Alphinity Global Equity Fund – Active ETF

MONTHLY REPORT – JANUARY 2026

Performance[1]	Quarter %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	10 Years % p.a.	Since Inception[2] % p.a.
Fund return (net)	-6.4	-7.5	12.9	12.1	13.2	12.2	**11.8**
MSCI World Net Total Return Index (AUD)[3]	-3.4	6.5	19.6	14.9	14.6	13.2	**12.7**

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	$486m
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

Top 10 positions

Company	Sector	%
AstraZeneca	Health Care	5.3
JP Morgan	Financials	5.1
Microsoft	Information Technology	5.0
Nvidia	Information Technology	4.6
CRH	Resources	4.2
Morgan Stanley	Financials	4.2
Coca Cola	Consumer Staples	4.1
CBRE	Real Estate	4.0
Parker Hannifin	Industrials	3.7
Caixa Bank	Financials	3.6
Total		**43.8**

Fund features

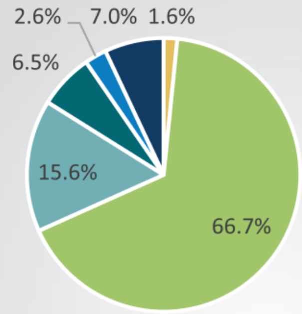
Consistent returns: Aims to provide consistent strong risk-adjusted returns across different market cycles

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.

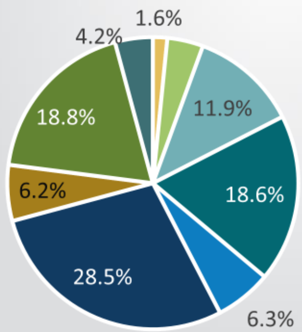
Concentrated: An actively managed, long only portfolio of 25-40 high conviction, quality companies, which is also diversified across sectors and regions

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 January 2026

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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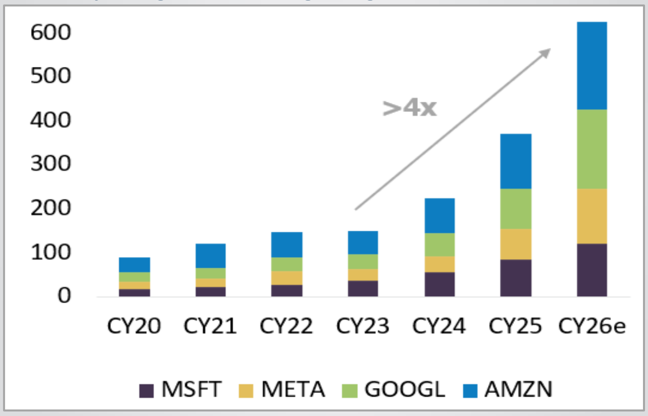
alphinity INVESTMENT MANAGEMENT

Market comment and outlook

Despite one of the busiest and most volatile January's on record, equities kicked off 2026 on a solid footing, with most major share markets recording gains in their local currencies. However, a stronger AUD (gaining over 4% against the USD in one month) adversely impacted offshore returns in AUD. The US market rose 1.4% in local currency, but this translated into a 3% loss in AUD. Encouragingly, there has been a broadening out of both performance and earnings leadership away from the dominating mega cap tech stocks in the US, with the equal weighted S&P 500 index outperforming the market cap weighted index. 'Old world' sectors that have been out of favour like Materials, Energy and Consumer Staples were among the best performers, while the more popular crowded long sectors such as Technology and Communications Services underperformed. Emerging markets also outperformed and there was a widening of leadership away from Asian tech, with a strong performance in Brazil given its commodities and banks' exposure.

Hyperscalers AI Capex has increased by $130bn since the start of the reporting season, now guiding to >$600bn in 2026



Source: 4Q25 Company Guidance, 10 February 2026.

