

## Monthly Report April 2022

Performance <sup>1</sup>	3 months %	6 months %	1 year %	3 years % p.a	5 years % p.a	Inception % <sup>2</sup>
Fund return (net)	-10.6	-10.1	-	-	-	5.7
MSCI World Net Total Return Index (AUD)	-9.0	-6.3	-	-	-	3.4
Excess return <sup>3</sup>	-1.7	-3.8	-	-	-	2.4

Fund facts	
<b>Portfolio managers</b>	Jeff Thomson, Mary Manning, Jonas Palmqvist, Trent Masters, Chris Willcocks.
<b>APIR code</b>	HOW1000AU
<b>Inception date</b>	3 June 2021
<b>Investment objective</b>	To outperform the MSCI World Net Index (AUD).
<b>Management fee</b>	1.00% 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>	\$29m
<b>Distributions</b>	Annually at 30 June
<b>Min. Investment</b>	\$10,000
<b>Max. cash position</b>	20%
<b>Carbon Intensity (ave weighted)</b>	47.1 (vs MSCI Benchmark 139.0)

### Top 10 positions

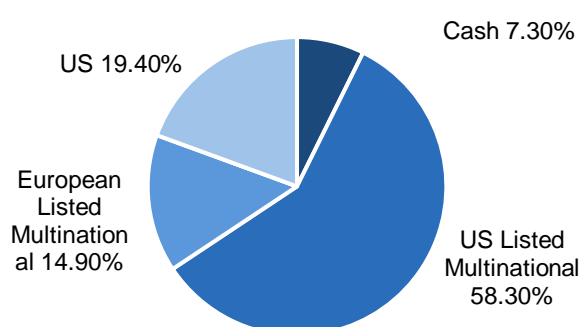
Company	Sector	%
UnitedHealth Group Inc	Health Care	7.1
Microsoft	Info. Technology	6.5
Apple Inc	Info. Technology	5.7
Alphabet	Communication Services	5.2
Merck & Co	Health Care	4.8
Prologis Inc	Real Estate	4.7
Procter & Gamble	Consumer Staples	4.6
Danaher	Health Care	3.9
Chubb	Financials	3.6
ASML	Info. Technology	3.6
<b>Total</b>		<b>49.8</b>

Data Source: Fidante Partners Limited, 30 April 2022

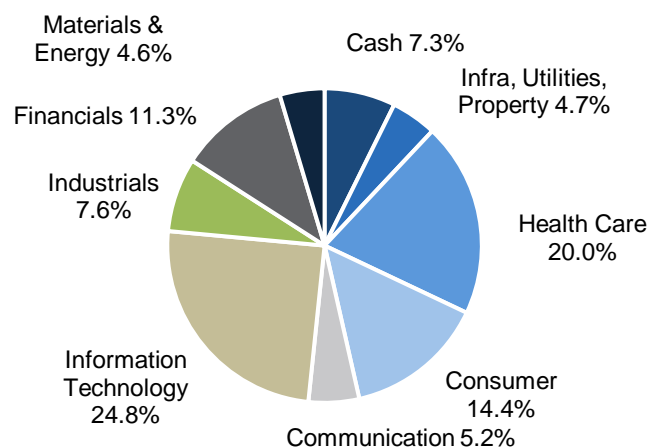
<sup>1</sup> Returns are calculated after fees have been deducted and assume distributions have been reinvested. No allowance is made for tax when calculating these figures. Past performance is not a reliable indicator of future performance.

Fund features
<b>Sustainable:</b> A long only, concentrated portfolio of 25-40 global companies with strong ESG practices that contribute towards at least one of the UN sustainable development goals. Diversified across sectors and regions.
<b>Discipline:</b> 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.
<b>Talent:</b> A united and deeply experienced team of global portfolio managers each with over 20 years in the industry.
<b>Aligned:</b> 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



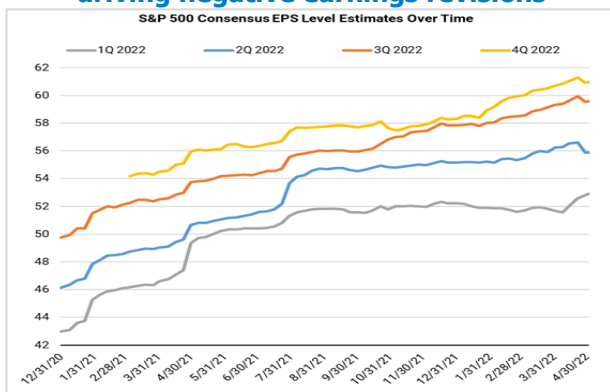
<sup>2</sup> The inception date for the Fund is 3 June 2021.

