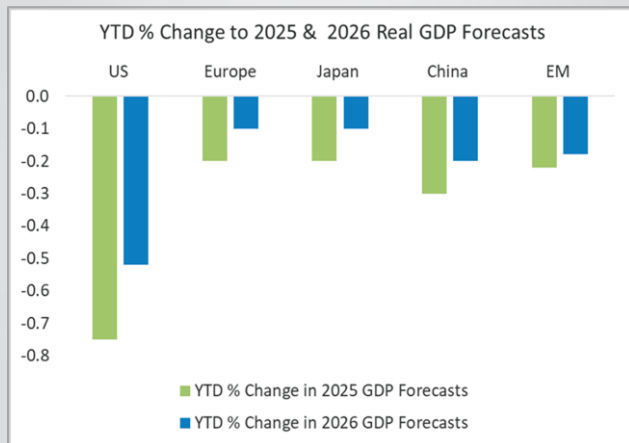
² The inception date for the Fund is 3 June 2021

³ Numbers may not add due to rounding

Market comment and outlook

Volatility was elevated in April, with markets initially reacting poorly to the Trump Administration's so called 'Liberation Day'; where the announcement of a sweeping new tariff strategy with virtually all major countries outside the US sent markets tumbling. However, the rebound was swift as investors' awareness of Trump's deal-making tactics led to expectations that many of these tariffs may be watered down, or at the very least, once the announcement was out of the way, there was the opportunity to buy into a depressed market. The challenge will be for markets to not only recoup Liberation Day losses, but to find a way to strengthen over a more consistent and longer timeframe. Having said that, replacing 'Liberation Day' with 'Total Reset Day' announced on 12 May, whereby China tariffs were substantially reduced, led to sharp rebound in early May.

Relative estimates between the US and RoW have also narrowed



Source: Bloomberg, 13 May 2025

Global shares (MSCI World) fell 1.7% last month in AUD terms, which was mostly driven by weakness in the US market (S&P 500 index -3.2%) in reaction to the tariff announcements. European shares (Stoxx 600 index +1.3%) continued to be the beneficiary of flows out of the US into the region, while China was a drag on Emerging Markets, given the disproportionately high tariffs directed there. China fell 4.3% and dragged the broader Emerging Markets index down 1.4%. On a sector level, only Utilities (+0.9%) and Consumer Staples (+0.8%) closed in AUD terms, while Energy (-13.3%), Healthcare (-4.3%) and Financials (-2.2%) were the biggest laggards.

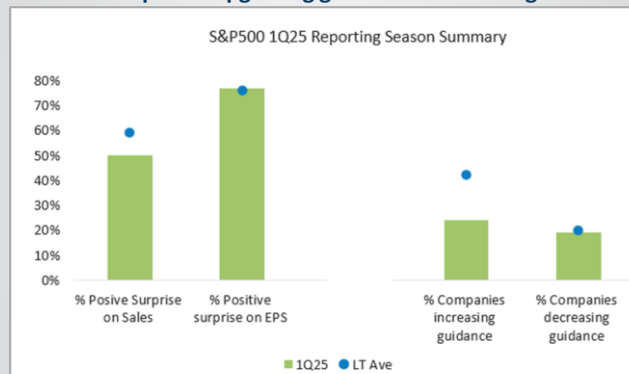
Offshore, while the effect of tariff policy is yet to be fully reflected in US economic data, the hit to consumer confidence, both in terms of sentiment and expectations, was clear with both measures declining steadily. Additionally, US manufacturing indices continued to decline, having fallen in each of the last three months. Markets often tend to react almost instantaneously to tariff / deal announcements, but any snap-back rally on trade deals could be short-lived should there be no evidence of a rebound in hard data like

manufacturing activity. In a positive development for rate cuts, inflation continued to print below expectations (April CPI +2.3% versus 2.4% expected) which has been helped with lower energy prices.