With quarterly reporting seasons underway across the US and Europe, it's clear that companies are delivering on earnings beats, although AI capex spend from the mega cap hyperscalers continues to make Tech investors nervous. The AI arms race continues in full speed and has created even more uncertainty around who benefits from the returns on these huge investments. This increased risk is being swiftly priced into software stocks which bore the brunt of indiscriminate selling, given the widely perceived AI disrupter risks to their business models. The more defensive Consumer Staples stocks (along with Industrials and Materials) have been large beneficiaries of the sell-off in the Technology, Consumer Discretionary and Communication Services sectors.

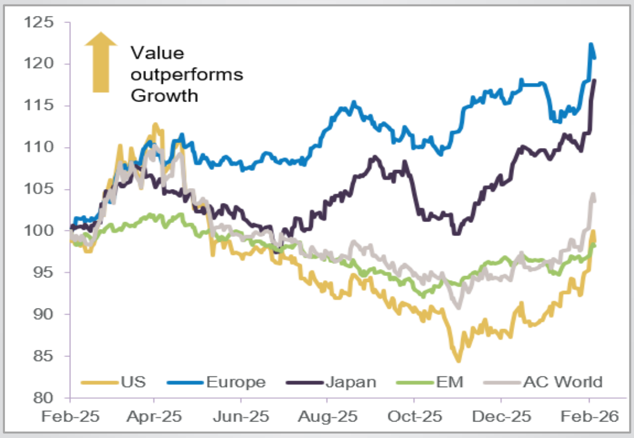
Precious metals like gold and silver rose to record highs on the back of a weaker USD, central bank buying and more recently on speculative retail flow. Given such a huge run, it didn't take much to ignite a sharp sell-off, and this occurred on the final day of the month when Trump surprised markets with his pick of a more independent Kevin Warsh as the next US Federal Reserve Chair to replace Jerome Powell. This surprise Fed pick led to a sharp reversal (strength) in the USD which drove a sell-off in gold and silver. Gold prices fell -9% and silver prices fell -26%. However, even despite the sharp correction, gold still closed the month 13% higher. Copper had another strong monthly move, closing +6% while Iranian tensions caused oil to jump 15%, ending 5 consecutive months of declines.

Economic data in the US has shown more positive signs, with PMIs moving further into expansionary territory in both manufacturing and services. The trend of solid services being dragged down by weaker manufacturing reversed, with ISM Manufacturing printing at 52.6 in January, well above expectations and also marking the first time in a year that Manufacturing wasn't contracting. Factory expansion also drove up S&P Global Manufacturing PMIs to 52.4 in January, a significant improvement. Other market friendly policies from Trump like tax relief and the One, Big, Beautiful Bill will be leveraged ahead of the 2026 midterms. Some further rate cuts from the new Fed Chair would also help of course, although it remains to be seen whether these stimulatory policies can keep a lid on inflation.

Portfolio comment and outlook

Global equity markets were positive in January (~+2% in USD), but underneath the surface there was noticeable volatility driven by major market themes such as AI as well as geopolitical instability. The U.S. market continued its 2025 trend of underperforming the rest of the world. Economic data has been mixed, but growth is still expected to modestly accelerate driven by fiscal stimulus and easy financial conditions. Consumption trends are a risk and need monitoring with the US consumer still under inflationary pressure and some weakening in the labor market, however current evidence suggests demand should remain resilient underpinned by strength at the high end and controlled inflation.

