Alphinity Global Equity Fund – Active ETF

QUARTERLY REPORT – MARCH 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)	-11.5	-5.1	7.7	9.2	10.8	11.9	**10.8**
MSCI World Net Total Return Index (AUD)[3]	-6.1	8.2	15.9	12.6	12.9	13.1	**12.1**

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	$392m
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

Top 10 positions

Company	Sector	%
Nvidia	Information Technology	6.0
Microsoft Corp	Information Technology	4.8
AstraZeneca PLC	Health Care	4.8
JP Morgan	Financials	4.6
Coca-Cola Co/The	Consumer Staples	4.0
Apple Inc	Information Technology	3.9
CRH	Materials	3.6
Motorola Solutions	Information Technology	3.5
TSMC	Information Technology	3.5
ASML	Information Technology	3.4
Total		**42.2**

Fund features

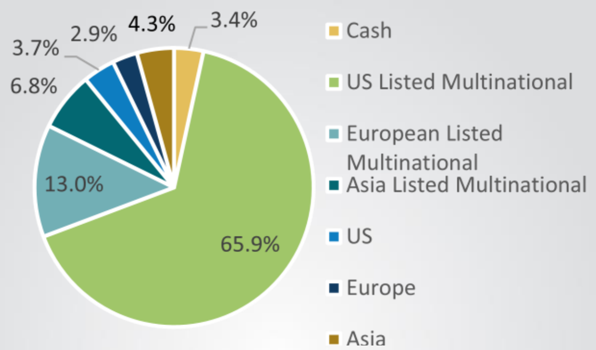
Consistent returns: Aims to provide consistent strong risk-adjusted returns across different market cycles

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.

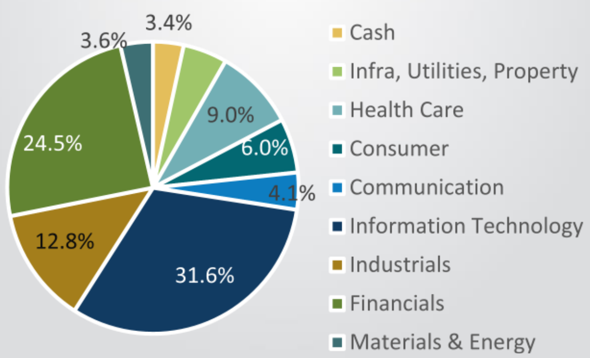
Concentrated: An actively managed, long only portfolio of 25-40 high conviction, quality companies, which is also diversified across sectors and regions

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 March 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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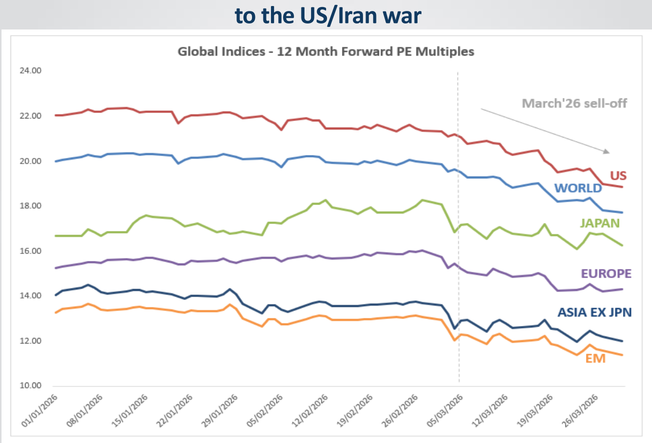
alphinity INVESTMENT MANAGEMENT

Market comment and outlook

The positive start to the first quarter of 2026 came rapidly undone in March, with nowhere to hide really, other than the comfort of cash as the war between Iran and US/Israel showed no signs of an end game. Confusion was the main takeaway with mixed messages doing nothing but add to volatility and increasing concern over what an extended closure of the Strait of Hormuz means for the supply of fuel, inflation and potential economic catastrophe. The joint forces of the US and Israel took out some of Iran's leadership which prompted retaliation from Iran whereby critical infrastructure was damaged including the Ras Laffan LNG facility in Qatar and Saudi oil refineries.