Portfolio comment and outlook

Markets continued to be in turmoil in April, driven by the announcement of highly punitive U.S. tariffs early in the month, followed by a partial and gradual back-pedalling the following weeks. This is having a clear, negative impact on many forward-looking macro sentiment indicators, but at this stage a more limited impact on reported economic data. US policies remain highly unpredictable and may yet pivot back towards a more pro-growth agenda. Furthermore, there is some potential offset from Europe and China, which are progressing its plans for stronger fiscal stimulus.

1Q25 US Reporting Season – better than expected but fewer companies upgrading guidance vs LT average



Source: Alphinity, Bloomberg, 15 May 2025

The first quarter reporting season in the US was positive versus expectations, beating earnings by +9%, but this should be seen in the light of relatively steep and broad downgrades ahead of reports. European companies also beat, by +4%. In terms of earnings revisions, the global earnings cycle continued to be negative over April, falling another -1.6% for 2025 and -2.0% for 2026. Many companies cut or cancelled full-year guidance, and most spoke of a more uncertain earnings outlook due to tariffs and the economic slowdown. Downgrades were broad, with only Communication Services and the more defensive Utilities avoiding downgrades at a sector level for 2025. More cyclical industries, Energy, Consumer Discretionary and Materials had the largest downgrades. Our Alphinity Global Earnings Diffusion Index fell, measuring the breadth of analyst downgrades, and fell to a level not seen since Covid lockdowns in 2020.

The Portfolio overall remains invested in our conviction Growth stocks, with capital increasingly concentrated around stocks which we expect to be less impacted by current tariff and geopolitical uncertainty. These are combined with a selective range of Cyclical and Defensives, and the portfolio also remains diversified across most sectors.

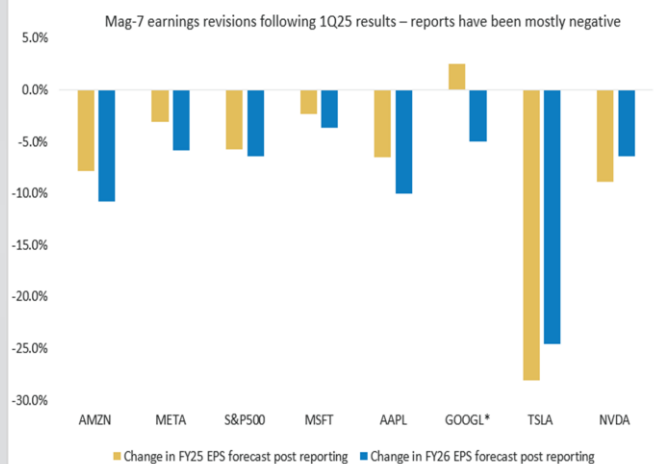
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After a period of higher portfolio activity in February-March due to the leadership rotation in big parts of markets, activity was lower in April. We added UnitedHealth (relatively insulated from tariffs and with more positive Medicare pricing news) and also saw opportunities to add to existing positions in ServiceNow and AstraZeneca after good reports and pullbacks in the stocks. We divested the remainder of Alphabet on rising risks that the dominant position of its internet search business is under pressure from AI-driven competitors. We also lowered our exposure to Proctor & Gamble on US consumer headwinds and reduced our cyclical exposure in CBRE, Schneider Electric and Bank of America to reflect higher tariff/growth risks. The frequent changes in U.S. policy affect most sectors and a majority of companies globally, with still different scenarios for how it plays out for economic growth and the earnings cycle.

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.

Mag-7 – mostly seeing earnings downgrades following 1Q25 results



Source: Bloomberg, 30 April 2025. * Alphabet first quarter earnings included a one-time, non-cash, unrealized investment gain of c.\$8bn

On Travellers' Tales

Monique ventured into the lion's den in April, travelling to the epicentre of global financial turmoil immediately after so-called Liberation Day. She saw companies and real estate brokers focused on data centres and industrial property in New York; then went on to Washington DC (seen here being held well back so she can't storm the Capitol) for a few days, speaking with lobbyists, former presidential staffers and current members of Congress. From there she travelled to Houston to meet with energy and engineering companies.



