Alphinity Global Sustainable Equity Fund – Active ETF

MONTHLY REPORT – JULY 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)	3.1	9.6	4.3	12.3	-	10.4
MSCI World Net Total Return Index (AUD)	3.1	11.2	17.4	18.9	-	14.4

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	$201m
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%
Carbon Intensity (ave weighted) Scope 1 & 2	115.1 (vs MSCI Benchmark 93.8)

Top 10 positions

Company	Sector	%
Microsoft	Info. Technology	7.4
Nvidia	Info. Technology	6.3
CBRE	Real Estate	4.4
MasterCard	Financials	4.3
Motorola Solutions	Info. Technology	4.2
ServiceNow	Info. Technology	4.1
AstraZeneca	Health Care	4.1
TSMC	Info. Technology	3.9
JP Morgan	Financials	3.8
Veralto	Industrials	3.8
Total		**46.3**

Data Source: Fidante Partners Limited, 31 July 2025

Fund features

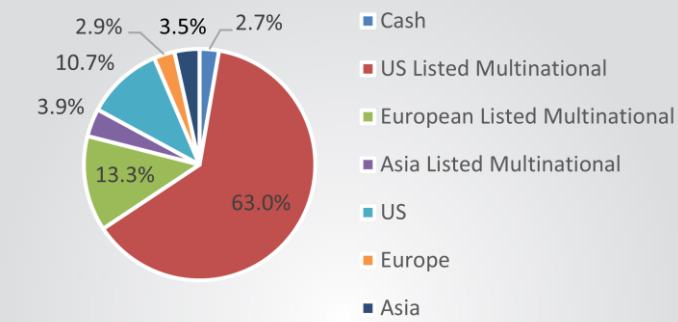
Sustainable companies: An investable universe of companies that we believe have a net positive alignment with one or more of the 17 United Nations Sustainable Development Goals (SDG's) and exceed Alphinity's minimum ESG criteria.

Exclusions: Exclusions from the investable universe, defined by a Charter, for activities that are considered to be incongruent with the SDG's

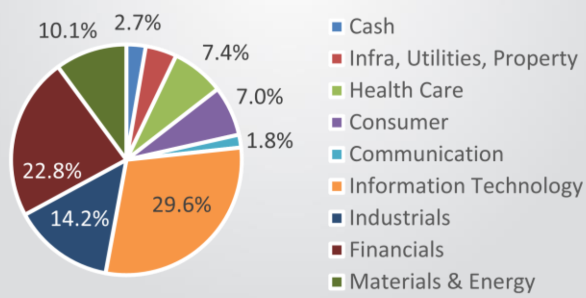
Active ownership and stewardship: We seek to engage with companies on ESG matters and also intend to vote all proxies put to shareholders

Consistent Returns: We can invest in growth, value, cyclical or defensive companies, because we aim to own them at the right time in their earnings cycle

Geographical exposure



Sector exposure

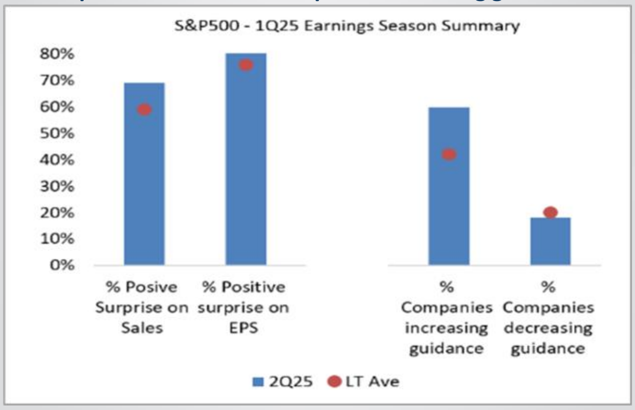


1 Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.
2 The inception date for the Fund is 3 June 2021
3 Numbers may not add due to rounding

Market comment and outlook

Equity markets posted four straight months of gains, many of these reaching record highs with US corporate earnings helping Tech stocks rally, allaying some concern around an AI spending bubble. The US market (S&P500 index) gained 4.4% in AUD terms over July, outperforming the broader global index which gained 3.5%. The recent pivot from US into European shares also reversed with Europe underperforming and closing flat, not helped with some of the region's largest stocks like SAP, ASML and Novo Nordisk all stumbling, while parts of the Industrials and the luxury consumer space were also notably weaker post earnings. Emerging markets were mixed with strength in China, Taiwan and Korea offset by weakness in India and in Brazil as the US imposed a 50% tariff on some of its key exports.