All Major Indices have seen a sharp multiple contraction in response to the US/Iran war



Source: Bloomberg, 31 March 2026

Markets responded accordingly, with the MSCI World index falling 6.9% in AUD terms over the March quarter (-3.9% in USD). The US S&P 500 index fell 7.6% in AUD (-4.6% in USD), underperforming broader global markets given the sell-off across the index-heavy Technology stocks. Interestingly, in the US it was the small cap stocks outperforming large caps (the Russel 2000 index outperformed the S&P 500 by 5% in Q1), which was the opposite of what was seen in Australia where the larger cap stocks outperformed. A strong performance in Korea, Taiwan and China drove Emerging Markets to relatively outperform the MSCI World index by 3.3% over Q1 2026.

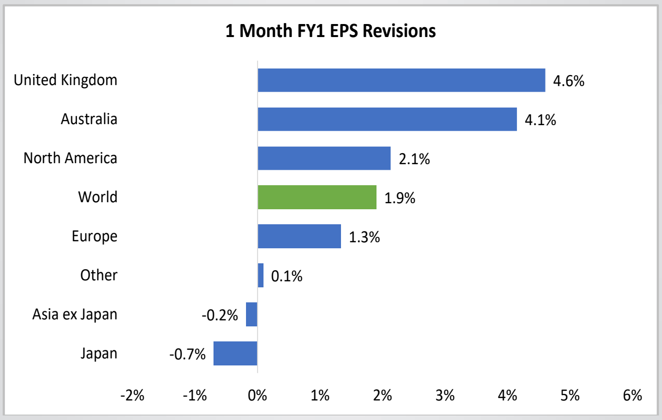
The moves at a sector level were also commensurate with a geopolitically motivated risk-off environment. Energy stocks were the clear winner, rising over 30% in the March quarter, while the more defensive Utilities (+5%) and Materials (+4%) also outperformed. Consumer Discretionary stocks suffered the most, losing 14%, closely followed by Technology (-12%), Financials (-10%) and Communications Services (-9%).

The Middle East conflict sparked a swift re-pricing of interest rate expectations. Prior to the start of the attacks (incredibly just 6 weeks ago), markets had been pricing in multiple rate cuts from the US Federal Reserve. Given the prospect of higher sustained energy, food and raw materials prices, the inflation outlook has rapidly changed, prompting markets to reduce the likelihood of rate cuts any time soon. US 10-year bond yields jumped 37 basis points in March to 4.32%, although stabilised somewhat in recent days. In reality, they're moving day by day in response to conflicting headlines around potential ceasefires where the narrative changes on an almost continuous basis.

Portfolio comment and outlook

The first quarter of 2026 was challenging for global equity markets. Headline indices were resilient in January and February, albeit with significant volatility underneath the surface, however in March the Middle Eastern conflict pushed markets sharply lower. The conflict has increased energy prices significantly, re-igniting inflationary concerns and raising doubts about the outlook for rates and growth. Many consensus trades reversed sharply, with defensives beating cyclicals and notable underperformance in many large cap Technology stocks and some other AI related winners.

Earnings revisions continued to broaden out across regions during March'26

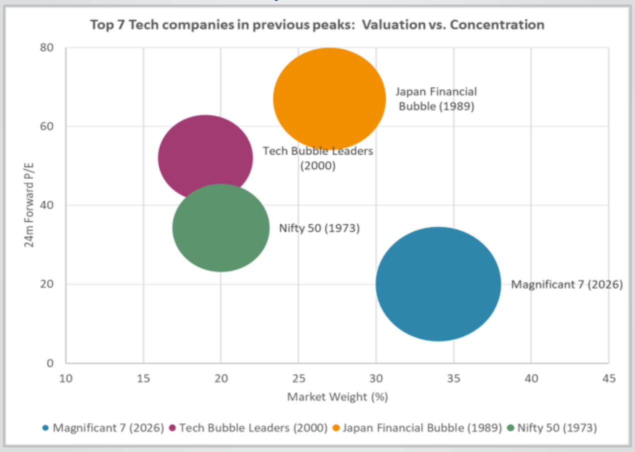


Source: Bloomberg, 31 March 2026

Before the latest developments in the Middle East, there were reasons to be optimistic about the outlook for global growth and corporate earnings. In the first quarter, the US ISM Manufacturing PMI inflected into expansionary territory after more than three years of contraction. Meanwhile the ISM Services PMI accelerated higher underpinned by generally solid labor and consumption trends despite some weakness at the lower end. The corporate earnings cycle is also firmly in positive territory. After another healthy reporting season, consensus expectations continue to be revised higher. There are also some encouraging signs of earnings strength broadening to sectors outside of well-established Technology leadership. Financials remain in positive territory, recently joined by Materials as higher commodity prices flow through to earnings. Industrials are also showing some signs of improvement mirroring positive commentary we have picked up at a company level. At the weaker end, Consumer Discretionary stands out with negative revisions for both 2026 and 2027. Healthcare also remains a noticeable laggard. We currently believe that the cycle and relative leadership can prove to be resilient in the face of recent events but of course recognize that the longer the conflict persists, the more likely it is to have a significant negative impact on the outlook for growth, earnings and equity markets; especially given unusually low equity risk premia and high valuations which don't provide much margin for safety.

