

# Alphinity Global Equity Fund – Active ETF

## MONTHLY REPORT – MAY 2026

Performance <sup>1</sup>	Quarter %	1 Year %	3 Years % p.a.	5 Years % p.a.	7 Years % p.a.	10 Years % p.a.	Since Inception <sup>2</sup> % p.a.
Fund return (net)	2.6	-1.2	9.3	9.1	11.7	11.9	11.3
MSCI World Net Total Return Index (AUD) <sup>3</sup>	6.3	14.0	17.7	13.6	14.3	13.2	12.8

### 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. <sup>1</sup>
Buy/sell spread	+0.25% / -0.25%
Fund size	\$390m
Distributions	Annually at 30 June
Min. Investment	\$10,000
Max. cash position	20%

### Top 10 positions

Company	Sector	%
Nvidia	Information Technology	7.1
Alphabet	Information Technology	5.8
Apple Inc	Information Technology	5.6
Microsoft	Information Technology	4.7
JP Morgan	Financials	4.5
ASML	Information Technology	4.0
ABB	Industrials	3.6
TSMC	Information Technology	3.6
Coca-Cola Co/The	Consumer Staples	3.6
Caixa Bank	Financials	3.5
<b>Total</b>		<b>45.9</b>

Data Source: Fidante Partners Limited, 31 May 2026

<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures.

<sup>2</sup> The inception date for the Fund is 21 December 2015

<sup>3</sup> 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

### Fund features

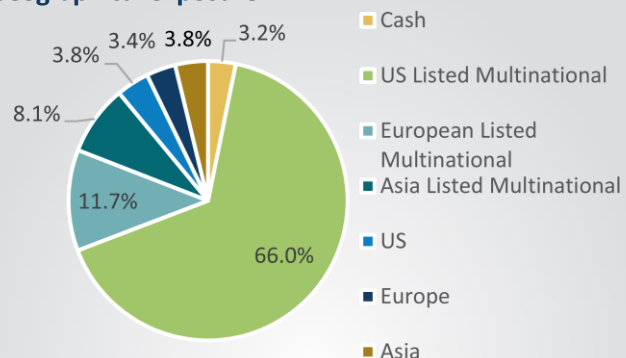
**Consistent returns:** Aims to provide consistent strong risk-adjusted returns across different market cycles

**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.

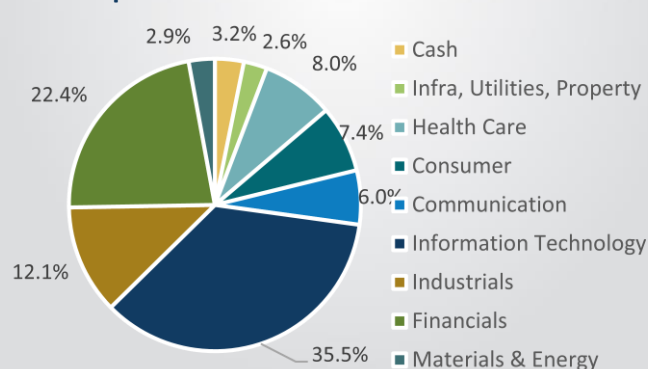
**Concentrated:** An actively managed, long only portfolio of 25-40 high conviction, quality companies, which is also diversified across sectors and regions

