

## Monthly Report October 2022

| Performance <sup>1</sup>                             | Quarter % | 6 months % | 1 year % | 3 years % p.a | 5 years % p.a | Inception % p.a <sup>2</sup> |
|--|-----------|------------|----------|---------------|---------------|------------------------------|
| Fund return (net)                                    | 1.7       | 5.5        | -4.5     | 11.9          | 12.5          | 12.2                         |
| MSCI World Net Total Return Index (AUD) <sup>3</sup> | 1.7       | 2.1        | -4.2     | 8.8           | 10.3          | 10.4                         |
| Excess return <sup>4</sup>                           | 0.1       | 3.3        | -0.2     | 3.2           | 2.2           | 1.8                          |

### Fund facts

|                             |  |
|-----------------------------|--|
| <b>Portfolio managers</b>   | Jonas Palmqvist, Jeff Thomson, Trent Masters, Mary Manning, Chris Willcocks.   |
| <b>APIR code</b>            | HOW0164AU  |
| <b>Inception date</b>       | 21 December 2015   |
| <b>Investment objective</b> | To outperform the MSCI World Net Index (AUD).  |
| <b>Management fee</b>       | 0.75% p.a.   |
| <b>Performance fee</b>      | 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> |
| <b>Buy/sell spread</b>      | +0.25% / -0.25%  |
| <b>Fund size</b>            | \$316m   |
| <b>Distributions</b>        | Annually at 30 June  |
| <b>Min. Investment</b>      | \$10,000   |
| <b>Max. cash position</b>   | 20%  |

### Fund features

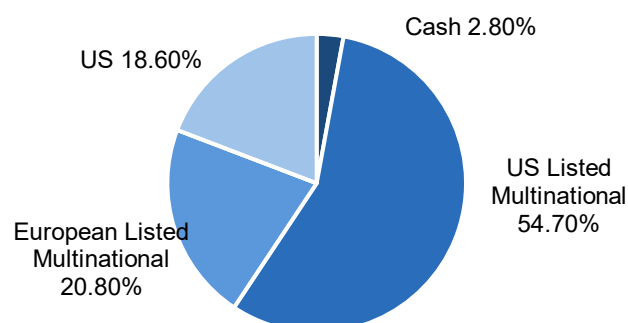
**Concentrated:** A long only, concentrated portfolio of 25-40 of our best ideas, highly diversified across sectors and regions. A truly global fund consistently exposed to powerful trends reshaping our world.

**Discipline:** A disciplined process finding quality businesses with strong earnings that are under appreciated by the market. This approach has proven successful across different market cycles.

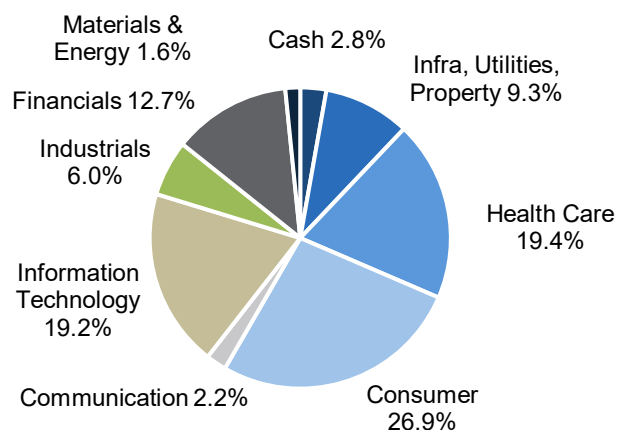
**Talent:** A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

**Aligned:** Alphinity Investment Management is a boutique firm, strongly aligned with its clients' investment objectives and focused solely on growing clients' wealth.

### Geographical exposure



### Sector exposure



### Top 10 positions

| Company            | Sector           | %           |
|--------------------|------------------|-------------|
| LVMH Moët Hennessy | Consumer Disc    | 6.3         |
| Keysight           | Info. Technology | 5.4         |
| Chubb              | Financials       | 5.1         |
| UnitedHealth Group | Health Care      | 5.1         |
| Danaher            | Health Care      | 4.8         |
| NextEra Energy     | Utilities        | 4.8         |
| PepsiCo            | Consumer Staples | 4.4         |
| McDonalds          | Consumer Disc    | 4.1         |
| Waste Connections  | Industrials      | 4.0         |
| Zoetis             | Health Care      | 3.4         |
| <b>Total</b>       |                  | <b>47.4</b> |

Data Source: Fidante Partners Limited, 31 October 2022

<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

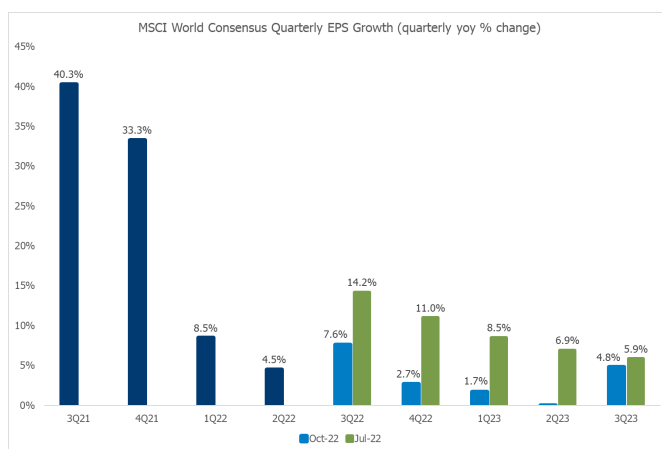
<sup>3</sup> From 21 December 2015 to 30 April 2019, the Benchmark was the MSCI World Equity ex Australia (Net) Index. The current index is effective from 1 April 2019.

