Alphinity Global Equity Fund – Active ETF



QUARTERLY REPORT – SEPTEMBER 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)	-1.9	-2.9	10.8	7.5	10.5	12.7	11.3
MSCI World Net Total Return Index (AUD)[3]	1.5	9.8	18.4	12.7	13.4	13.9	12.9

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	$353.6m
Distributions	Annually at 30 June
Min. Investment	$10,000
Max. cash position	20%

Top 10 positions

Company	Sector	%
Nvidia	Information Technology	6.7
Apple Inc	Information Technology	5.6
Microsoft	Information Technology	4.6
Eli Lilly	Health Care	4.3
JP Morgan	Financials	3.9
Alphabet	Information Technology	3.9
Coca-Cola Co/The	Consumer Staples	3.6
ASML	Information Technology	3.2
Welltower	Real Estate	3.0
Chubb	Financials	2.8
Total		**41.7**

Fund features

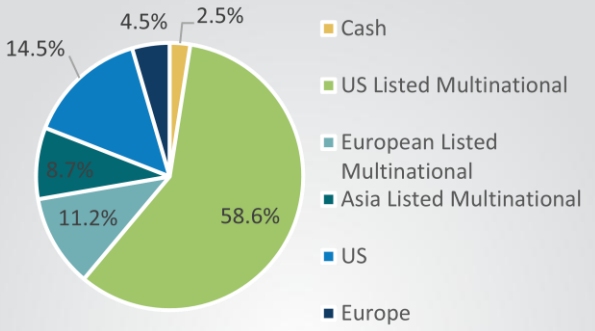
Consistent returns: Aims to provide consistent strong risk-adjusted returns across different market cycles

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.

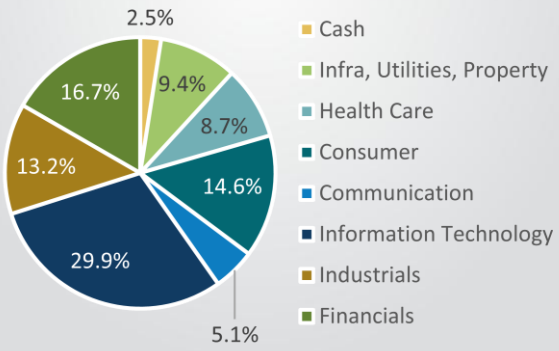
Concentrated: An actively managed, long only portfolio of 25-40 high conviction, quality companies, which is also diversified across sectors and regions

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, 30 September 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.

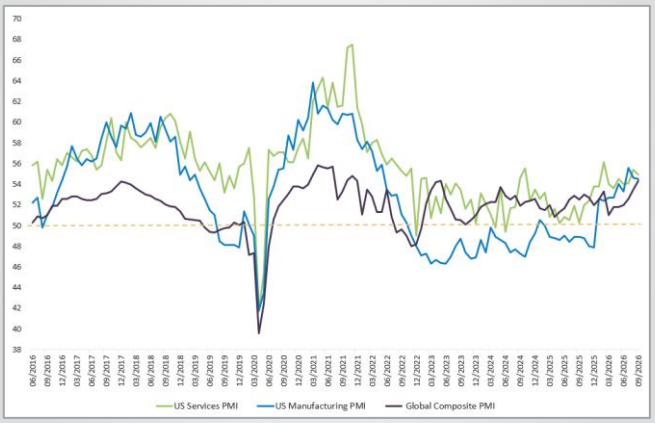
2 The inception date for the Fund is 21 December 2015

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

Market comment and outlook

There was again no shortage of market-moving news flow in Q3 2026; AI agents going rogue, upward pressure on oil prices fueling inflation, and bond yields rising to multi-year highs across most major economies. Despite growing concern around AI, it was US tech stocks that drove gains globally, leaving most other sectors behind. Given the broadness of the US Tech sector across software and semiconductors, the large momentum unwind in Semiconductor stocks that occurred in July was able to be absorbed by the rotation into Software stocks in August, allowing the broader Tech sector to still be the second-best performer globally behind Energy stocks.