Big rotation into Value across all major markets

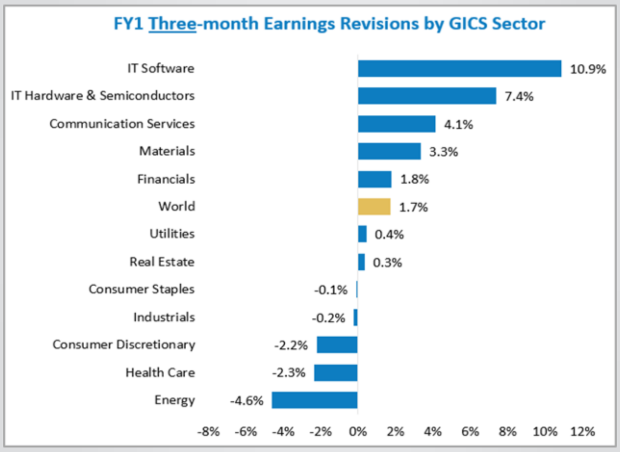


Source: GS Data, 6 February 2026

We are just over halfway through the fourth quarter reporting season, and the global earnings revisions cycle continues to be positive. In the U.S., 74% of companies have beaten earnings expectations by 5.8% on aggregate, roughly in-line with historic averages. In terms of outlooks and guidance, they are overall positive but not bettering expectations by as much as previous quarters. This means global earnings expectations rose around +0.5% for both 2026 and 2027 in January, a slight slowdown from before. The breadth of upgrades vs downgrades across the market (our global diffusion indicator) has also fallen somewhat (to being marginally positive), but also remains overall supportive, and of course we still have several important reports pending. By sector, Technology and Financials remain leaders, recently joined by Materials as higher commodity prices flow through. Across other sectors, Real Estate and Industrials are showing some signs of improvement, whereas Energy and Health Care still lag in terms of revisions. Valuations are generally at or close to historic highs and are likely to be a headwind to absolute performance, but the still positive earnings cycle combined with easy financial conditions paint a relatively constructive picture for the 2026 outlook.

Our portfolio positioning reflects this overall market leadership with significant investments in various Financial and Technology leaders, but also a diversified range of other high-quality growth and defensive stocks with established earnings momentum. Portfolio activity during the month included adding a position in ASML, with clear signs the global semiconductor foundry capex cycle is accelerating. We also added to existing positions in Caterpillar, TSMC and Intuitive Surgical (strong reports) as well as L'Oreal (signs of improving earnings momentum) and Boston Scientific (attractive valuation). We divested Veeva (investment case deterioration) and Linde (lack of earnings triggers) during the month and marginally trimmed some positions after recent strong performance (such as Amphenol, Coca Cola and Caixa Bank).

MSCI World – Positive EPS revisions broadening

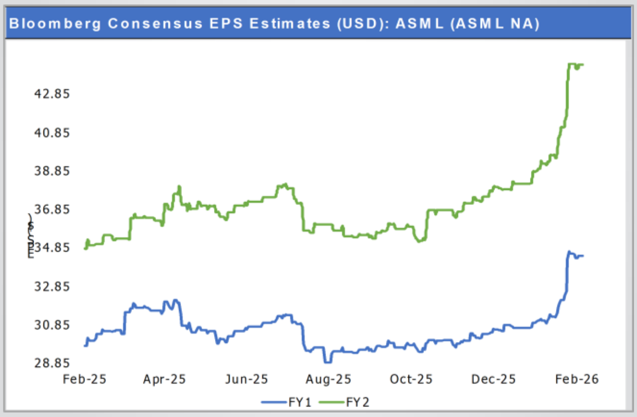


Source: Bloomberg, Alphinity, 7 February 2026

AI continues to present exciting opportunities across the market as the infrastructure buildout continues apace, and companies embrace the technology to drive productivity and new revenue opportunities. However, there are also risks given how fast this technology is evolving, with ROI's that are still unclear and the disruption risks to incumbent businesses.

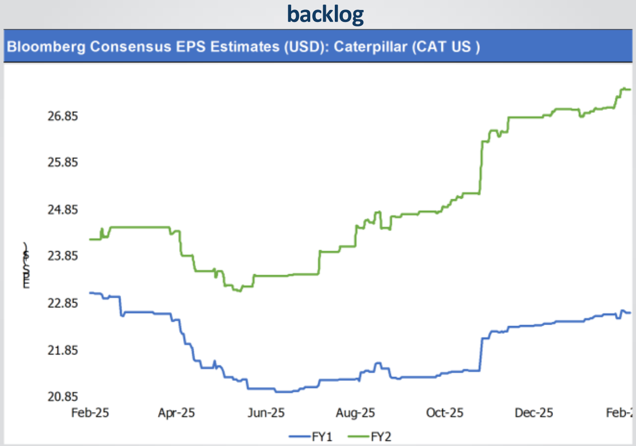
Consequently, we remain thoughtful about stock selection and position sizes, as well as overall exposure to this theme. Cyclical exposure is mainly focused on high-quality Financials with strong fundamentals and established earnings leadership, although we are also focused on identifying new opportunities if the earnings breadth continues to improve. Quality remains one of the cornerstones of our process and after an exceptional period of underperformance it's likely that this factor will return as a performance tailwind as fundamentals re-establish themselves and with more attractive valuations. Overall, the Portfolio continues to be strongly exposed to fundamentally driven, positive earnings revisions in high-quality companies, which we expect to drive performance over time. From a portfolio construction perspective, risk is dominated by stock selection, with regional and sector tilts versus benchmark being kept within relatively tight limits.

