Alphinity Global Equity Fund – Active ETF

MONTHLY REPORT – OCTOBER 2025

Performance[1]	1 Month %	Quarter %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	Since Inception[2] % p.a.
Fund return (net)	1.5	2.2	9.0	14.6	15.0	13.9	12.9
MSCI World Net Total Return Index (AUD)[3]	3.3	6.2	22.1	20.7	17.2	14.8	13.5

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.[1]
Buy/sell spread	+0.25% / -0.25%
Fund size	$539m
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

Top 10 positions

Company	Sector	%
Nvidia	Information Technology	6.8
Microsoft	Information Technology	6.5
JP Morgan	Financials	4.9
AstraZeneca	Health Care	4.4
Morgan Stanley	Financials	4.2
CRH	Materials	4.1
Coca Cola	Consumer Staples	4.0
Amphenol	Information Technology	3.9
TSMC	Information Technology	3.6
CBRE	Real Estate	3.6
Total		**45.8**

Fund features

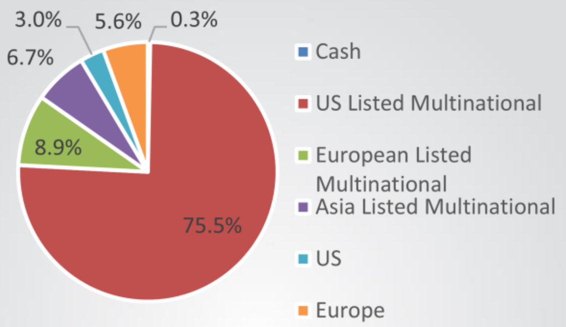
Consistent returns: Aims to provide consistent strong risk-adjusted returns across different market cycles

Style agnostic: Can invest in growth, value, cyclical or defensive companies, because we aim to own them at the right time in their earnings cycle.

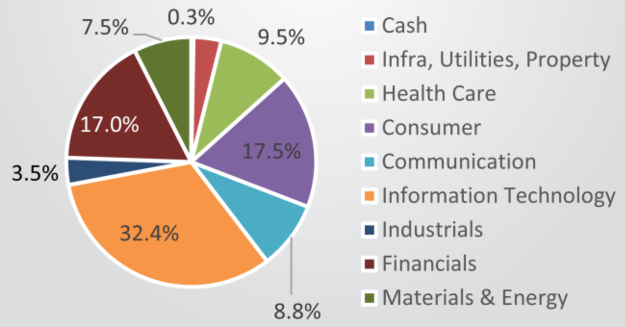
Concentrated: An actively managed, long only portfolio of 25-40 high conviction, quality companies, which is also diversified across sectors and regions

Robust process: A disciplined and repeatable investment process finding high-quality businesses with strong earnings that are under appreciated by the market.

Geographical exposure



Sector exposure



Data Source: Fidante Partners Limited, 31 October 2025

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.

2 The inception date for the Fund is 21 December 2015

3 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

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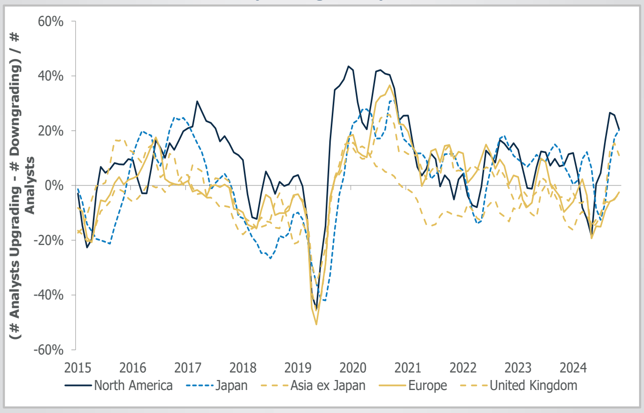
alphinity INVESTMENT MANAGEMENT

Market comment and outlook

Investors holding out hope for further rate cuts were left disappointed in October as the tone from the US Federal Reserve suggested further rate cuts would be unlikely in the near term. This however did nothing to derail the strength in global equity markets with US, Japan and Asian emerging markets surging near (or breaking through) all-time highs. Japan's Nikkei 225 index had its best monthly return on record with a 16% gain, driven by its AI exposed chip and hardware stocks, hopes of an aggressive fiscal stimulus agenda under new government leadership and a depreciating Yen which helped its exporters. The South Korean market did even better than Japan, with the Kospi surging nearly 20% after tech giants Samsung and SK Hynix broke through record highs.