Our portfolio positioning reflects current market leadership with significant investments in various Technology and Financials stocks, but also a diversified range of other high-quality cyclicals and defensives with established earnings momentum. Portfolio activity during the quarter was prompted mainly by company reports, but also adjustments to reflect a rapidly evolving AI thematic and some increased caution about risks emerging from recent events in the Middle East. We took a new position in ASML as the definitive lithography leader, while trimming positions in Meta, Broadcom, Tencent and CBRE to manage other AI related risks. Alphabet was added after a positive report, and with market expectations having tempered somewhat recently. We also invested in ABB and Keysight where earnings are likely to have bottomed after several years of cyclical headwinds. A new position was established in Mitsubishi Heavy, which offers attractive earnings upside from defence, gas turbines and aerospace exposures. Other new positions included Chubb (leading P&C insurer with margin upside from superior underwriting and cost saves) and Welltower (senior housing leader with tailwinds from occupancy gains, pricing power and operational synergies), both after strong reports. Portfolio buying was financed primarily from selling out of residual positions in ServiceNow, Booking and Veeva due to low visibility on the long-term threat from agentic AI. We also sold out of Linde and O'Reilly following lacklustre reports and took some profit in various Financials to reflect some new growth and credit risks.

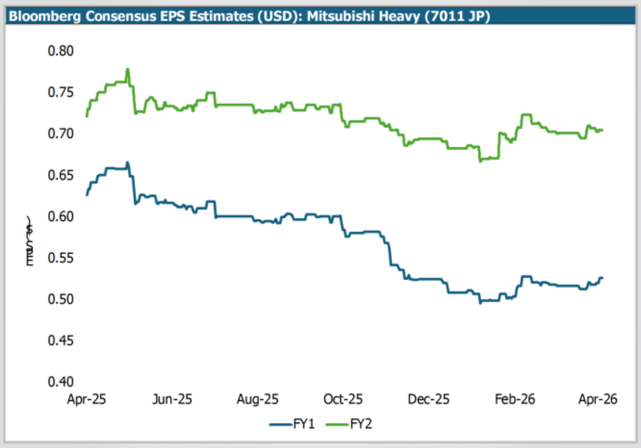
Mag 7 – Much cheaper than previous Top 7 stocks during Tech peaks



Source: GS Data, 7 April 2026

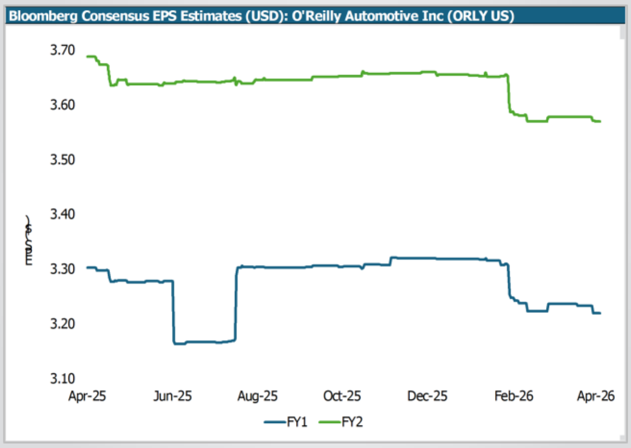
AI continues to present exciting opportunities across the market as the infrastructure buildout continues, and companies embrace the technology to drive productivity and new revenue opportunities. However, there are clear risks given how fast this technology is evolving, with economic returns that are still unclear and the disruption risks to incumbent businesses. Consequently, we are thoughtful about stock selection and position sizes, as well as managing the overall portfolio exposure to the AI theme at a relatively unchanged level. Furthermore, after a historically weak year for 'Quality' stocks in 2025 (the first negative year since 2016 in our quant models), we expect this factor to return as a performance tailwind as fundamentals re-establish themselves and with more attractive valuations. Quality remains one of the cornerstones of our process. 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. We are actively following events in the Middle East, as well as AI more broadly, and will proactively adjust risk as the outlook for growth, rates and corporate earnings continue to evolve.