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

### Geographical exposure

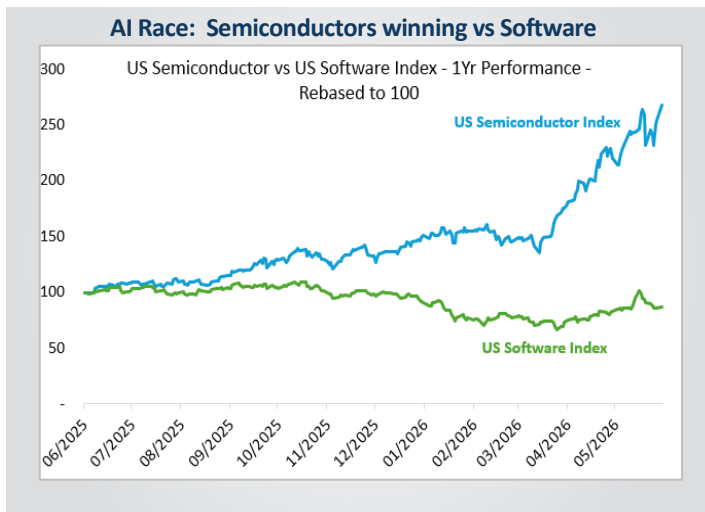


### Sector exposure



### Market comment and outlook

Despite the ongoing concerns around the Middle East conflict, equity markets strengthened in May with the MSCI World Index now gaining in 11 of the last 12 months in USD terms, the only negative month occurring in March when US first entered the conflict with Iran. Whether it be from fatigue or confusion at the constant flip-flopping between potential ceasefires and truces, there was a feeling of optimism that the worst of the crisis has played out. Energy prices retreated, while bond yields initially spiked and then lowered into the last half of the month, setting up markets for healthy gains across the board. A strong quarterly US earning season where companies continued to grow earnings above expectations further propelled equity markets, although a surge higher in Technology stocks was the main driver.



Source: Bloomberg, 15 June 2026

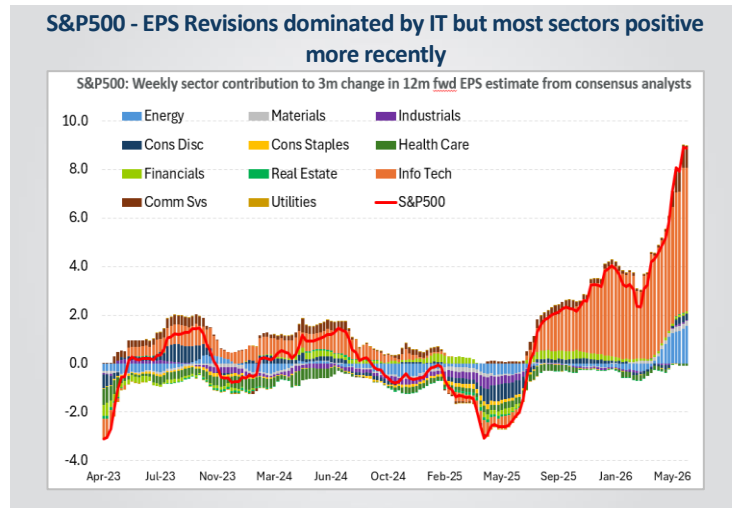
The MSCI World Index gained 4.3% in May, with a fairly stable Aussie Dollar resulting in returns that were roughly equivalent in both AUD and USD terms. The US S&P 500 index rose 5% in AUD terms, and was one of the stronger performing markets, while European shares (+1.8% in AUD) relatively underperformed. Emerging Markets (MSCI EM Index +9%) was the strongest region, driven by Korea and Taiwan which was further broken down into a small, highly concentrated group of mega-cap semiconductor / memory stocks: Samsung, SK Hynix and Taiwan Semiconductor. India’s lack of AI stocks (or even one AI champion on its exchange) has led to prolonged underperformance relative to other markets

Within the Technology sector, we’ve become accustomed to Semiconductor stocks (AI winners) outperforming Software stocks (perceived AI losers), although last month in the US, there was strength across both industry groups with Semiconductors (SOXX Index +23%) and Software stocks (IGV ETF +23%) both firing. Within the MSCI Global sectors, the Technology sector (+16%) was the only sector to outperform the broader market, which highlights the concentration risk around AI. The second-best performing sector was Consumer Discretionary (+3%) while 6 of the 11 sectors were in negative territory; the worst being Energy (-6%), Utilities (-5.4%) and the defensive Consumer Staples (-2.3%).