<sup>3</sup> Numbers may not add due to rounding.

## Portfolio comment and outlook

Inflation is running at its' highest level since 1981, the Federal Reserve remains intent on executing the most aggressive monetary tightening cycle since at least 1994, Chinese Covid lockdowns are disrupting global supply chains again and the Russia-Ukraine War has pushed commodities to new highs. Against this backdrop, it's not surprising to see both economic and corporate earnings growth slowing. While at this point these risks are mostly understood, investor anxiety remains elevated as concerns grow about the path of US Federal Reserve (Fed) tightening and the risk of recession. We are now at the two-year mark of the global recovery from the Covid lockdown bottom, and the market environment looks likely to remain challenging and volatile in 2022.

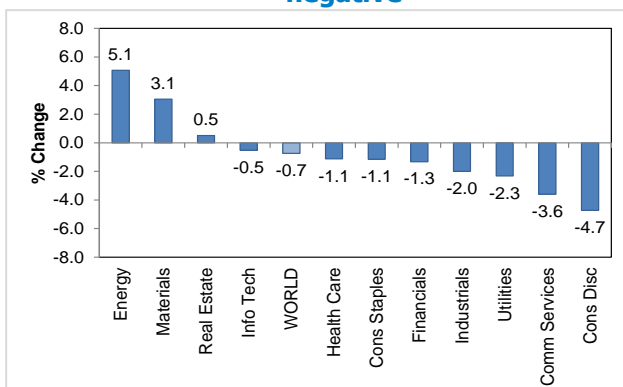
### US corporates reducing forecast guidance – driving negative earnings revisions



Source: Morgan Stanley, 2 May 2022

Global earnings revisions have recently turned negative, with expectations for both '22 and '23 falling 0.7% over the last month through the first quarter earnings season. Downgrades have also widened to include most sectors outside of Energy and Materials, with Consumer Discretionary and Communication Services both especially weak. Despite this, analysts continue to expect positive earnings growth in most GICs sectors, and in aggregate for global equities, in both '22 and '23. This seems increasingly optimistic considering continued cost pressures impacting margins across a wide range of sectors, but also potentially lower demand as global growth continues to slow.

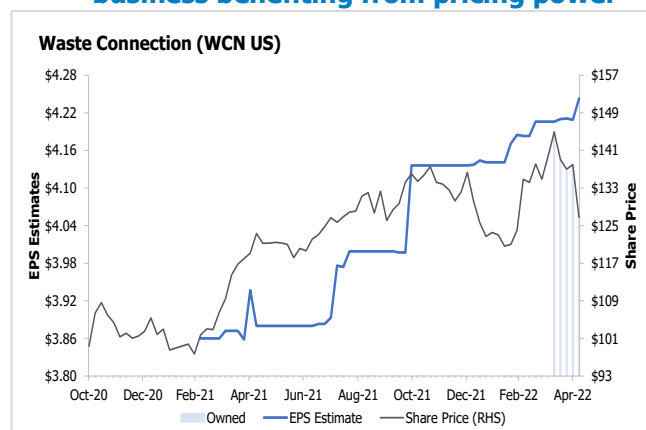
### MSCI World Earnings revisions for FY22 now negative



Source: Alphinity, Bloomberg, 2 May 2022

With the cycle turning negative and falling visibility, we believe stock selection and a relatively concentrated portfolio around high conviction ideas will be important for performance. Driven by our bottom-up views on the outlook for earnings, our portfolio has continued to evolve to reflect increasingly defensive market earnings leadership. During the last month we added a new position in Waste Connections (quality waste collection business benefitting from pricing power and acquisitions), and also added to Procter & Gamble, Chubb and Sika following good results. These were funded through trimming various positions including Alphabet, Apple, Schneider Electric, Lowe's and Danaher to reflect increased earnings headwinds. The combination of a negative earnings cycle, war, inflation and policy tightening have increased risks. Nevertheless, the range of potential macro-outcomes remains relatively wide and we will continue to be focused on investing in high-quality, sustainable businesses with the most reliable and misunderstood earnings outlooks.

### Waste Connections – Quality waste collection business benefitting from pricing power



Source: Alphinity, Bloomberg, 2 May 2022

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