Regional FY1 3-Month Earnings Diffusion Ratio – US leading a broader upswing in expectations.



Source: Bloomberg, 31 October 2025

In the US, the mega cap tech stocks once again drove the bulk of excess returns, with Amazon, Nvidia and Google all advancing strongly while parts of the consumer sector still remain subdued. This divergence in performance and outlook between sectors gave rise to the widely used phrase 'K-shaped economy', where some sectors like Technology and Financials are rebounding strongly while parts of the 'real' economy like the consumer continue to struggle and even deteriorate, particularly in the lower end. A number of 'fast casual' restaurants including McDonalds and Chipotle specifically called out a reduction in traffic with a more value conscious consumer sensitive to tariff-induced price hikes.

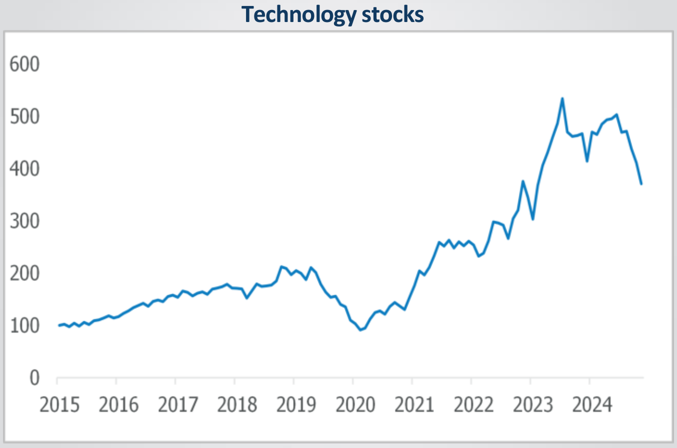
The 3Q 2025 earnings showed positive earnings growth, beating consensus by around 4.5%, and a healthy beat rate with just over half of the S&P 500 companies reporting by month end. Europe, while not achieving the level of earnings growth of the US, still saw a mild improvement in the earnings outlook, with luxury consumer stocks rebounding from their lows, outperforming the banks which have been one of the stronger performing sectors on a year-to-date basis. On a global sector level, Technology (+7.8%), Healthcare (+4.3%) and Utilities (+4.2%) were the largest positive drivers of returns while Materials (-1.6%), Property Trusts (-1.4%) and Financials (-0.9%) were the weakest.

Some US economic data was absent last month given the longest US government shutdown in history led to some data releases being postponed. September CPI came in a touch lower than expectations, driven by softer 'core' components like shelter and used vehicles, although services inflation rose. This was also reflected in the mix of growth, with goods weaker and services stronger. University of Michigan consumer confidence dropped sharply in November, falling over 6% and now about 30% lower year-on-year to near historic lows, further evidence supporting the K-shaped recover narrative.

Portfolio comment and outlook

Global equity markets performed well in October, driven by sustained momentum in AI-related infrastructure capex, robust corporate earnings, and a rate reduction from the Federal Reserve. The influence of the AI thematic on financial markets continues to be considerable, with the so-called Mag-7 dominating returns within a still very narrow market. Indeed in October, just four of these mega-cap stocks drove c.85% of the total MSCI World Index returns. The buildout of AI infrastructure has continued to surpass expectations, reflecting strong initial demand for LLM models, and a determination by free-cash-flow rich 'hyperscalers' to spend whatever it takes to win. However, the ultimate ROI on this enormous build-out remains unclear. There are also some signs of increased speculative activity, including circular vendor-financed transactions and inflated private and public market valuations. Outside of this AI-related strength, the broader economy continues to be choppy, and there is recent evidence of some weakening in the labour market. The ultimate impact of tariffs on inflation, confidence and consumption also remains unclear. This is a challenging and somewhat ambiguous backdrop, which in our view warrants active monitoring and a degree of caution.