2Q25 US Reporting season – More beats than usual vs lowered expectations & more companies increasing guidance



Source: Bloomberg, 15 August 2025

More progress on trade talks also lifted markets, with US / European negotiations resulting in a framework agreement by the end of the month with continued 10 to 15% baselines tariffs rather than the escalated 50% rate that was initially threatened. No further escalation of China tariffs was also supportive, with an extension of the tariff truce for another 90 days until November.

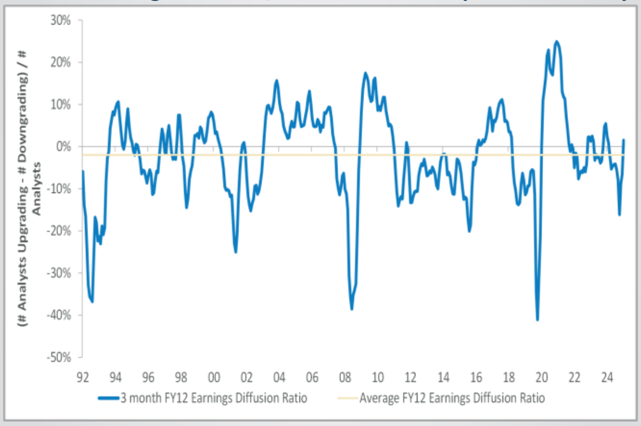
The month began with a lot of retail buying in some of the unloved (and more shorted) names and a momentum unwind on the other side, where stocks with strong earnings and price momentum were sold. However, this activity slowed down as the month progressed and stock moves reacted to quarterly earnings which positively surprised with just over 75% of companies beating earnings expectations. On a global sector level, Technology (+6.3%) Energy (+4.6%) and Utilities (+4.4%) were among the top performers, while the more defensive Healthcare (-1%) and Consumer Staples (-0.6%) sectors were the biggest laggards.

Economic data was again mixed with a stronger than expected GDP print (+3% versus 2.6% expected) helping to lift the USD from a recent slump and served to reinforce US Federal Reserve Chair Powell intention to push back on political pressure to cut interest rates. The Fed kept rates on hold, adding "we don't consider the fiscal needs of the Federal government" which only served to increase tensions. Adding more fuel to the rate cutting debate was the downward revisions in the employment data with a sharp downward revision in 3 months of jobs growth. This sent bond yields lower towards the end of the month, although the US 10-year yield closed up 14 basis points to 4.37%.

Portfolio comment and outlook

Recent U.S. policy announcements have brought some more clarity on its tariffs, but the resulting impact in the next 6-12 months on consumers and corporate profits remains uncertain. Economic 'hard' data is overall resilient, but recent signs of a slow-down in the U.S. labour market and emerging goods inflation may complicate potential policy responses, if they were to gain momentum going forward. Global equity markets continue to be positive, but these uncertainties in combination with markets having rallied back to historic-high valuations have elevated market risks.

Global Earnings Diffusion/Sentiment back in positive territory



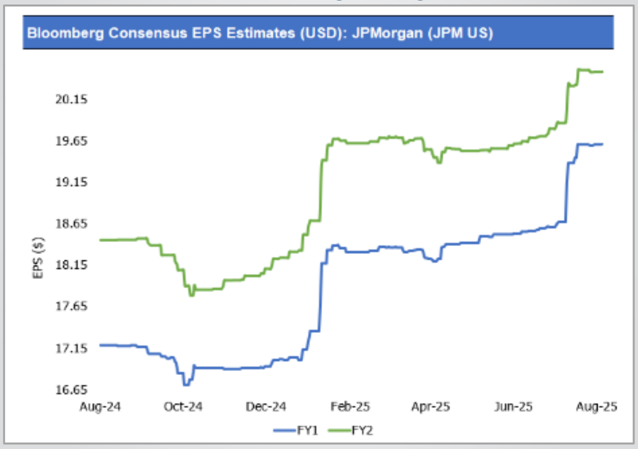
Source: Alphinity, Bloomberg, 31 July 2025

The second quarter reporting season is coming to an end, with over 80% of companies having reported. Results have overall been positive with ~3/4 of companies beating expectation. However, it's been more challenging to live up to heightened expectations in stocks, with price reactions skewed more negatively than usual: only ~35% of U.S. stocks outperformed during the earnings season. Led by the U.S., the global earnings cycle inflected positive over the last month for the first time in 2025, rising +0.7% for 2025 and +0.4% for 2026. This has been driven by Technology, Communications and Financials, whilst Consumer Discretionary, Health Care and Materials have seen the largest downgrades. Going forward, as the market's focus increasingly lifts to 2026, we are looking for more clarity on earnings headwinds from tariffs across sectors, as they work their way through the supply chains.