US bond yields continued to grind higher, rising 6 basis points to 4.43% as economic data releases throughout the month supported the narrative of resilient hard economic data contrasting with deteriorating sentiment surveys — a divergence driven in large part by the Iran’s impact on energy prices and inflation expectations. Both Services and Manufacturing PMIs in the US continued to print in expansionary territory (>50), while University of Michigan consumer sentiment printed at 44.8, a record low and down 5 points from April. Concern over higher energy costs and the possibility of interest rate hikes are weighing on consumers. New Fed Chair Kevin Warsh is set to deliver his first FOMC rate decision in June and will come at a challenging time against the backdrop of higher fuel costs and a strong labour market, conditions more conducive for rate hikes. And then, there are the new super IPOs hitting the market to digest, kicking off with the USD1.8 trillion company Space X, and Open AI and Anthropic expected to soon follow. That might be enough to put the Middle East conflict even further from Investors’ minds, but volatility is likely to remain.

### Portfolio comment and outlook

The ongoing closure of the Strait of Hormuz has kept energy prices elevated, with an associated deterioration in the outlook for growth, inflation and rates. Resilient labor markets continue to underpin consumption trends, although confidence has fallen and there are some signs of stress amongst lower income consumers. Bond yields have moved higher reflecting stagflationary fears. Nevertheless, we continue to believe the cycle and relative leadership can prove resilient in the face of these headwinds; although of course the longer the closure persists, the more likely it is to have a negative impact.

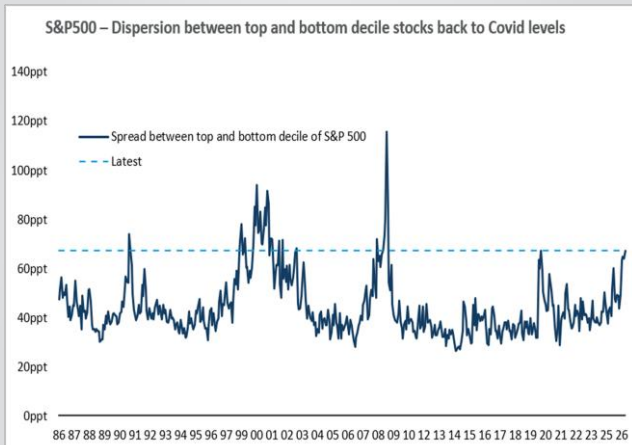


Source: UBS, LSEG, 31 May 2026

The continued strength in credit and equity markets so far, despite these geopolitical tensions, is partly explained by this relative resilience and hope of a peace deal, but also by exceptionally strong corporate earnings growth. Over the last three months alone, expectations for MSCI World Index earnings growth in 2026/27 have increased by +5.9%/+5.5% respectively. Reported earnings growth in the first quarter this year was +23% y/y and analysts now expect Index growth of 21.2%/+14.1% for 2026/27 respectively. This is one of the strongest periods of corporate earnings growth outside of a post-recession ‘V-shaped’ recovery. However, the majority of this is accounted for by only

two sectors - Technology and Energy. Higher oil prices explain Energy, while AI continues to drive the Technology sector. Consensus expectations for the IT Hardware & Semiconductor sub-sector in 2026/27 have increased by +15%/+23% over the last three months alone. While earnings growth and revisions remain positive in most other sectors, they pale in comparison. For example, Energy and Technology are the only two sectors with 2027 revisions higher than the overall market. Even Industrials and Financials, which have been part of recent leadership, are now struggling to keep up with Index revisions despite remaining in positive territory. Consumer Discretionary, Real Estate and Consumer Staples are notable laggards with modestly negative revisions.