Relative Returns: GS Unprofitable Technology stocks vs GS Profitable Technology stocks

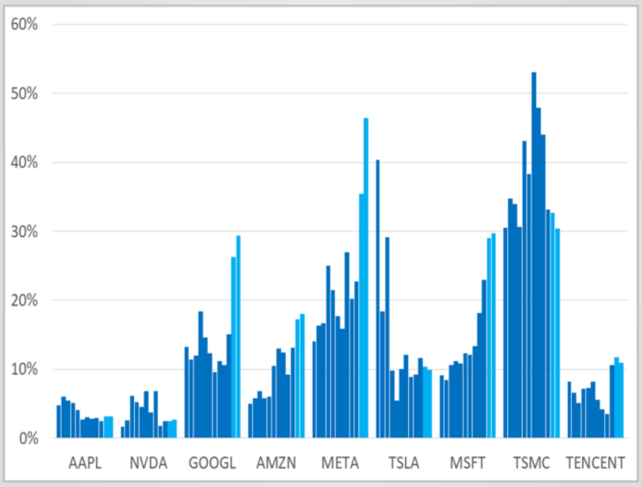


Source: Bloomberg, 31 October 2025

Meanwhile, the third-quarter reporting season was strong, confirming the positive inflection in the corporate earnings cycle. More than 80% of companies in the S&P 500 beat expectations, driven by both stronger revenues and margins. While the strength was quite broad, here again Mag-7 dominated. UBS estimates that the Mag-7 ex-Tesla grew EPS by c.30% y/y versus +10.5% y/y for the rest of the market. Financials were also strong, boosted by strong capital markets, improved loan growth and a benign credit environment. Elsewhere, Consumer Discretionary and Energy remain notably weak. Europe was also relatively weaker, with only about half of companies beating, and EPS expected to rise 1% y/y (albeit still c.2% better than expected). The overall better earnings delivery in the quarter has translated into further upgrades to consensus earnings expectations for both 2025 and 2026, rising +1.5% respectively over the last three months, led by Technology and to some extent Financials.

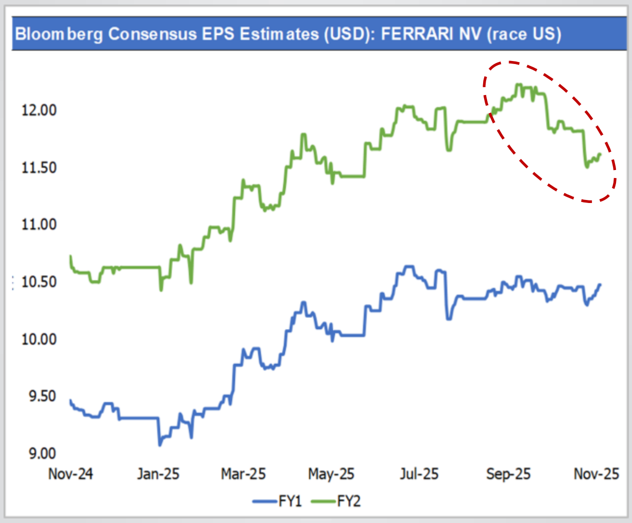
The Portfolio also reported well in the third quarter, with broad strength across most stocks. Pleasingly, this has prompted positive revisions in aggregate for the Portfolio as well, which importantly remain ahead of the market. There were particularly strong reports from Amphenol, TSMC, Natwest and Morgan Stanley. Activity during the month was limited, with the only notable change being the divestment of a long-held position in Ferrari after the release of disappointing 2030 revenue and margin guidance. We have maintained our Technology and other AI-related investments due to their exceptional underlying earnings momentum, while continuing to be thoughtful about stock selection to acknowledge some of the rising risks and valuation concerns discussed above. Additionally, we retain exposure to a diversified mix of high-quality growth and defensive leaders, well positioned to withstand macro volatility. Cyclical exposure is mainly focused on high-quality Financials with strong fundamentals and established earnings leadership. Overall, the Portfolio continues to be strongly exposed to fundamentally driven, positive earnings revisions, which we expect to drive performance over time.

Capex/Sales 2015-2026 for Large AI participants



Source: Bloomberg, 31 October 2025

SOLD FERRARI: Underwhelming 2030 long-term growth and margin guidance – implies negative growth from 2026 onwards



Source: Bloomberg, 14 November 2025

Traveller's Tale – The US K-shaped economy

One of our domestic portfolio managers, Stuart recently returned from the United States where he attended CSL's capital markets day and visited their Behring facility in Kankakee and Seqirus facility in Holly Springs. It is always impressive to witness the scale of their US operations and the purpose driven passion of the CSL team. CSL has been grappling with challenging circumstances, having to adapt to a rapidly changing landscape in many of their markets. As a result, CSL recently downgraded F26 earnings expectations at the AGM—driven by lower influenza vaccination rates and Chinese regulatory changes in the Albumin market. So, there was much to discuss. CSL remain confident in their business plans to overcome many of these issues, although a key challenge that remains for CSL is understanding US seasonal influenza vaccination demand given the competing impacts of the current administration's reduced vaccine focus and the increasing disease burden from lower immunization rates.