BOUGHT: Mitsubishi Heavy – Defence, gas turbines & aerospace



Source: Bloomberg, Alphinity, 15 April 2026.

SOLD: O'Reilly – Lackluster report and earnings momentum stalling



Source: Bloomberg, Alphinity, 15 April 2026

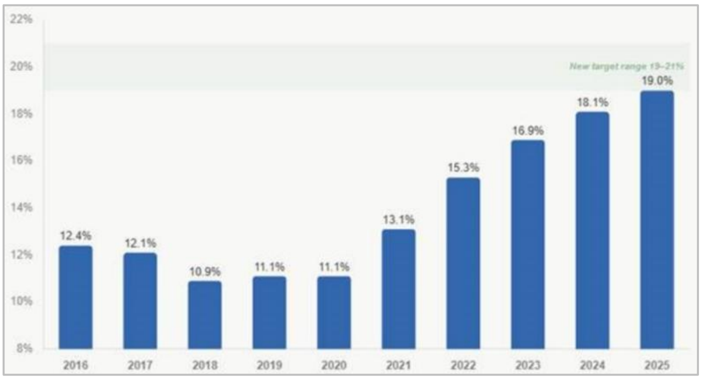
One stock story: ABB - From Conglomerate to Compounder

ABB is one of the world's leading electrical and automation businesses. ABB operate through three key business areas: Electrification (low and medium voltage products and solutions), Motion (largest supplier of drives and motors globally) & Industrial Automation (automation solutions for process and hybrid industries).

Under new leadership ABB have progressively evolved from a diverse, Swiss industrial conglomerate into a focused, higher growth and margin industrial business. They have progressively exited non-core divisions through trade sales, spin-offs and outright closures. Retained divisions have been re-orientated around productivity, operational efficiency and innovation. ABB run a highly decentralized operating structure, with each division given clear growth, profitability and cash generation targets. Collectively, this has driven a structural improvement in operating margins to ~20%, from low teens at the start of this decade (see below).

Structural Margin Expansion

EBITA margin progression by calendar year

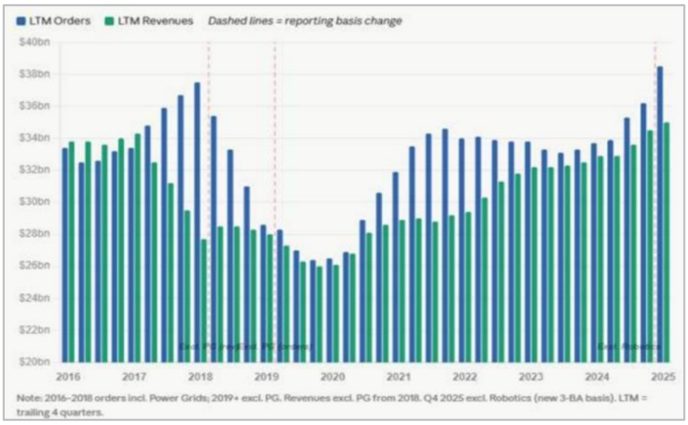


Source: ABB & Alphinity

With high levels of profitability achieved, management are now shifting the focus back to growth. We are just beginning to see the results bear fruit, the result of which is a structurally higher quality business.

Growth inflecting Higher

LTM Orders & Revenues



Source: ABB & Alphinity

ABB's 4Q25 results marked a clear inflection point across all divisions and was the trigger for our investment. Orders beat consensus by 22%, driven by data centre growth, marine and ports, rail, and importantly short-cycle orders up double digits. Sales and operating profit also exceeded analyst forecasts. The backlog sits at record levels with book-to-bill above 1x as demand continues to outstrip supply, providing significant visibility for the medium term. Notably, this acceleration comes off the back of a period where ABB had lagged pure-play electrical peers, reflecting both lower relative exposure to data centres and a significant downcycle in automation markets — a gap we believe is now closing.

ABB sit at the intersection of several major growth drivers – AI capex, grid modernisation & hardening and the automation of manufacturing. This should drive revenue growth of 7-9% per annum, which coupled with modest margin expansion, driving ~LDD earnings growth. Additionally, with the impending sale of their Robotics division, ABB will have a net cash balance sheet, providing optionality to invest both organically and via M&A, while sustaining a ~1.3% dividend yield alongside ongoing share buybacks. On a cash-adjusted basis, ABB trades on FY26 25x PE While this represents a premium to its historical average, we believe it does not reflect the structurally higher growth and profitability of the business. It also trades at a noteworthy discount to similar US listed multi-industry electrical peers, for example Eaton's 30x multiple and Vertiv's 48x.