BOUGHT: ASML Signs global semi foundry capex cycle is accelerating



Source: Bloomberg, Alphinity, 8 February 2026.

ADDED TO: Caterpillar – Strong result and big increase in order backlog



Source: Bloomberg, Alphinity, 8 February 2026.

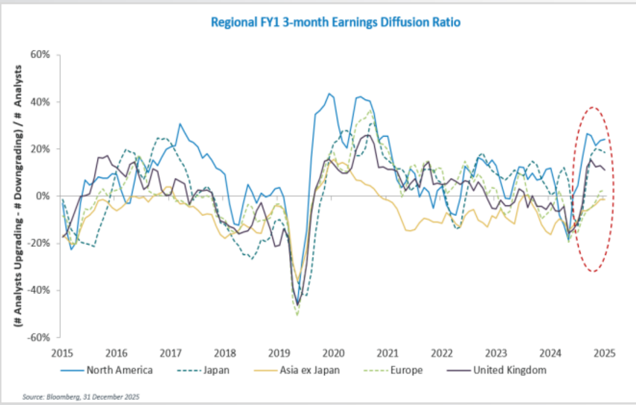
What's on our mind: Global Equity Outlook 2026: Earnings, Expansion, Excellence

As we enter 2026, global equity markets are poised for the next phase of expansion. After a year defined by policy disruption, technological revolution, and geopolitical uncertainty, investors are rightly questioning whether the narrow leadership and momentum-driven returns of recent years can continue. Our view is that 2026 represents an evolution in market dynamics: from surviving tension to capitalising on expansion, from chasing narratives to backing earnings, and from speculative fervour to quality compounding. If 2025 was the year of "Tariffs, Tech, and Tension," we believe 2026 will be remembered as the year of "Earnings, Expansion, and Excellence.

EARNINGS: A Constructive Global Cycle Broadens

The global earnings cycle is exhibiting encouraging breadth and momentum after an extended period of narrow leadership. Earnings revisions are turning positive across regions, with upgrade ratios improving and the percentage of companies seeing earnings upgrades expanding well beyond the mega-cap tech cohort that dominated recent years.

Earnings sentiment (diffusion ratio) at a 4-year high with a positive inflection across major regions

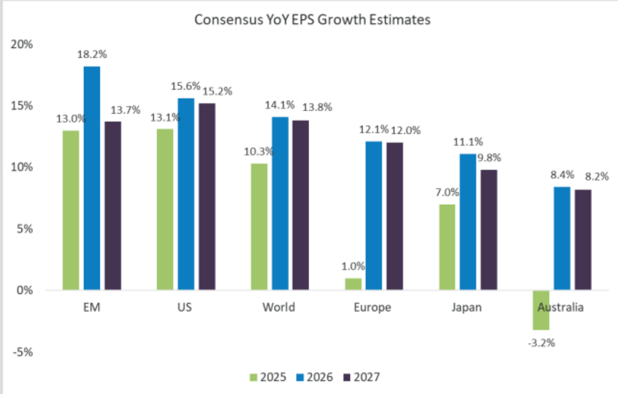


Source: Alphinity, Bloomberg, 31 December 2025
Note: Earnings diffusion ratio = the number of earnings upgrades/downgrades

Technology and Financials continue to lead earnings growth revisions, though they have recently been joined by Materials as higher commodity prices flow through to corporate results. Healthcare, Industrials, and Consumer sectors still lag but are showing signs of stabilisation. Consensus now expects the MSCI World index to deliver healthy double-digit EPS growth of approximately 14.1% in 2026 and 13.8% in 2027. Most major markets are projected to see a rebound in earnings growth over this period, with current laggards like China and Europe positioned to catch up. This broadening earnings picture supports higher equity valuations and reduces the concentration risk that has concerned many investors.