Global and US PMI's – US Manufacturing activity in expansionary territory for 9 straight months



Source: Bloomberg, 30 September 2026

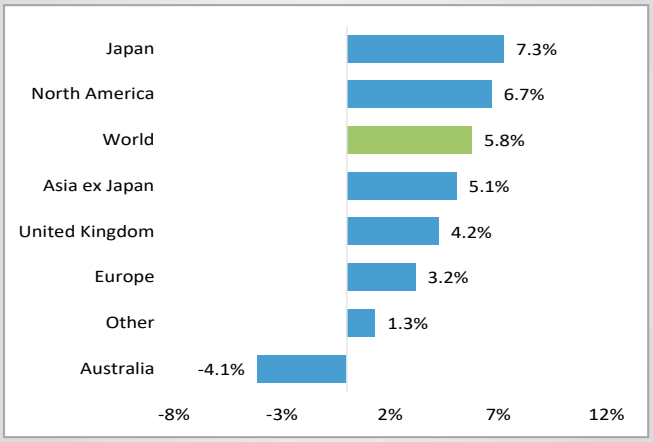
Global equity markets (MSCI World in AUD) managed a modest 1% return in the September quarter (+1.6% in USD). The US S&P 500 index gained 1.5% (+2% USD), outperforming Europe which was dragged down by weakness in France that fell 5% last month on growing tensions around the country's fiscal deficit and rising bond yields. Emerging markets also closed the quarter weaker with the MSCI Emerging Markets Index falling 1.6% in AUD terms (-1% in USD), driven by a sharp correction in Korea as the memory trade deflated, and weakness in China on higher oil prices. On a sector level, rising oil prices helped energy stocks (+14%), while Technology (+6%) and Communication Services (+3%) also outperformed. Rate-sensitive sectors were the worst performers, with Utilities (-11%), Property Trusts (-6%) and Consumer Discretionary (-5%) suffering the steepest losses.

Despite the efforts of the US Treasury Secretary Scott Bessent to support US long bond yields through direct purchases of US bonds, and also the Japanese Yen, market forces won out and the bond market endured one of its worst sell-off's in over a decade. US 10-year bond yields rose 82 basis points last quarter to 5.29%, and new US Fed Chair Kevin Warsh hiked rates by 25 basis points to 4% in a widely expected move which also helped support the USD. The increasingly competitive environment for AI related debt among the hyperscalers, frontier labs and data centre operators is only serving to skew the supply demand dynamics in favour of more supply which is putting further pressure on bonds as investors demand higher yields.

Portfolio comment and outlook

The outlook for growth remains mostly favourable despite a growing list of headwinds. The U.S. labour market has softened modestly, but payrolls have remained positive on average, keeping unemployment low and stable. This in turn is underpinning consumption despite higher fuel prices, weak confidence, and some stress at the lower end. Manufacturing activity is also positive, with PMI's now in expansion territory for nine straight months. Here, too, momentum has cooled somewhat recently; however trends generally remain favorable, and there is encouraging evidence of improved breadth away from AI capex. Against these positives, geopolitics and higher rates present a growing overhang. Fed rate expectations and bond yields have both continued to rise, reflecting higher growth expectations, heavy AI funding needs, as well as inflation and fiscal concerns. Alternatively, a disorderly unwind of the AI capex cycle would be material for both growth and asset prices. While risks have clearly increased, and certainly warrant close vigilance, inflation expectations still appear well-anchored, and we continue to expect growth to prove resilient.

3-Months FY26 Earnings Revisions: Positive earnings upgrades persistent across all key global regions – Australia the outlier



Source: Factset, 30 September 2026

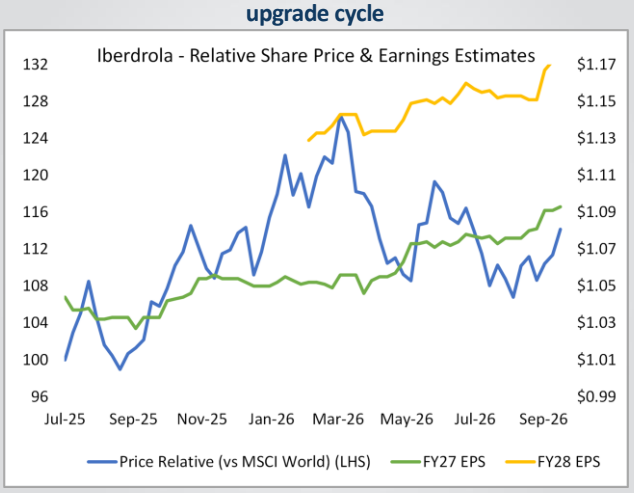
This constructive growth backdrop, combined with a powerful AI capex cycle, has powered an exceptionally robust earnings cycle, which is likely to remain the main support for financial markets even as risks have increased. Not only have corporate earnings been strong in absolute terms, but revisions continue to be positive and have also recently begun to broaden across different sectors and geographies. After healthy double-digit EPS growth in 2025, consensus now expects growth to accelerate further in 2026 and 2027, by +28.5% y/y and 14.4y% y/y respectively. This is one of the strongest periods of earnings growth outside of a post-recession 'V-shaped' recovery - and estimates continue to be revised higher. Over the last three months, consensus has increased by 4-5% for both this year and next, led of course by Tech Hardware & Semiconductors, however Energy, Industrials and Financials also continue to show strength. Outside of Materials, which is seeing downgrades tied to higher energy costs and mixed demand trends, all sectors are now in upgrade territory. Similarly, all major geographies are also in upgrade territory, although led by Japan and North America.