We expect that a continued recovery in short-cycle automation markets, combined with sustained strength in Electrification, will drive further consensus upgrades through 2026 and beyond.

Traveller's Tale

During March, both the Alphinity domestic and global investment teams travelled abroad to see companies, attend conferences and meet with industry bodies with the intention of deepening research into ideas that will shape our future portfolios. Jacob travelled to China, Monique travelled to the US, and Jeff and Jessica did Europe. Quite a lot of the globe was covered in a few weeks!

Jake's China Trip: The Great Delivery Wars

There's a particular sound you should apparently fear on Chinese sidewalks: the high-pitched whir of an electric scooter approaching at speed, followed by the sharp beep warning you to get out of the way. Jacob experienced this first-hand in Shanghai. The delivery riders are everywhere weaving through traffic, mounting footpaths, checking phones mid-ride, racing against algorithms that measure their performance in seconds, not minutes.

This reflects the rapid growth of Instant Retail/Quick Commerce that is taking place in China, enabled by a growing number of digitally native consumers who conduct many elements of their daily lives through super apps such as WeChat. While not a new phenomenon, growth continues to accelerate in these commerce channels, enabled by significant investments in infrastructure and subsidies by large e-commerce platforms such as Alibaba and JD.com. Such is the scale that consumers are able to economically purchase items as invaluable as a cup of coffee and have it delivered to them in single-digit minutes while still hot.

Welcome to China's Instant Retail wars, where e-commerce giants are currently burning cash at a rate that would make even the most optimistic venture capitalist wince. In 2025, Alibaba and Meituan spent over RMB 100 billion (roughly USD 14 billion) on consumer subsidies, trying to become the default "everything app" for Chinese consumers. The subsidy war got so intense that Chinese regulators intervened mid-year, condemning the "irrational competition" and forcing a truce. JD.com's billionaire founder Liu Qiangdong even personally delivered meal orders as a publicity stunt to launch JD's food delivery service—though one suspects his delivery times weren't quite as impressive as the professionals.

The scale is staggering. China now processes 56,000 online food orders every minute, and that's just food. Add in groceries, convenience items, and the impulse purchase of a forgotten phone charger, and you have an infrastructure that makes Australia's delivery networks look positively leisurely. Jacob watched delivery robots—actual autonomous boxes on wheels—navigate crowded Shanghai footpaths with more confidence than most tourists.

This has created some fascinating behavioural shifts. When coffee arrives faster than you can make it yourself, when a single chocolate bar can be economically delivered to your door in ten minutes, purchasing patterns change. Jacob's meetings with consumer goods companies revealed they're scrambling to redesign packaging for this new reality. Smaller pack sizes, more convenient formats, products designed for impulse purchases rather than weekly shopping trips. The classic family-size pack of Tim Tams? Less relevant when you can order a single packet and have it arrive before your Netflix episode finishes.

For Australian investors, this matters because the same pattern is emerging here, just at an earlier stage. Coles and Woolworths have both flagged that their fastest-growing online segment is rapid delivery—orders fulfilled in under an hour from dark stores and micro-fulfilment centres. The implications ripple across the portfolio if this trend carries to Australia: retailers need to rethink store networks, logistics companies need different infrastructure, and consumer goods manufacturers need to redesign some of their product architecture for a world where the weekly supermarket trip is increasingly supplemented with more immediate purchases.

The Chinese model may be unsustainable in its current form—some researchers predict the heavy-subsidy delivery model has only about a decade left, particularly as regulators force platforms to provide social insurance for riders—but the behaviour it's training into consumers isn't going away. Once you've experienced coffee delivery in eight minutes, waiting until Saturday's grocery shop starts to feel unreasonably inconvenient.

Jacob returned from China with a simple observation: the delivery riders aren't just ferrying meals and groceries. They're rewiring consumer expectations. And Australian companies are next in line to figure out what that means for their business models.

Monique's US Dispatch – Robots, LNG, and Existential Dread

Monique swapped spreadsheets for airport security lines (literally… TSA was a nightmare apparently), embarking on a whirlwind US trip that started in San Francisco. Monique dived into the world of AI, meeting with software companies, hyperscalers, LLM developers, and data centre operators. As you would expect building the future takes a lot of chips, a mountain of servers, and an even bigger appetite for electricity—plus a few headaches about how to keep it all running without blowing the grid.