After a period of higher portfolio activity earlier in the year due to the leadership rotation in large parts of the global market, the portfolio's exposure to fundamentally backed, positive earnings revisions have recovered to high levels again. During July, we added to our positions in Amphenol (following a strong report and double digit beat and raise for this quarter and next), JPMorgan (strong earnings momentum continues) as well as Moody's and Booking Holdings (stocks pulled back despite good reports).

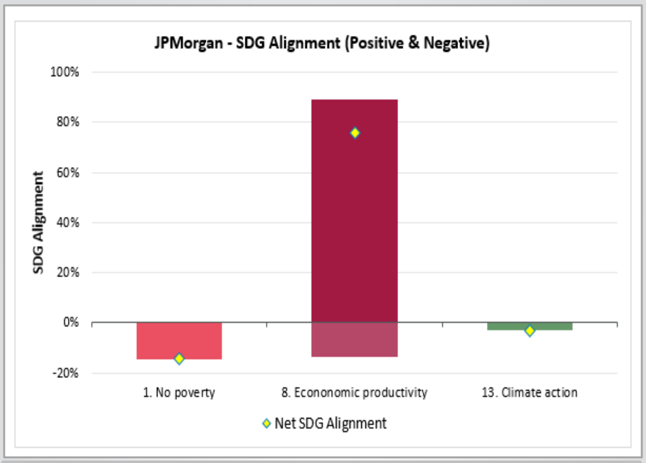
We reduced our position in Spotify following a weaker report and guidance, and in Waste Connections (with earnings headwinds from commodities) and finally took profits in DBS. Overall, the portfolio is invested in strong growth businesses as well as more defensive companies, and quite selectively within cyclicals (mainly Financials). The Alphinity investment process will always organically adapt and recalibrate around abrupt, macro-led earnings leadership changes, resulting in a disciplined application of our investment philosophy. We maintain a high quality and diversified portfolio focused on idiosyncratic earnings leadership, which we expect to be relatively less impacted by tariff and geopolitical uncertainty.

BOUGHT: JP Morgan (during June) – Net adding exposure to financials sector – strong earnings momentum



Source: Bloomberg, 15 August 2025

JP Morgan Net SDG Alignment = +58%



JPMorgan offers a range of financial services including consumer and business lending, investment banking, and asset and wealth management. These activities contribute positively to **SDG8** (Decent Work and Economic Growth). However, we also recognise potential negative impacts, such as the risks associated with unsustainable debt cycles (**SDG1**: No Poverty), systemic economic risks managed by large financial institutions which is recognised as a negative with **SDG8**, and the bank's financing of fossil fuel activities, which presents challenges to **SDG13** (Climate Action).

Source: Bloomberg, 15 August 2025

Navigating nature-related risks in the farmed seafood supply chain *(Australian focused note that could be of interest to Global investors)*

ESG considerations for investors: Spotlight on Tasmanian salmon Nature is increasingly recognised by investors as an important theme, not only for its intrinsic value to the economy but also for its role in mitigating climate change. As biodiversity and ecosystem health are prioritised, attention is turning to industries like seafood which are strongly linked to nature impacts and dependencies.

As Australia's most popular seafood, farmed salmon offers a healthy, efficient and reasonably affordable protein that supports local economies and may even curb wild overfishing. But the industry has drawn considerable public and political attention in Tasmania. As production increases, more stakeholders pay attention and expect responsible operations. This growth also puts greater pressure on the environment, increasing risks such as nutrient pollution and habitat impacts. Balancing food system needs with various community and ecosystem impacts highlights the dynamic ESG (environmental, social, governance) landscape in aquaculture systems.

This article shares five key insights from on-site salmon farm visits and discussions with local stakeholders in Hobart, Tasmania. We offer our views on potential investment risks for salmon retailers and propose company engagement questions, which are also relevant for other aquaculture industries. We also reflect on how these insights apply to wider nature risks and overlap with climate change, social licence and governance

Evolving global expectations in salmon farming

Global expectations and regulations related to salmon farming are changing. In 2021, Argentina banned salmon farming in marine cages due to potential ecosystem damages, and more recently in January 2025, Washington State announced a total ban on all open net fin fish aquaculture in state run waters due to cases of negligence causing environmental damage. In 2023, Norway implemented a landmark additional 25% tax on salmon farms to redistribute profits back to the community. While we have not seen similar wide-scale changes in Australia, attention on the industry is likely to remain high given the government's commitment to limiting nature loss and 'no new extinctions' in 2022.

