

Alphinity Global Sustainable Equity Fund (Managed Fund)



MONTHLY REPORT – JULY 2024

Performance ¹	1 Month %	3 Months %	1 Year % p.a.	3 Years % p.a.	5 Years % p.a.	Since Inception ² % p.a.
Fund return (net)	1.0	6.7	23.3	8.7	-	12.4
MSCI World Net Total Return Index (AUD)	4.1	7.9	22.1	11.1	-	13.5

Fund facts

Portfolio managers	Jeff Thomson, Jonas Palmqvist, Trent Masters, Chris Willcocks.
APIR code	HOW1000AU
Inception date	3 June 2021
ASX Code	XASG
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	\$84m
Distributions	Annually at 30 June
Min. Investment	\$10,000
Max. cash position	20%
Carbon Intensity (ave weighted) Scope 1 & 2	83.0 (vs MSCI Benchmark 97.7)

Top 10 positions

Company	Sector	%
Microsoft	Info. Technology	5.7
Nvidia	Info. Technology	5.7
Alphabet	Communication Services	4.7
Apple	Info. Technology	4.4
Motorola Solutions	Info. Technology	4.2
Bank of America	Financials	4.2
Thermo Fisher	Health Care	4.2
Procter & Gamble	Consumer Staples	4.1
Schneider Electric	Industrials	4.0
Merck & Co	Health Care	3.9
Total		45.0

Data Source: Fidante Partners Limited, 31 July 2024

Fund features

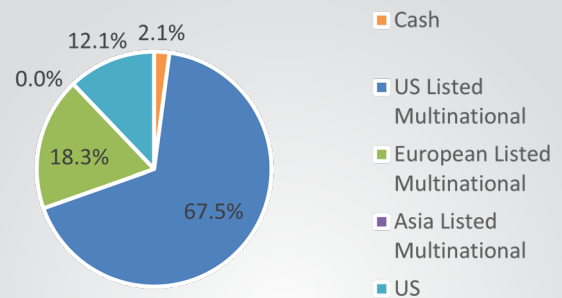
Sustainable: A long only, concentrated portfolio of 25-40 global companies with strong ESG practices that contribute towards at least one of the UN sustainable development goals. Diversified across sectors and regions.

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.

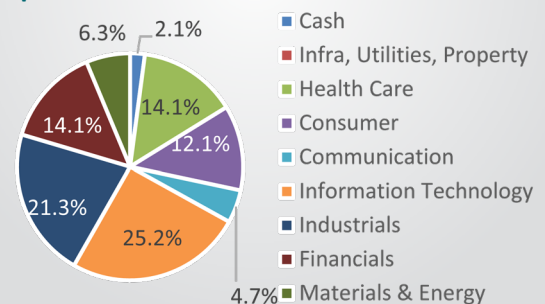
Talent: A united and deeply experienced team of global portfolio managers each with an average of 22 years of financial experience.

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



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. Past performance is not a reliable indicator of future performance.

² The inception date for the Fund is 3 June 2021

³ Numbers may not add due to rounding

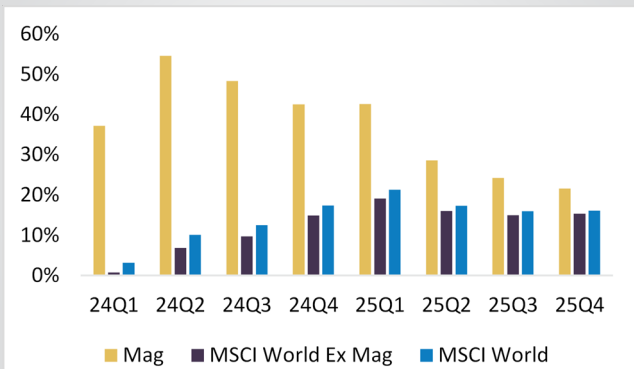
Portfolio comment and outlook

The ISM Manufacturing PMI and consumer spending have both weakened over the last few months, and a soft July jobs report alongside a higher unemployment rate have recently raised concerns that the Fed is behind the curve and may now push the US economy into recession. Despite these growth risks, we still expect a resilient consumer to facilitate a soft landing for the economy. The labour market remains generally healthy, with no signs of significantly higher joblessness. Consumer savings and positive wage growth should offer further support for consumption. Meanwhile, the Fed is on track for a September rate cut, and with more cuts expected to follow it's likely that easier monetary conditions will ultimately support economic growth and financial markets.

This outlook is further supported by a solid earnings season. For the second quarter, revenues and adjusted EPS are anticipated to increase by 5.1% year-over-year and 11.1% year-over-year respectively, beating expectations and accelerating from the first quarter. Notably, this marks the fourth consecutive quarter of positive annual EPS growth. The Alphinity Global Diffusion Index also remains positive, reflecting a constructive corporate earnings environment with more analyst upgrades than downgrades. Over the past three months, consensus estimates for the current financial year have been slightly downgraded (-0.2%), while projections for next year continue to edge higher (+0.4%). Sectors including Technology Hardware, Financials, and Utilities have seen positive revisions, whereas Consumer Discretionary, Energy, and Materials have faced downgrades.