### S&P500 Dispersion back to Covid Levels



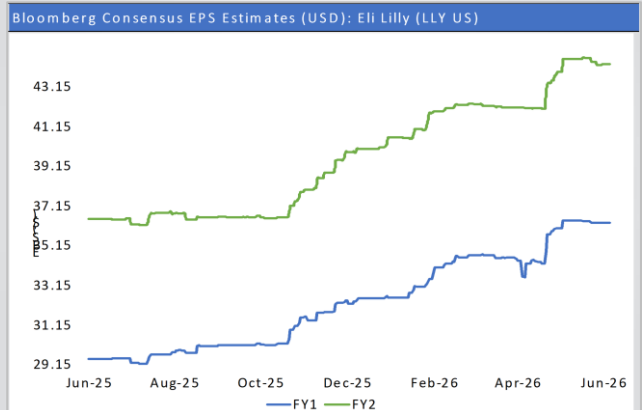
Market breadth also remains remarkably narrow with only c.25% of stocks outperforming in May - a reflection of the continued dominance of the AI-thematic, but also perhaps because of broader macro uncertainty. AI-related capex has continued to exceed expectations, driving general AI infrastructure outperformance. However, there has also been a notable shift toward second-order beneficiaries of the buildout beyond core GPU suppliers. memory, optics, CPU, servers and software infrastructure have all recorded exceptionally large gains recently. While the portfolio has significant exposure to AI leadership through overweights to Technology, and to IT Hardware & Semiconductors specifically, this rotation was a headwind to Portfolio performance over the last month. The thematic continues to evolve rapidly, presenting exciting investment opportunities which we are focused on capturing, although there are associated disruption risks and the ultimate return on these investments remain unclear. There is also a discernible speculative element to recent price action in some areas. Consequently, we remain thoughtful about stock selection.

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. AI is the dominant earnings and stock theme in markets, and this is reflected in the portfolio. 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

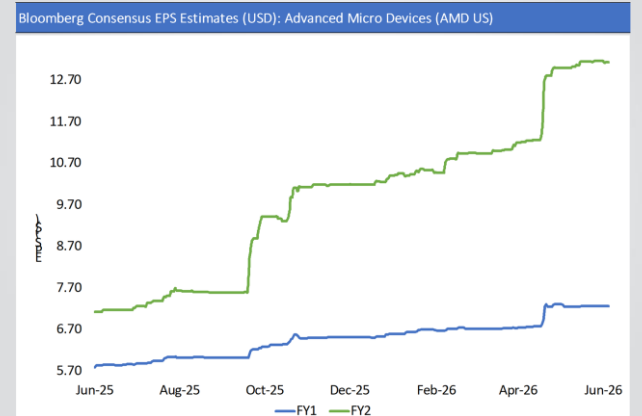
sizes, aiming to manage overall portfolio risk stemming from the theme. We continue to believe that diversification and quality will be key risk mitigants over a full market cycle.

During the month we sold out of Amphenol, reflecting fundamental concerns about the industry transition to optics, but also to finance new positions in Micron and AMD – two names where our conviction on earnings upside is higher. We also initiated a new position in Eli Lilly following a strong earnings-beat and growing confidence in the next leg of global GLP-1 adoption, while exiting CBRE in light of rising AI disruption risk and increasing cyclical headwinds. Alongside Technology, we also maintain significant exposure to current market leadership within Industrials and Financials, as well as other high-quality cyclicals and defensives with established earnings momentum. Overall, the Portfolio continues to be strongly exposed to fundamentally driven, positive earnings revisions across a broad selection of different sectors and geographies, which we expect to drive performance over time. We are actively following events in the Middle East, as well as AI more broadly, and will adjust risk as the outlook continues to evolve