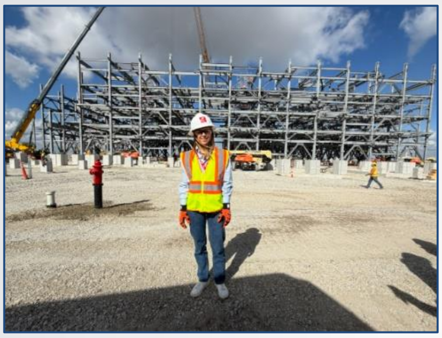
At Tesla HQ, Monique encountered Optimus, Elon Musk's robot creation, reenacting the great challenge of our age: picking up an orange. Humans, attached to wires, performed the motion; Optimus dutifully copied them, presumably wondering if oranges taste better than batteries. Turns out, teaching a robot to rival the humble human hand is quite the challenge. If Musk's team cracks that code, laundry folding and stacking supermarket shelves might just be outsourced to our soon-to-be robot overlords. For now, though, it's mostly oranges and awkward dance moves. Still, it was a sobering taste of a future where more human jobs could be replaced by machines than most of us are comfortable admitting.

AI, meanwhile, is evolving at breakneck speed. Capability is leaping ahead, and it became clear to Monique that while robots might take a little longer to invade our kitchens, AI is set to shake up the workplace much sooner than most of us would like to think. The lesson? Start learning how to use AI now—before it starts finding your job more interesting than you do.

From there, Monique landed in Houston, just in time for the Woodside investor tour of Louisiana LNG. The new liquefaction site was a sprawling patchwork of steel, cement, pipes, and dirt—early days, but impressive in its scale and ambition. The Bechtel team looked up to the challenge, and the site's location is as strategic as they come and at a cost to build that new entrants can't compete on.

Travellers Tales (Cont'd)

The energy market's outlook, however, wasn't quite so serene. Despite hopes for a crystal ball, no one could predict the next twist in geopolitics—or the energy sector. The consensus: energy supply chains remain tight, energy security is top priority, and the pre-war status quo isn't making a comeback anytime soon. By the time Monique landed back at the office, she was in need of a morale boost, having absorbed one too many conversations about robots taking jobs and the stubborn challenges facing the global energy sector.



Jess's Nordic Spring

In March, Jess and Jeff headed to Copenhagen and Stockholm for four days of company meetings across industrials, energy, financials, defence and consumer sectors. The Copenhagen leg covered Carlsberg, Vestas, Novonesis, DSV, Ørsted and Maersk, while the Stockholm meetings included Svenska Handelsbanken, EQT, Swedbank, Epiroc, Sandvik and Saab.

The structural shift in European defence and energy security policy was front of mind across several meetings — NATO spending commitments and the broader geopolitical landscape are fundamentally reshaping how investors and companies think about the sector. Saab, which has nearly doubled its workforce to 28,000 in four years and is opening new facilities in the US, India and Finland, impressed with its responsible sales framework, which integrates dedicated human rights expertise and democracy data into its assessment of export opportunities, with many sales routed through the Swedish Government as an additional governance layer.

This shift is also playing out in Nordic banking, where Swedbank highlighted the need for more nuanced frameworks.

On mining electrification, Epiroc and Sandvik expressed strong conviction on the transition to battery electric vehicles for underground and open cut mining, however noted that outside of some standout examples, the industry has been slow to move. Notably, both miners highlighted Australian miners are leading the way on electrification, with Roy Hill and Fortescue singled out as standout examples of operators embracing automation and fleet decarbonisation. Both companies also highlighted the pricing pressures and availability of Tungsten.

Industry reports indicate the cost of tungsten carbide drill bits has gone up 400% since early 2025. Sandvik are the largest tungsten supplier outside of Asia and also have an integrated recycling solution and an ambition is to achieve 90 percent circularity by 2030.

AI adoption was a thread running through nearly every meeting, though at markedly different stages of maturity. DSV stood out with a detailed walkthrough of how the company is deploying agentic AI across its booking and logistics platform — using AI to clean and route customer data, flag exceptions for human intervention, and learn from corrections in real time, with the system going live the week after our visit. Swedbank is applying AI to transaction monitoring and AML compliance, while Epiroc is piloting an AI-powered app that allows field technicians servicing complex underground mining equipment to interact directly with technical manuals in real time, improving efficiency and reducing downtime at the coalface. Novonesis sees AI as a competitive differentiator in R&D, using proprietary fermentation data to accelerate enzyme discovery.

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