During the month we took some profit in some of our best performing stocks, including some of the Mag-6 (e.g. Nvidia, Microsoft and Alphabet). We have high fundamental conviction in these businesses, but we also acknowledge fuller valuations following a period of strong performance. Elsewhere, we exited SK Hynix after a particularly strong rally and concerns about growing capex, as well as Partners Group, where near-term earnings recovery appears less certain given a somewhat delayed recovery in private equity realisations. This capital was deployed into new positions in Cintas (America's largest uniform rental business underpinned by a strong organic growth outlook and margin expansion) and Novonesis (Global bio solutions leader with structural and cyclical earnings drivers). We added to our position in Veralto (industrial water technology solutions) and Thermo Fisher (life sciences leader) with strong results driving positive earnings revisions increasing our conviction. We will continue to be disciplined about following earnings leadership within a challenging macro backdrop, which has a complex mix of early and late cycle dynamics across different sub-sectors and geographies. The team will once again be travelling widely over the next few weeks to test conviction on our current investments, but also to maintain a fresh and diverse 'bench' of potential new investment ideas for any future changes to the global earnings cycle.

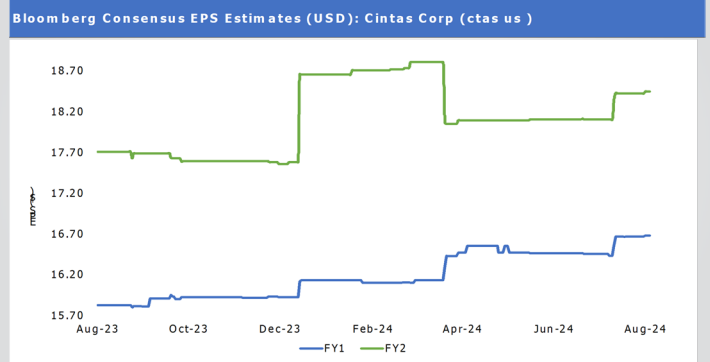
MSCI World Earnings growth expected to broaden out.



Source: Alphinity, Factset, 31 July 2024

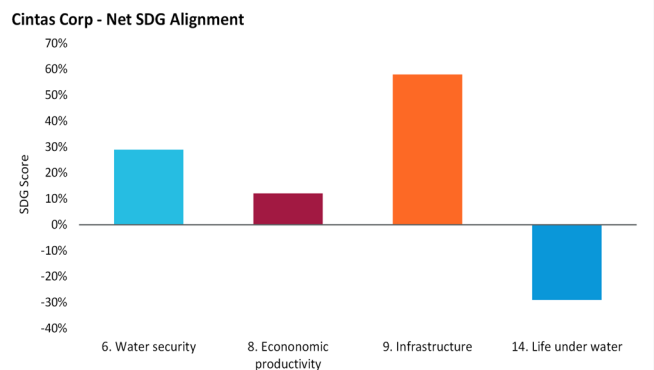
Consensus expects 2024 earnings growth of +8.8% y/y for the MSCI World Index, accelerating to +13.0% y/y in 2025, with a gradual broadening out of leadership. With Nvidia still to report, the so-called Mag-6 (Nvidia, Microsoft, Alphabet, Meta, Amazon, Apple) have delivered the strongest earnings growth in the quarter (+39% y/y), albeit a deceleration from c.56% y/y in the previous quarter. These leading Tech stocks are forecast to continue growing strongly, however the growth gap to the rest of the market is expected to narrow further over the next several quarters.

Cintas - America's largest uniform rental business with multiple growth levers



Source: Bloomberg, 31 July 2024

Cintas - Net SDG Alignment = 70%



Source: Alphinity, 31 July 2024

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Important information: This material has been prepared by Alphinity Investment Management Limited (ABN 94 002 835 592, AFSL 234668) Alphinity, the investment manager of the Alphinity Global Sustainable Equity Fund. Fidante Partners Limited ABN 94 002 835 592 AFSL 234668 (Fidante) is a member of the Challenger Limited group of companies (Challenger Group) and is the responsible entity of the Fund. Other than information which is identified as sourced from Fidante in relation to the Fund, Fidante is not responsible for the information in this material, including any statements of opinion. It is general information only and is not intended to provide you with financial advice or take into account your objectives, financial situation or needs. You should consider, with a financial adviser, whether the information is suitable to your circumstances. The Fund's Target Market Determination and Product Disclosure Statement (PDS) available at www.fidante.com should be considered before making a decision about whether to buy or hold units in the Fund. To the extent permitted by law, no liability is accepted for any loss or damage as a result of any reliance on this information. Past performance is not a reliable indicator of future performance. Alphinity and Fidante have entered into arrangements in connection with the distribution and administration of financial products to which this material relates. In connection with those arrangements, Alphinity and Fidante may receive remuneration or other benefits in respect of financial services provided by the parties. Fidante is not an authorised deposit-taking institution (ADI) for the purpose of the Banking Act 1959 (Cth), and its obligations do not represent deposits or liabilities of an ADI in the Challenger Group (Challenger ADI) and no Challenger ADI provides a guarantee or otherwise provides assurance in respect of the obligations of Fidante. Investments in the Fund are subject to investment risk, including possible delays in repayment and loss of income or principal invested. Accordingly, the performance, the repayment of capital or any particular rate of return on your investments are not guaranteed by any member of the Challenger Group.