### BOUGHT: Eli Lilly – Growing confidence on next leg of GLP-1 adoption



### BOUGHT: AMD - Very strong guidance upgrade in 1Q, CPUs joining the AI-themed leadership



Source: Bloomberg, Alphinity, 15 June 2026

Stock in Focus

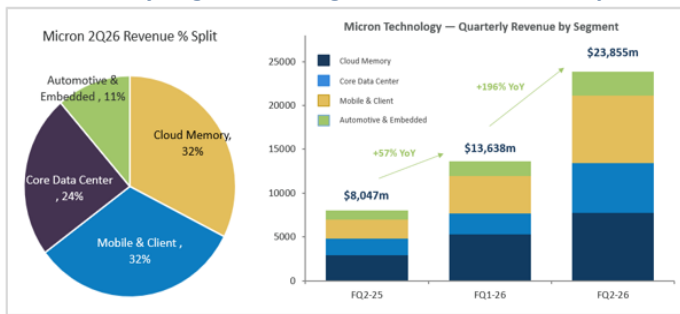


companies, specialising in memory. Micron's DRAM ("Dynamic Random Access Memory"), NAND ("NOT AND") and NOR ("NOT OR") memory products are used in everything from computing, networking, and server applications, to mobile, embedded, consumer, automotive, and industrial designs.

Micron is the #3 global supplier of DRAM with c25% market share, and a top 4 NAND producer. DRAM now accounts for c75% of the revenue, reflecting the company's increasing exposure to AI-driven High Bandwidth Memory (HBM) and server memory demand.

The business is vertically integrated across R&D, wafer fabrication, components, and module assembly. Test facilities are located in Taiwan, Japan, the US, Malaysia, Singapore, India, and China with R&D facilities in Italy, Mexico, and Germany. Micron's largest customers are cloud hyperscalers and AI infrastructure providers, alongside PC and data centre OEMs and handset makers.

Revenue by segment and growth over last few quarter



Source: Micron 2Q26 Financial results

Global Memory Market: The AI Supercycle

The global memory market is in the midst of a structural super cycle, which is fundamentally different from prior boom-bust episodes. Memory chips are emerging as a critical bottleneck in the global AI ecosystem, underpinning the expansion of agentic AI architectures. Currently, demand is exceptionally tight leading to extraordinary price escalations and driving an explosion in earnings across the key memory makers.

Demand – Supply Imbalance:

The global memory market entered 2026 in the tightest supply-demand balance in modern history, with demand fulfilment rates are at record lows.

- AI infrastructure demand shifts wafer capacity away from consumer applications toward HBM, server DRAM, and enterprise SSDs (solid state storage drives), creating tightness across the entire memory chain.
- Samsung and SK Hynix have both warned that shortages will persist through at least 2027 while Micron's CEO has stated

that they can only fulfill 50-66% of strategic customer orders in the current environment.

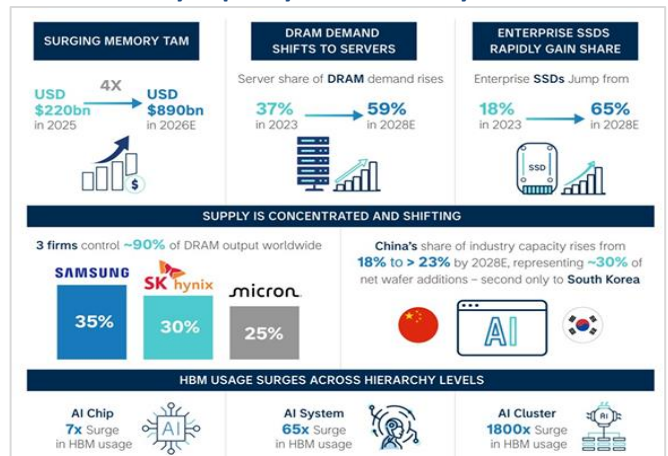
- Consensus is currently anticipating that meaningful new capacity will not reach production volume until the second half of 2027 at the earliest, with the bulk arriving in 2028

Pricing power:

Companies selling into AI are currently enjoying unprecedented pricing power, while the buyers face margin pressure. In an agentic AI world, demand and pricing power gravitates towards memory and CPU plus the associated supply chains.

