Alphinity Global Equity Fund

Quarterly Report September 2017

Performance[1]	1 month %	Quarter %	6 month %	1 year %	2 years % p.a	Inception % p.a[2]
Fund return (net)	4.58	4.82	10.52	21.42	-	8.94
MSCI World Equity X Australia (Net) Index	3.44	2.53	6.25	15.38	-	8.63
Active return[3]	1.14	2.29	4.27	6.04	-	0.30

Past performance is not a reliable indicator of future performance.

[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] Numbers may not add due to rounding

Fund facts	
Portfolio managers	Jonas Palmqvist, Lachlan MacGregor, Jeff Thomson
Inception date	21 December 2015
Investment objective	To outperform the MSCI World ex Australia Net Total Return Index.
Management fee	1.00% p.a.
Performance fee	10% of the Fund's daily return (after fees and expenses and after adding back any distribution paid) above the Performance Benchmark and the absolute return performance hurdle.[1]
Buy/sell spread	+0.25% / -0.25%
Fund size	$0.2M
Distribution frequency	Annual

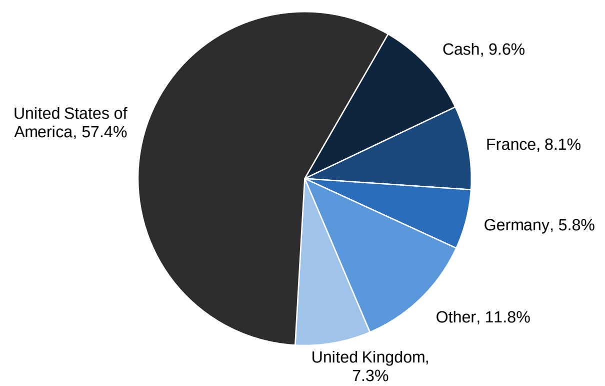
[1] The Performance Hurdle is the Reserve Bank of Australia (RBA) cash rate target.

Top 10 positions

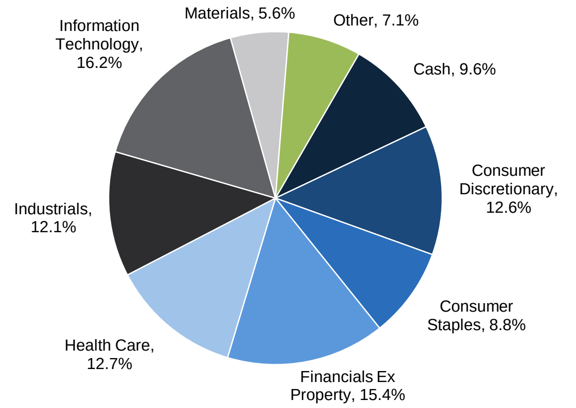
Company	Sector	Port
Facebook Inc	Info. Technology	3.8%
UnitedHealth Group Inc	Health Care	3.8%
AbbVie Inc	Health Care	3.6%
Micron Technology Inc	Info. Technology	3.5%
Bank of America Corp	Financials Ex Prop	3.4%
Applied Materials Inc	Info. Technology	3.3%
Northrop Grumman Corp	Industrials	3.1%
DowDuPont Inc	Materials	3.1%
Time Warner Inc	Cons. Discretionary	3.1%
Vinci SA	Industrials	3.0%

Fund features
Diversification: Access to overseas investment opportunities offering diversification for an equities portfolio.
High conviction: Actively managed, high conviction approach.
Robust investment process: Global application of Alphinity's disciplined and comprehensive investment approach.
Experienced investment team: Managed by a team of experienced investment professionals who specialise in global equities.

Country exposure



Sector exposure



Market comment

Global equities performed strongly over the quarter with the MSCI World index up 4.7% (in USD). Over twelve months the market has returned 16.4%. Emerging Markets continued to outperform up 7.0% over the quarter, but the gap to developed markets narrowed somewhat compared to the first half of the year. MSCI Europe continued to slightly outperform USA, up 6.0% compared to 3.9% (all in USD). From a sector perspective, market performance was led by Tech, Materials and Energy. Consumer Staples was the main laggard, in fact finishing as the only major sector with negative performance during the quarter.

Macro indicators continued to be supportive of the economic outlook, following the solid 4.0% print for global Gross Domestic Product growth in the second quarter (highest level since 2010). Notwithstanding the strength in growth data as well as 'softer' macro indicators, inflation remains stubbornly below expectations. The U.S. 10-year bond yield finished September at 2.33%, largely unchanged during the quarter, but in fact it touched as low as 2.05% during the period. Towards the end of the quarter, we saw some new life in the 'reflation trade', partly driven by hope for U.S. tax reform by the so far gridlocked U.S. administration. This also coincided with the Brent crude oil price rallying from $52.84 to $56.79 during September (+7%).

Market outlook

Suppressed inflation data and still low bond yields are clouding the otherwise encouraging economic outlook. It is also keeping the current low volatility 'Goldilocks' narrative in markets alive – growth is good, but not too strong to risk leading to rapid financial tightening. Going forward, we believe the market reaction to any real attempts at tapering and shrinking balance sheets by Central Banks is a key risk factor. Since the Lehman event, the world has seen almost 700 interest rate cuts and $11tn of central bank asset purchases – it is unclear how the breaking of this circuit will play out.

For us, the quarter offered further strong evidence that the relative earnings leadership continues unchanged in this cycle, which is clearly supportive for our investment process and portfolio. Our investment process focuses on the bottom-up earnings outlook for stocks, and from this perspective overall market trends remain encouraging. During the quarter, the 3-month global earnings revisions ratio held steady around 1.0x, indicating there were as many upgrades as downgrades. It is also the first time since 2011 we are seeing a co-ordinated earnings recovery across different regions: Japan and USA were the strongest in the quarter, with Emerging Markets and Europe dropping slightly behind. In the case of Europe, this was partly driven by currency headwinds (stronger EUR), and we don't currently see it as a sign of a weakening cycle again.

We focus our portfolio risk at a stock level, investing in fundamentally undervalued stocks at the right stage of their earnings cycles. We were encouraged by both the reporting season in July-August, as well as subsequent trends during the quarter. With few exceptions, our 30+ portfolio stocks delivered earnings beats which were followed by further consensus upgrades. During the reporting season, and through extensive travelling during the quarter meeting with companies, we continue to find stocks with sustainable earnings upgrades and quality, trading at attractive valuations relative to the market.

Over the quarter, we maintained our overweight positions in Banks, Health Care, Industrials and parts of Consumer Discretionary. We shaved some of the overweight to the Tech sector after its recent strong performance; however we maintain a significant overweight to specific parts of the tech sector where we still view earnings forecasts and valuations as too low, such as Semiconductors. In contrast we believe major parts of the Energy, Telecom and Consumer Staples sectors have the weakest earnings outlook, and we hold a more negative view towards these sectors.

For further information, please contact:

Fidante Partners Investor Services | **p:** 13 51 53 | **e:** info@fidante.com.au | **w:** www.fidante.com.au