Early signs from the 4Q25 reporting season suggest the earnings trajectory remains strong, though market reactions are more subdued as elevated valuations raise the bar for positive surprises. If companies deliver the usual 4-5% beat, this will mark a fifth straight quarter of double-digit earnings growth—a streak not seen since late 2018.

Consensus expects strong earnings growth across all key regions in 2026 and 2027



Source: Bloomberg, 12 January 2026

We remain relatively constructive on the outlook for corporate earnings in 2026, which we expect to be supported by generally favourable macroeconomic conditions. Importantly, these supportive conditions are not dependent on a single driver but reflect expansion across multiple fronts.

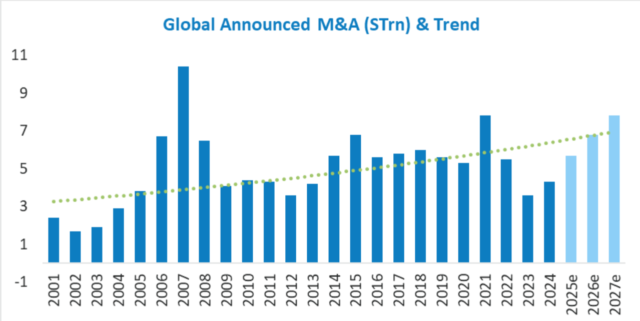
EXPANSION: Multiple Tailwinds Converge

The macro backdrop appears constructive across multiple dimensions. Economic growth remains positive, inflation is under control, credit spreads are tight, and both fiscal and monetary policy provide stimulus. The AI capex cycle represents a multi-year growth driver still in early innings, with annual hyperscaler spending expected to exceed $400 billion flowing through to semiconductor manufacturers, data centre infrastructure providers, power utilities, and enterprise software companies. This sustained investment pulse operates largely independent of traditional business cycles, providing a reliable growth anchor for the technology ecosystem.

Consumer fundamentals remain surprisingly robust despite increasing bifurcation. Unemployment sits near historic lows across developed markets, real wage growth persists, and household balance sheets are healthy following pandemic-era deleveraging. The emerging K-shaped pattern—with upper-income households benefiting from wealth effects while lower-income consumers face pressure—creates divergent retail dynamics but hasn't derailed aggregate spending. With consumption representing 70% of US GDP, this resilience provides a critical foundation for corporate earnings.

Mergers and acquisitions rebounded sharply in 2025 after hitting 20-year lows in 2023. The catalysts driving this resurgence, lower rates, open capital markets, improving corporate confidence, and more favourable regulation, remain firmly in place. Companies are no longer waiting on the sidelines as they pursue growth and technology capabilities through strategic transactions. Deal activity is forecasted to reach $6.8 trillion in 2026 and $7.8 trillion in 2027*, supported by private markets industry sitting on $4.2 trillion of dry powder (approximately $8 trillion of buying power with leverage), the stage is set for sustained M&A momentum. Across our portfolios, serial acquirers like Amphenol, Parker Hannifin, Motorola Solutions, and CRH continued adding value through disciplined consolidation strategies, while investment banks JPMorgan and Morgan Stanley benefit from elevated advisory and underwriting activity.

M&A is back and broadening out



*Source: *Morgan Stanley Research, Dealogic, 31 December 2025*

EXCELLENCE: Quality's Overdue Mean Reversion

Quality as a factor has significantly underperformed over the past 18-24 months, left behind as markets chased momentum, AI narratives, and speculative growth-at-any-price stories. The "risk-on" environment favoured leverage and operational gearing over balance sheet strength, with investors willing to overlook fundamental weaknesses for revenue growth. Mega-cap tech concentration meant AI exposure mattered more than traditional quality metrics like high ROE, low debt, and stable earnings.