- Samsung, SK Hynix and Micron together control c90% of the global DRAM market and 100% of the HBM market, giving them significant pricing power.
- Memory prices rose more than 6-fold over the last year, a sharp discontinuity from the multi-decade price declines. DRAM contract prices rose 90–95% qoq in 1Q26 alone and a further 58–63% in Q226, while NAND contracts are tracking up 70–75% in 2Q26.
- The newly established structural bottleneck suggests sustained upside risks to consumer goods prices in the coming years.

Memory super cycle – The story in numbers



Source: Morgan Stanley, 2 June 2026

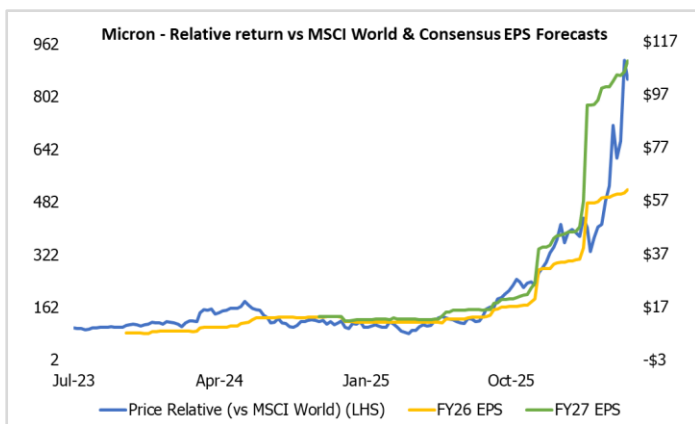
Investment case:

- DRAM demand fundamentals remain compelling**, underpinned by Cloud and AI server workloads. Hyperscaler infrastructure spend is growing strongly driven by both the volume of data and the nature of the workloads (AI training, inference, big data). Building memory fabrication plants takes years, so there is no quick response to address the spike in demand.
- Oligopoly structure underpins pricing discipline.** The DRAM market has consolidated from approximately 20 producers in 1993 to three - Samsung, SK Hynix, and Micron - with all three publicly committed to technology-led bit growth rather than wafer expansion.

- 3. **Earnings are being materially upgraded.** Micron's FY2026 consensus EPS has moved from ~US\$34 to ~US\$60 as Q1 actuals from Samsung and SK Hynix revealed the magnitude of pricing moves. Unlike prior memory cycles, contracted pricing removes the spot-price volatility that historically destroyed memory company earnings.
- 4. **Software efficiency is a feature, not a risk.** Efficiency gains from model quantisation and distillation reduce per-query memory needs but expand the addressable market. Alternative architectures such as CXL improve memory utilisation but complement rather than replace HBM. None of these dynamics eliminate HBM dependence before 2028 in our view.

- 5. **Valuation remains attractive.** Despite the 720% rally over the last year, Micron still trades on a forward PE of <10x. Looking ahead, we expect multiple expansion to be a bigger driver of returns as investors price in a longer duration to earnings power, also supported by buybacks expected to commence in FY27.

**Strong earnings upgrade cycle benefiting from extraordinary price increases & supercharged operating leverage**



Source: Alphinity, Bloomberg, 9 June 2026

**Conclusion**

Memory stocks have delivered strong returns in both 2025 and 2026, but the investment case is not exhausted. Supply remains critically tight, demand fulfilment rates are at record lows, and meaningful new capacity is not expected until the second half of 2027 at the earliest. With Micron's consensus EPS nearly doubling in a matter of months, earnings are still seeing material upgrades.

Looking ahead, the key risk to monitor is not demand, which if anything is strengthening, but the supply response: memory share prices have historically peaked 6–9 months ahead of the earnings cycle turning, so discipline around exit timing will matter as much as the entry thesis. For now, the structural bottleneck remains firmly intact, valuation is still undemanding at under 10x forward earnings, and we see the next 12 months as a compelling phase of the super cycle.

# Alphinity Global Equity Fun

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