But beyond the formal meetings, the trip offered a fascinating glimpse into the American economic mood. What follows are some on-the-ground observations that paint a picture of an economy that one executive aptly described as "consistently inconsistent."

In general, the US consumer is struggling with the cumulative effects of inflation and regulatory uncertainty, although as is often the case in the US, it is hard to generalise, and there are certainly pockets of strength such as in travel (particularly the front end of the plane). Many of the discussions referenced potential for a K-shaped recovery in consumption, where affluent cohorts feel increasingly confident to spend while less affluent households continue to struggle. But the data suggests this split extends beyond income brackets— with certain sectors, such as those exposed to the AI capex boom, performing strongly while many others, such as traditional manufacturing and homebuilding for example, continue to struggle.

It is a sobering statistic that approximately 42 million US citizens rely on the Supplemental Nutrition Assistance Program (food stamps)—roughly 12% of the population. These households account for over 20% of consumer-packaged goods consumption. And things are about to get tougher for this cohort as the authorities clamp down on eligibility criteria including enforced work requirements and stricter immigration status verification.

The carbonated drinks category faces particular headwinds as several states move to exclude soft drinks from SNAP benefits. While alarming, we expect many readers are likely more surprised carbonated beverages were ever included in a "supplemental *nutrition* assistance program" to begin with. One expects those dollars will redirect to other categories, but these statistics are a reminder of how precarious day-to-day finances are for a significant slice of America. Anecdotal stories included consumers watering down detergent to stretch their budgets, to continued strength in high-end leisure and corporate travel. Despite the already wide starting point the disparity in wealth and outcomes is only expanding as we move along this K shaped path.

The pain was particularly acute in the alcohol industry, where these cyclical trends are also intersecting with structural shifts. The industry faces a perfect storm: not only are consumers feeling the pinch from cumulative inflation and weak sentiment, but younger cohorts are fundamentally changing their drinking habits, with nearly half of American adults now planning to drink less in 2025 amid growing health consciousness. One wine executive I spoke with captured the mood perfectly: last year he still had hope of returning to historic sales growth rates. Now? "That hope is all gone," he said flatly.

Of course, America's state-by-state regulatory landscape continues to create curious discrepancies and opportunities. Virginia's spirits prices run significantly higher than neighbouring Washington DC's due to Virginia's 'control state' system whereby the government has a monopoly on alcohol distribution which allows it to set prices and add mark ups to generate revenue. This spread hasn't gone unnoticed by enterprising (if legally questionable) operators. Apparently, organized groups have been systematically "liberating" truckloads of Don Julio Tequila from DC and reselling them in Virginia at astonishing margins. When state lines create arbitrage opportunities measured in percentage points rather than basis points, someone will inevitably capitalise—one way or another.

Surprisingly, there was little discussion about the ongoing federal government shutdown, which claimed the title of the longest-running shutdown in US history during my visit. But the warning signs were starting to flash: SNAP programs running out of money, and massive flight disruptions from air traffic controller shortages. On one travel day, 10% of flights across 40 major airports were cancelled, with most others delayed—a development that directly (and inconveniently) impacted our itinerary.

The optimism here in the US centres on two factors: an increasingly dovish Federal Reserve board composition likely to focus more on labour market weakness than inflation risks, and expectations around the One Big Beautiful Bill's tax cuts and investment incentives broadening the investment landscape beyond the AI driven capex boom. If CSL is a good test case, there is some merit in this view that companies are responding to these incentives and changing political landscape. At their capital markets day CSL announced an intention to spend US$1.5bn replicating their immunoglobulin manufacturing technology they have just built in Melbourne in the US somewhere. So perhaps this capex story will broaden.

The US economy remains a study in contradictions—resilient yet fragile, growing yet uneven. Sectors matter more than ever, demographics are reshaping entire industries faster than many expected, and the gap between those doing well and those struggling continues to widen. For investors, this means being selective is paramount. The opportunities exist, but they won't be found by simply riding broad market trends. Success will require understanding which specific structural shifts are in your favour, and which cyclical headwinds you're sailing into.

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