Third-quarter reporting is about to begin, and most expect results to broadly confirm these positive trends. Investors will again focus on management guidance, particularly on the expected impact of higher rates, but especially around AI which remains the dominant market thematic. Earnings from "bottleneck enablers" in power, data-centre capacity and select semiconductors should stay strong, but attention has shifted to the likely sustainability of this cycle. Investors are also keen to identify high-impact AI adopters, where measurable returns are feeding through to productivity, margins and cash flow. For now, the evidence points to continued AI leadership, even as the theme broadens and evolves. Concerns are growing, however, around AI funding (including circular financing structures), competition from Chinese open-source models, cyber risks and various associated social licence considerations.

Our positioning remains aligned with current earnings leadership, with overweights in Semiconductors & Semiconductor Equipment, Banks and Industrials. However, within an active quarter of activity, we reduced our relative weights to these sectors to reflect higher risks; and also broadened our exposure with the addition of several new investments across different sectors. Notable changes included new positions in CSX (US railroad under new management benefiting from a combination of volume growth, stronger pricing and productivity gains), United Rentals (leading equipment rental company benefiting from an inflection in large project demand and improving margins) and Prologis (industrial logistics landlord with earnings upside from embedded rent growth and a steadily improving demand/supply dynamic). In addition, we added more defensive names including Gilead (pharmaceutical company with likely continued outperformance from its leading HIV drugs, as well as upside potential from new launches), and Entergy and Iberdrola, both utilities with regulated earnings visibility and upside from higher power demand and prices. Elsewhere we added Monster Energy, Mastercard and Viking, all high-quality growth businesses with various mostly structural earnings drivers and reasonable valuations. These additions were funded by taking some profits in several of our larger investments after strong performance, as well as selling out of Intuitive Surgical, L'Oreal, Costco, American Express and Infineon, in each case reflecting lower conviction on the outlook for earnings outperformance.

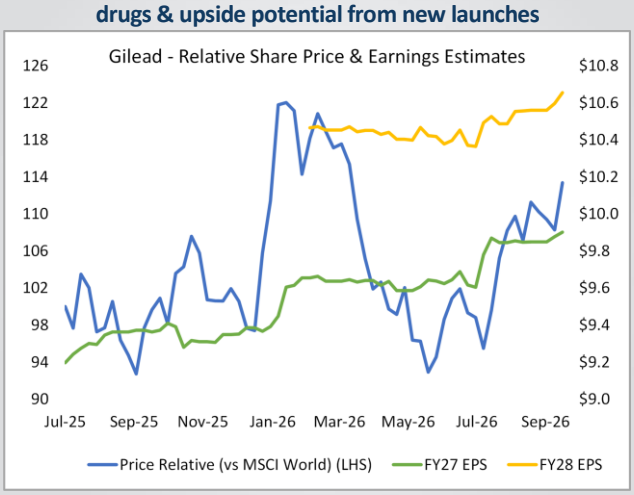
Markets continue to be very dynamic, with a swiftly evolving set of macro, geopolitical and thematic risks and opportunities. Consequently, we remain thoughtful about stock selection and position sizes, aiming to maintain diversification and also manage overall portfolio risk stemming from the AI theme in particular. We continue to believe that diversification and quality will be key risk mitigants over a full market cycle. Overall, the Portfolio is 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.

