

ALPHINITY INVESTMENT MANAGEMENT

Alphinity Global Equity Fund – Active ETF

FUND OVERVIEW



The Alphinity Global Equity Fund - Active ETF (The Fund) is a high conviction, diversified portfolio of global companies that seeks to deliver consistent strong returns across various market cycles

Key features of the fund



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.



Experienced team: A collaborative approach with co-portfolio managers, each with significant industry experience in financial markets, a quant and trading unit and a dedicated ESG & Sustainability team.



Robust process: A disciplined and repeatable investment process finding high-quality businesses with strong earnings that are under appreciated by the market.



ESG Integration: We seek to consider all material ESG risks and opportunities for each company included in the Fund, to maximise returns and minimise ESG risks.

How to invest

- 1 **Invest via the ASX (Ticker: XALG):** Please contact your broker
- 2 **Invest online directly:** www.alphinity.com.au/invest-online
- 3 **Invest via platforms:** www.alphinity.com.au/our-funds/platforms/

Fund facts

ASX Ticker	XALG
APIR code	HOW0164AU
Investment objective	To outperform the benchmark after costs over rolling three-year periods
Inception date	21 December 2015
Risk Profile	High risk/return
Suggested minimum timeframe	At least five years
Maximum Cash	20%, typically <5%
Management Fee	0.75% p.a.
Performance Fee	10% of the Fund's daily return (after fees and expenses, and after adding back distributions paid) above the Performance Benchmark and the Performance Hurdle
Performance Hurdle	Reserve Bank of Australia (RBA) cash rate target
Distribution frequency	Annually at 30 June
Benchmark	MSCI World Net Total Return Index (AUD)

Inception date 21 December 2015. Past performance is not a reliable indicator future performance.

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Why choose this fund?

The Fund invests in high-quality global companies where we believe the outlook for earnings is underestimated. It is managed by an experienced investment team using a disciplined and proven investment process. It is designed to sit as a core exposure to global equities within a diversified portfolio.

The Alphinity way

- Alphinity's approach is best described as 'relative earnings surprise'.
- We seek to find quality companies with underappreciated prospects.
- And invest in those that we foresee having material upgrades in the forecasts of their growth potential i.e., displaying 'earnings leadership'.
- As share prices tend to follow upgrades of expectations, our process leans towards these stocks at the right price.
- Conversely, if a company's earnings are downgraded, it is likely to be followed by more and, in our view, is an indicator to review our thesis and potentially sell.

Capturing this in a portfolio can deliver persistent strong returns over time

- We exploit the proven tendency for earnings revisions to be serially correlated and seek out consistent positive revisions.
- We avoid potential value traps (apparently cheap but deteriorating outlooks) and potential growth traps (strong growth but where the market is too optimistic) – by seeking to invest in growth, value, cyclical or defensive companies, because we aim to own them at the right time in their earnings cycle.
- We use transparent data analytics tools to inform our decision making along the investment path.
- This enhances our success in portfolio positioning as well as supporting strong buy and sell disciplines.
- We develop a deep understanding of macroeconomic conditions (economic, geopolitical, financial conditions) to enhance our stock selection and portfolio construction.

Earning leadership delivers higher returns



The chart shows that investing in a portfolio of companies delivering better than expected results (top upgrades), and avoiding those that disappoint (biggest downgrades), delivers consistently better returns than the index over time. In addition, identifying those companies with earnings leadership before the market does – as Alphinity aims to do – can deliver even stronger results over time.

Source: BoA Merrill Lynch, as at 31 January 2023.

The investment process

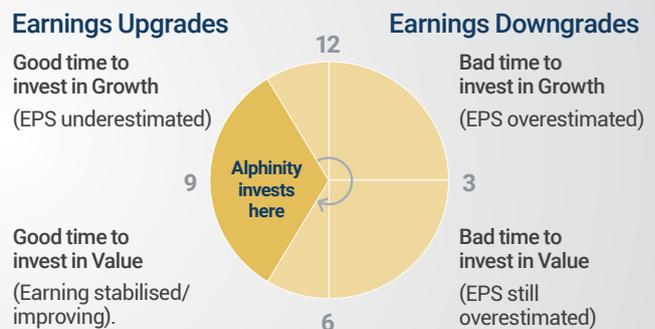
The Alphinity Global investment team combines fundamental research with specific quantitative analytics to uncover opportunities. This process is dynamic and iterative, with fundamental and quantitative inputs at every stage of the process from idea generation through to research and portfolio construction.

Step 1: Detailed company research

Investment ideas come from a range of fundamental research sources (e.g. corporate meetings, industry conferences, independent research), as well as the Alphinity Quantitative Model (AQM). Specifically, the process searches for businesses with:

- 1 expected positive earnings and price momentum (Momentum);
- 2 backed by real cash flows and return on capital (Quality);
- 3 and trading at an attractive valuation (Value).

The diagram below illustrates Alphinity's investment style in the context of a company's earnings life cycle (regardless of earnings growth rate or market cycle).



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Step 2: ESG integration

Alphinity believes that the integration of ESG considerations into investment management processes and ownership practices is essential, as these factors can have a significant impact on financial performance. The investment team, with support from internal ESG specialists, identifies and assesses material ESG issues for any stock actively being considered for investment, as well as on an ongoing basis for all stocks in the Fund. The outcome of this assessment is an overall ESG risk level. Significant matters are also incorporated into the qualitative assessment of the company, and/or into direct valuation parameters where appropriate, in order to maximise returns and minimise ESG risk.

Alphinity aims, wherever possible, to engage with investee companies on material ESG issues. Engagement is used to inform the assessment of ESG risks and opportunities, and to also encourage better ESG practices which reduce risks over time. Alphinity also intends to vote on every resolution put to shareholders.

About Alphinity

Established in 2010, Alphinity Investment Management manages 5 distinct investment strategies across Global and Australian equities, offering both core and sustainable fund options. The Alphinity Global team manages over \$33.2bn of funds as part of Alphinity Investment Management, an Australian based boutique firm, over \$44.6bn funds under management as at 31 December 2024. Alphinity is majority owned by staff and supported by minority equity partner and Australia's leading distribution partner, Fidante.

Step 3: Portfolio construction:

The Fund will typically be a diversified portfolio of between 25 and 40 high-quality companies (with the flexibility to go as high as 70) depending on the outcome of:

- fundamental analysis by the investment team;
- analysis of various quantitative factors generated in the proprietary Alphinity Quantitative Model (AQM); and
- an assessment of a company's ESG performance and characteristics.

All portfolio decisions are the sole responsibility of the investment team and are focused on constructing a diversified portfolio of their highest conviction stocks with the objective of maximising risk-adjusted returns. Portfolio construction guidelines limit the Fund's exposure to any one company, sector, country or currency.

Global Portfolio Managers



Jonas Palmqvist
Health Care,
Materials, Utilities



Jeff Thomson
Financials, Consumer
Staples, Property



Trent Masters
Technology



Chris Willcocks
Industrials, Energy

The team is supported by experienced shared resources in ESG, Quant and Client Portfolio Managers.

Get in touch

To find out more, please call the Fidante team on **1300 721 637** (Within Australia)
+612 8023 5428 (Outside of Australia) or visit us at: www.alphinity.com.au



Unless otherwise specified, any information contained in this material is current as at date of publication. This material has been prepared by Alphinity Investment Management Pty Limited ABN 12 140 833 709 AFSL 356 895 (Alphinity), the investment manager of Alphinity Global Equity Fund - Active ETF (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. 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.