Trip Insights

Tasmanian salmon farming: Four insights from our time on the ground This section outlines four key findings from site visits to Tasmanian salmon farming operations. The analysis is intended primarily for ASX-listed food retailers, given there are currently no publicly listed salmon producers in Australia.

1. Advanced technology helps mitigate nature impacts, but concerns remain
2. The extinction risk of the Maugean skate has improved
3. Damaged social license and lack of community trust
4. Salmon certification schemes differ in compliance standards

Takeaways: Investment considerations for salmon retailers As there are no listed salmon producers in the Australian equity market, the following outlines specific investment considerations for ASX-listed salmon retailers such as Coles and Woolworths.

Certification and greenwashing concerns	Certification serves to uphold aquaculture standards and allows retailers to utilise specialised organisational expertise, reducing the need for all responsibilities to be managed internally. However, differences among the three major certification bodies (ASC, GlobalGAP, BAP) have led to questions about the consistency of responsible sourcing labels such as those used by Australian food retailers. Since Coles and Woolworths use these certification schemes to support their 'responsible sourcing' seafood labels, there is a possibility that greenwashing could occur if due diligence is not adequately demonstrated. A complaint regarding potentially false, misleading or deceptive representations relating to salmon products in supermarkets was filed with the ACCC at the end of 2023.
Regulatory risk	While the Tasmanian salmon sector has historically benefited from bipartisan political support, rising environmental and community risks may result in increased regulatory constraints or potential bans. Furthermore, if additional evidence emerges indicating heightened extinction risk for the Maugean skate, further restrictions on salmon farming in Macquarie Harbour could impact supply chains and pricing for retailers. The likelihood of this risk may be influenced by other regions moving towards stricter regulation or restrictions on farmed salmon. For example, in January 2025, Washington State announced a total ban on all open net fin fish aquaculture in state run waters due to cases of negligence causing environmental damage.
Social licence and reputation	The Tasmanian salmon industry faces ongoing challenges related to public trust and social licence. Despite improvements in environmental monitoring and public disclosure, a disconnect remains between operational practices and public perception. Although indirect, this can affect the reputations of food retailers such as Coles and Woolworths. Salmon constitutes only one of many product categories in supermarkets, the direct financial risks associated with changes in consumer behaviour, or from further production limitations in Macquarie Harbour (which supplies much of the summer salmon), are therefore expected to be limited. Consumer demand for salmon also appears to have remained resilient amid industry controversy.
Shareholder activism	Shareholder action related to salmon sourcing have raised reputational and operational risks for Coles and Woolworths. We expect these risks to intensify throughout 2025 with new shareholder proposals to be presented at the upcoming AGMs for both supermarkets.
Climate change risk and supply chain disruptions	Climate change poses a significant long-term risk to Tasmanian salmon farming, particularly due to rising sea temperatures and oxygen depletion during summer. This combination of issues has resulted in mass mortality events, reduced supply, higher costs, negative media attention, and reputational impacts. As the industry considers relocating sea pens to colder offshore waters, new risks—including increased maintenance costs and potential environmental impacts such as escaped salmon—may materialise.

Conclusion:

The Tasmanian salmon industry presents an evolving set of ESG considerations that have been steadily weaving themselves through the industry's nets, and reveals a complex landscape, mirroring the broader challenges faced by nature-dependent sectors. Despite the commitment to responsible aquaculture, such as efforts to monitor environmental parameters and mitigate impacts accordingly, the effectiveness of these measures is still under question. Ultimately, this calls for transparency and action by both salmon producers and retailers. It also highlights the importance of proactive investor stewardship and engagement to assess and manage operational, reputational and regulatory risks that have the potential to impact financial performance. We would like to thank Tassal for hosting investors, continuing to uphold public disclosures as a private company, and commend their willingness to engage on a complex topic. We hope that these perspectives are insightful for salmon producers, salmon retailers and the broader investment community. Improving knowledge is the first step to enable detailed, and therefore more credible, dialogue with companies. With this in mind, we hope that investors consider engaging with companies, using the insights and questions outlined as guidance.

Link: [Nature-risks-in-farmed-seafood.pdf]

For further information, please contact:

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