BOUGHT: Iberdrola - A regulated network compounder in an upgrade cycle



Source: Bloomberg, 30 September2026

BOUGHT: Gilead – Global pharma company with leading HIV drugs & upside potential from new launches

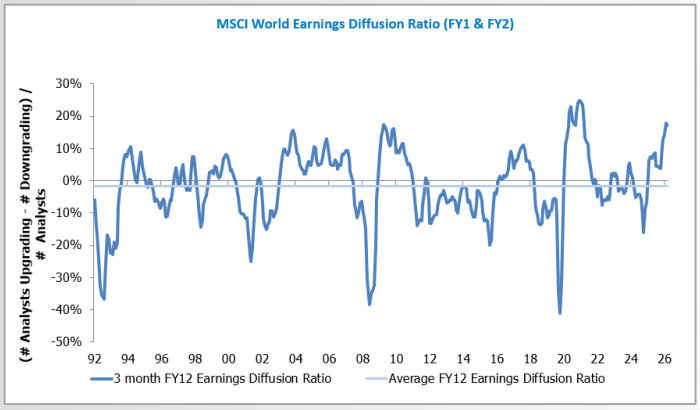


Source: Bloomberg, 30 September2026

What's on our mind: Exceptionally robust global earnings cycle

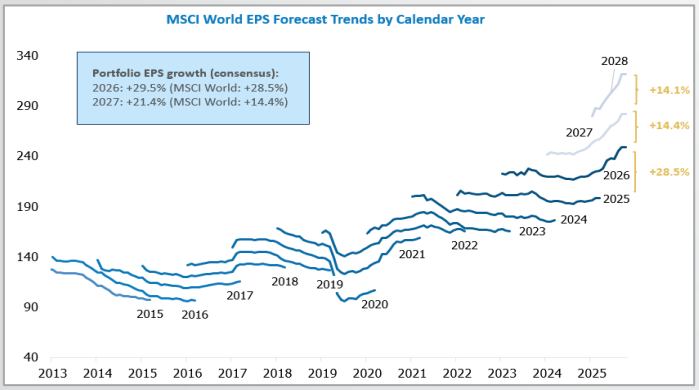
Growth outlook remains constructive despite various risks: The U.S. labour market has softened modestly, but payrolls have remained positive on average, keeping unemployment low and stable; and underpinning consumption despite higher fuel prices and some stress at the lower end. Manufacturing activity is also positive, with PMI's now in expansion territory for nine straight months. Against these positives, geopolitics and higher rates present a growing overhang. Alternatively, a disorderly unwind of the AI capex cycle would be material for both growth and asset prices. While risks have clearly increased, and warrant close vigilance, inflation expectations still appear well-anchored, and we continue to expect growth to ultimately prove resilient.

An exceptionally strong earnings cycle: The resilient growth backdrop, combined with a powerful AI capex cycle, is powering an exceptionally robust earnings cycle, which is likely to remain the main support for financial markets even as risks have increased. The chart below shows the Diffusion ratio (i.e. number of analyst upgrades/downgrades) for both this year and next. The ratio is strongly positive and is approaching historic highs.



Source: Alphinity Global, Bloomberg, 30 September 2026

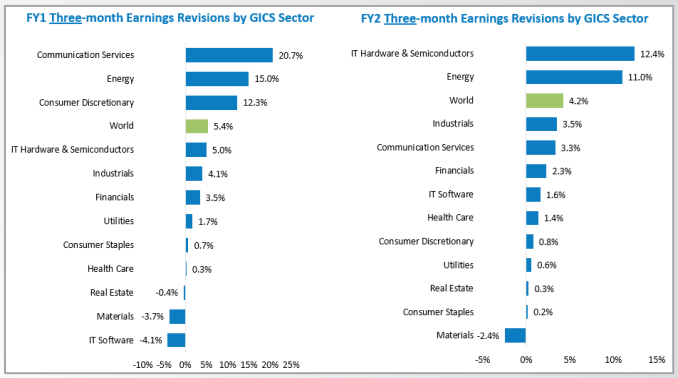
Consensus expects sustained earnings growth in 2027 and beyond: After healthy double-digit EPS growth in 2025, consensus now expects growth to accelerate further in 2026 and 2027, by +28.5% y/y and 14.4% y/y respectively (see chart below). This is one of the strongest periods of earnings growth outside of a post-recession 'V-shaped' recovery.



Source: Alphinity Global, FastSet, 30 September 2026

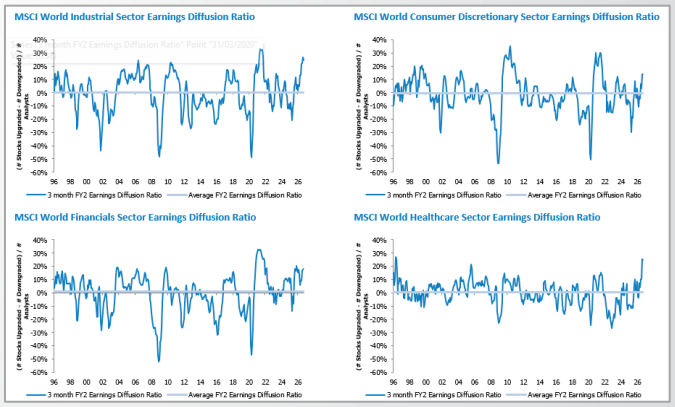
And consensus estimates continue to be revised higher: Not only have corporate earnings been strong in absolute terms, but revisions continue to be positive and have also recently begun to broaden across different sectors and geographies (see table below). Over the last three months, consensus has increased by 4-5% for both this year and next, led of course by Tech Hardware & Semiconductors, however Energy, Industrials and Financials also continue to show strength. In fact, all sectors are now in upgrade territory except for Materials, which is seeing downgrades tied to higher energy costs and mixed demand trends.