<sup>4</sup> Numbers may not add due to rounding

## Portfolio comment and outlook

The outlook for growth remains challenging. The global economy is still struggling with high inflation, an abrupt tightening of financial conditions and of course a strong dollar. Together these represent significant headwinds for growth, pressuring real wages, consumer confidence and housing markets in the U.S. and across the world. While there are some recent signs of moderating inflationary pressures in the U.S., which could translate into a less hawkish US Federal Reserve (Fed), there is a risk that this will be too late to avoid a sharp slowdown in global growth and corporate earnings.

### Global Earnings Expectations consistently getting downgraded



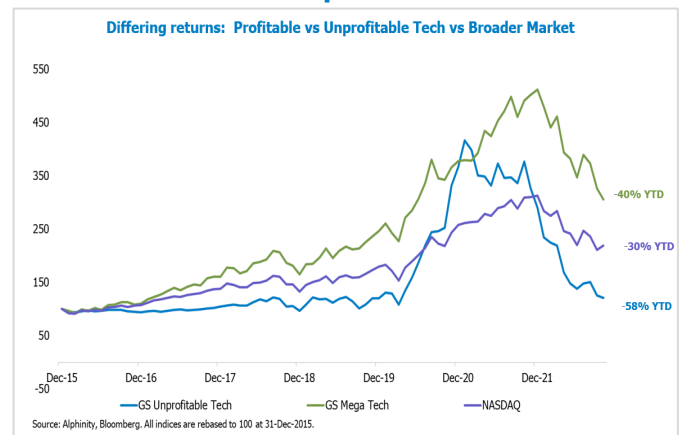
Source: Bloomberg, 31 October 2022

At the same time, analysts continue to be slow in recognising the full scope of the potential downturn in their 2023 earnings estimates. Over the last three months, estimates have been cut by 3.6%, with negative revisions across nearly all sectors. Utilities, Financial and Healthcare estimates have held up relatively well, whilst Materials and Industrials have experienced the sharpest downgrades. Despite these downgrades, bottom-up consensus still expects EPS growth for the MSCI World Index of +4.2%. This seems optimistic in the context of decelerating growth and margin headwinds, especially after strong EPS growth in both 2021 (+22%) and 2022 (+9.9%). Our analysis and recent overseas trips continue to suggest that further (potentially significant) earnings downgrades are likely over the next few months, especially as management provide guidance for 2023.

While the recent earnings reporting season has been better than feared, stronger reports have generally not been rewarded and misses have been sharply punished. In this context, portfolio changes have been focused on maintaining exposure to superior earnings growth. Alphabet reported weak third quarter earnings, which missed market expectations on both revenues and margins.

Cyclical headwinds to advertising suggest earnings are likely to continue to be under pressure and consequently we sold out.

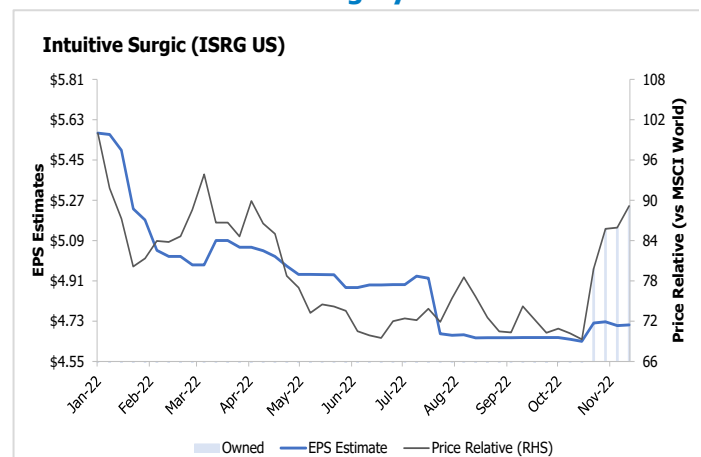
### 2022 "Tech Wreck" : E-commerce, Subscriptions, Deliveries, Crypto, Gaming = nothing has been spared



Source: GS, Bloomberg, 31 October 2022

Elsewhere, we took the opportunity to add new positions in Fortinet and Intuitive Surgical, global leaders in cyber security and robotic surgery respectively. Both stocks have pulled back this year, but strong secular growth drivers and good third quarter earnings reports, provide confidence that earnings can continue to surprise positively going forward. On the other hand, we took profits in United Health and Deutsche Boerse, while also reducing American Tower to acknowledge macro headwinds from higher rates and a strong U.S. Dollar. With elevated earnings risks across most sectors, we continue to believe a relatively concentrated portfolio of high quality, high conviction investments will continue to be important for performance.

### Intuitive Surgical – Pioneer in Robotic assisted surgery



Source: Alphinity, Bloomberg, 31 October 2022

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