Sector dynamics compounded the challenge. Quality indices traditionally overweight Consumer Staples and Healthcare—both facing significant idiosyncratic headwinds—while underweighting Banks, which strongly outperformed. Elevated valuations, particularly in Europe, and speculative retail activity added further pressure. AI disruption concerns also weighed on Software, Diversified Financials, and Business Services, all typical quality portfolio constituents.

However, conditions now favour mean reversion. Relative valuations between quality and lower-quality stocks have normalized. Sector-specific headwinds are easing. Most importantly, as geopolitical and policy volatility persists, investors are increasingly valuing downside protection. Quality companies—those with sustainable competitive advantages, pricing power, and capable management teams with proven capital allocation track records—are better positioned to navigate uncertainty and deliver consistent returns. In an environment where fundamental differentiation matters again, excellence in business quality should separate winners from pretenders.

Positioning for 2026

Our portfolios are positioned to capture the broadening earnings leadership while maintaining rigorous quality standards. We combine exposure to secular growth trends—particularly AI infrastructure and healthcare innovation—with established leaders in Financials, select Industrials, and defensive Consumer franchises. The unifying theme is earnings visibility supported by competitive advantages, pricing power, and superior management teams.

AI and Technology: We maintain selective exposure across the value chain, balancing opportunity with execution risk. Our Magnificent Seven exposure include Nvidia and Microsoft for their AI leadership and supportive valuations. Beyond mega-cap tech, TSMC offers dominant semiconductor positioning with fortress balance sheet strength, Tencent combines gaming and cloud growth with exceptional cash generation, and Amphenol provides mission-critical connectivity solutions with high switching costs. We remain thoughtful about position sizes given the technology's rapid evolution, uncertain ROI timelines for hyperscalers, and disruption risks to incumbent business models.

Financials: Global banks represent our primary cyclical exposure, benefiting from sustained net interest margins, robust capital return programs, and improving loan growth. JPMorgan and Morgan Stanley provide diversified financial services leadership, while NatWest and Caixa Bank offer compelling regional banking franchises in the UK and Spain respectively.

Healthcare, Industrials, and Quality Defensives: Boston Scientific and AstraZeneca deliver healthcare exposure through innovation pipelines and R&D productivity. Caterpillar captures industrial recovery with pricing power and durable service revenue. Defensive positions in Coca Cola and L'Oreal (Consumer Staples) offer global scale and solid organic growth. Cyclicals such as CBRE (Real Estate) and CRH (Materials) provide quality characteristics and established competitive moats.

This positioning reflects our conviction that 2026 favours portfolios combining secular growth exposure with business quality—companies that can compound earnings through volatility rather than merely benefit from beta.

A diversified portfolio of earnings leaders

*Source: Alphinity, 31 December 2025 *Select portfolio holdings.*

Conclusion

The transition from 2025's Tariffs, Tech, and Tension to 2026's Earnings, Expansion, and Excellence represents more than clever alliteration—it reflects our conviction that market leadership is evolving toward a more sustainable foundation. The broadening earnings cycle, supportive macro tailwinds, and quality's likely mean reversion create an environment where active management focused on business fundamentals should generate alpha.

The "free money" period for low-quality momentum plays appears to be ending. While volatility and policy uncertainty will undoubtedly persist, portfolios that combine exposure to secular growth trends with an emphasis on earnings certainty, balance sheet strength, and management excellence are well-positioned to deliver superior risk-adjusted returns. For investors willing to look beyond the narrow leadership that dominated recent years, 2026 offers compelling opportunities across a broadening set of quality businesses with genuine earnings power.

Visit our website for a copy of the full note: [Global Equity Outlook 2026: Earnings, Expansion, Excellence - Alphinity]

For further information, please contact:

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