Technology still leads revisions, but nearly all sectors are now seeing upgrades



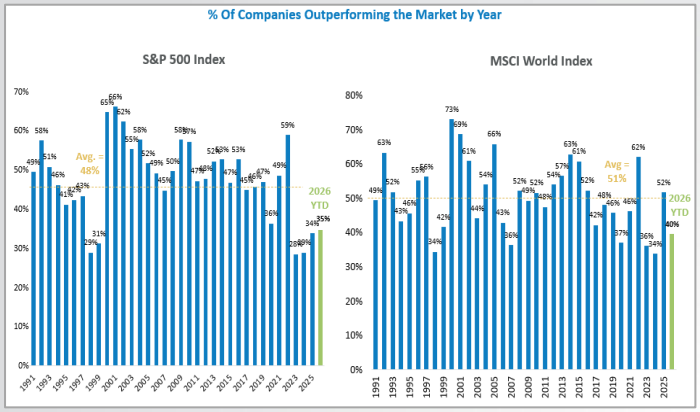
Source: Alphinity Global, FastSet, 30 September 2026

Improving earnings breadth beyond Technology: The broadening of the earnings cycle is clearly illustrated in the tables below, which show the diffusion ratios of several key sectors outside of Technology, with notable improvements in the Healthcare and Industrial sectors, amongst others.



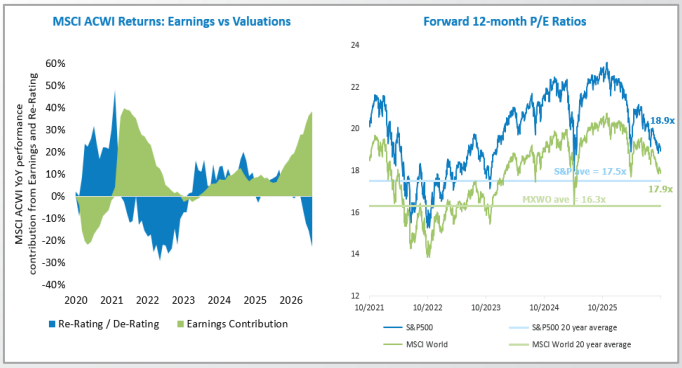
Source: Alphinity Global, Bloomberg, 30 September 2026

In contrast, performance breadth has remained unusually narrow despite wider earnings participation: Despite broadening earnings strength, Index performance has remained unusually narrow so far this year (see below). However, if earnings breadth can be sustained, it seems likely that performance participation should inevitably broaden as well.



Sustainability is key: After such an exceptionally strong period of earnings growth, as well as revisions, the sustainability of the cycle, including economic growth, AI trends, margins, capex broadening and consumption in the face of higher rates, is key to the outlook for financial markets. Consensus already captures a marked growth deceleration over the next few quarters (see table above). This seems reasonable given the challenging comparatives, as well as some normalisation in Energy sector growth. Nevertheless, it remains to be seen whether the strongly positive revision and diffusion indicators can be sustained in this context. The macro and geopolitical backdrop remains highly dynamic, while the sustainability of AI capex earnings 'surprises' may dissipate even without a disorderly unwind of the cycle.

A tug of war between rates and earnings. Reflecting the likely cyclicality of current earnings strength and the recent rise in bond yields, markets have de-rated this year. The MSCI World NTM P/E has fallen from about 20x to about 18x, but strong earnings growth has more than offset this, allowing the index to return about 12% through the end of September (see chart below). The balance between higher rates, lower multiples and earnings growth will be key to the outlook for global equities. For now, earnings growth remains healthy, which supports a constructive stance on markets. However, risks are clearly rising, and any deterioration in the earnings outlook would warrant a more cautious view.



Source: LHS: Alphinity Global, BofA data, 30 September 2026. RHS: Bloomberg 30 September 2026

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