It was an incredibly exciting time to be on the ground and talking to people with expertise and insights into US government policy, ranging from tariff negotiations to tax bills and Energy policy. The consensus view on Capitol Hill was that tariffs would come down from Liberation Day levels, which has subsequently happened to some extent, and some suggested that trade agreements (other than with China) might even end up being better than what was in place prior to the negotiations. There was more caution about China however, with some apprehension that the US could be underestimating its tolerance for economic pain which might complicate the negotiation process.

Much has been discussed recently about Trump's dream of bringing manufacturing back to the US but most she talked to didn't believe it would happen on a large scale. Economic realities do not currently support such a shift, and companies remain cautious about investing heavily when executive orders could be reversed within a few years, or even days. The ideal scenario for the US is that tax relief would more than offset the impact of higher tariffs: that may well still be the case but it's still far too early to call given the lack of clarity on both tariffs and taxes. The size of the US national debt is a problem, and concerns around this tempered the more bullish view that tax relief will save the day. Any tax relief at this stage is limited to just extending the existing tax arrangements which are set to expire at the end of the year, but there still needs to be more than \$US4.5 trillion of spending cuts over the next ten years just to fund it. Elon has been looking for ways to cut costs through DOGE, but thus far the real saving have been minimal and hefty cuts will be needed elsewhere to achieve that.

While Monique didn't manage to secure an audience at the White House she did wander past and wave. Her trip has provided us with some valuable on-the-ground insights into the evolving landscape of tariffs, tax policy, and energy strategy under the new administration. The tariff situation remains fluid across borders and volatility is likely to persist for some time. As a result, a focus on quality and earnings certainty will be even more critical moving forward, and any portfolio adjustments will be made gradually and with caution.



Meanwhile, global equity PM Chris went to China and Hong Kong to get a feel for the current state of the Chinese consumer, visiting consumer companies like Louis Vuitton, Nike, and Starbucks, and some beauty companies, including L'Oréal. He was surprised by how quiet Shanghai was. It wasn't that there was a lack of activity, rather due to the huge number of almost silent electric vehicles on the roads. It's strange to think that Sydney felt substantially louder than Shanghai. EVs are everywhere: cars, buses, motorbikes, E-bikes and scooters. Some of the cars there have subscription plans allowing you to just swap out your entire car battery rather than charging it, and it takes just a couple of minutes to switch. So it is much more convenient than waiting for the battery to re-charge and as fast as filling up with petrol.

Other than EVs and quiet roads, Chris came away with the view that Chinese consumers are currently exhibiting a cautious "wait and see" attitude towards spending, despite the fact that the overall financial health of most is reasonably stable, and very high saving rates. The reluctance to spend stems from cyclical economic factors compounded by structural issues like demographic pressures and the expectation to support elderly family members, not to mention concerns around the trade war with the US.

A notable shift in consumer preference is an emphasis on value for money, prioritising quality and innovation over brand prestige, leading some to believe that traditional brand loyalty is declining. Encouragingly, there are some signs of stabilisation with the second derivative of key economic indicators showing potential improvement, including mall traffic, housing prices in top-tier cities, and a decrease in property inventory. Independent data suggests year-to-date sales performance is better than initial expectations, albeit with significant variation across brands and luxury tiers.

Premium luxury is still in decline while the ultra-luxury segment is relatively stable, with fashion and leather goods outperforming jewellery and watches. This is largely inline with consensus forecasts for Chinese luxury spending for 2025. It appears that Louis Vuitton at least is still worth queuing for, according to these shoppers in Shanghai anyway. China analysts anticipate that most consumer companies will be heavily reliant on a significant second-half earnings rebound considering the weak first quarter just delivered.



Here is Chris proudly wearing his new Chinese tracksuit outside a German sportswear powerhouse Adidas store. As with other sporting goods companies like Nike, and European luxury brands like Louis Vuitton Moët Hennessy, China makes up a large portion of its business.



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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.