ALPHINITY INVESTMENT MANAGEMENT

Alphinity Global Sustainable Equity Fund (Managed Fund)

FUND OVERVIEW

The Alphinity Global Sustainable Equity Fund (Managed Fund) (The Fund) provides a diversified portfolio of leading global sustainable companies that offer attractive prospective returns.

Key features of the fund

Sustainable companies: An investable universe of companies that we believe have a net positive alignment with one or more of the 17 United Nations Sustainable Development Goals (SDG's) and exceed Alphinity's minimum ESG criteria.

Exclusions: Exclusions from the investable universe, defined by a Charter, for activities that are considered to be incongruent with the SDG's.

Sustainable compliance committee: To assist with oversight and governance, including two external experts in ESG and Sustainability.

Active ownership and stewardship: We seek to engage with companies on ESG matters and also intend to vote all proxies put to shareholders.

Consistent returns: The strategy aims to provide consistently strong risk-adjusted returns across different market cycles by applying a disciplined and repeatable investment process.

Style agnostic: We can invest in growth, value, cyclical or defensive companies, because we aim to own them at the right time in their earnings cycle.

How to invest

1. **Invest via the ASX (Ticker: XASG):** 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	XASG
APIR code	HOW1000AU
Investment objective	To outperform the benchmark after costs over rolling three-year periods
Inception date	2 June 2021
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 2 June 2021. Past performance is not a reliable indicator of future performance.

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Alphinity's approach to sustainable investing

Society faces significant challenges to achieve sustainable development. Alphinity aims, through this specialised fund, to play a role in supporting positive sustainable change, and at the same time pursue strong, risk-adjusted returns through the disciplined application of Alphinity's proven investment process.

The strategy seeks to build a portfolio of high-quality, companies, which we believe have a net positive alignment with one or more of the 17 United Nations' Sustainable Development Goals (SDGs), exceed Alphinity's minimum ESG criteria, and which are also identified as undervalued and within an earnings upgrade cycle.

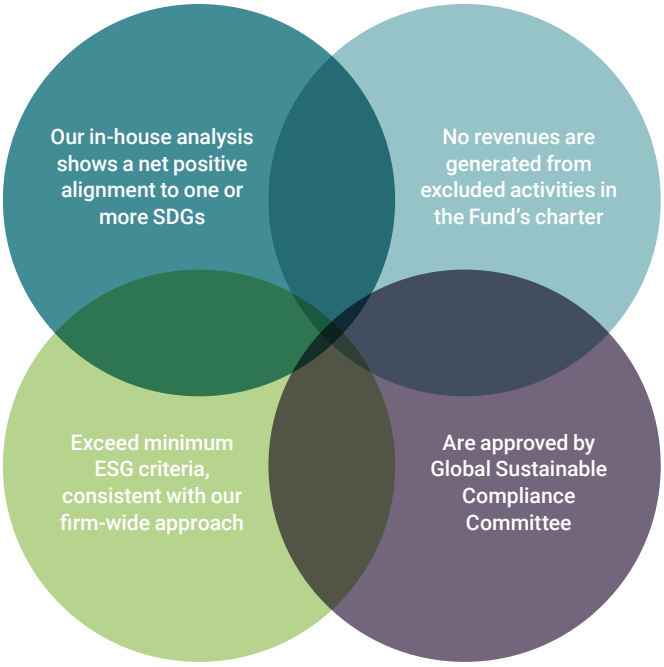
The SDGs were primarily developed for use by government, not-for-profit organisations, and industry bodies. However, given the holistic nature of the SDGs, that they are globally recognised, and include a clear set of 169 targets, we have found that they provide a suitable framework to define sustainability in the context of sustainable investing.

The Fund is intended to be suitable for investors who look to invest for at least five years, are seeking high levels of return and are comfortable with high volatility, including the possibility of periods of negative returns.

Portfolio construction

Step 1: Define the investable universe

We begin with a universe of high-quality global stocks. This initial universe is then filtered for companies for which:



Negative screens

Negative screens are applied to eliminate companies generating more than 5% of their revenues gross (cumulative) from activities that are incongruent with the SDG's. These activities include:

- Fossil fuels (including extraction, production and electricity production from energy coming from fossil fuels), such as Thermal Coal, Natural Gas and Oil, unless the company has a clear and credible commitment to divest from the use of fossil fuels within a reasonable timeframe. This divestment commitment should also be supported by clear emissions reduction;
- High-impact fossil fuels such as Coal Seam Gas, Oil Sands and those drilling in Arctic regions, regardless of any emissions commitments they might make;
- Production of controversial fuels such as Uranium;
- Gold mining, where Gold is the primary purpose of the mine;
- Factory farming, animals in entertainment, live exports and animal testing for cosmetic products, as well as other activities which are associated with animal welfare concerns. For healthcare, we tolerate testing only where necessary, that is where the benefits to humans are significant and procedures meet internationally recognized standards. We also require policies related to animal testing are in place;
- Predatory lending and hostile debt collection. Predatory loans are characterised by: excessively high set-up costs which are included in the principal of the loan; involvement in one or more intermediaries; swift enforcement action; false categorisation as a business or investment loan; no access to alternative dispute resolution; and reliance on assets rather than income to meet loan repayments;
- Addictions such as Alcohol and Gambling;
- Old growth forest logging and non-RSPO palm oil; and
- Pornography.

We have a zero-revenue tolerance for producers of tobacco and controversial weapons.

SDG alignment

Contribution to the SDGs is measured using an in-house methodology which seeks to quantitatively align company revenues with relevant SDGs to arrive at a net score for each company. The net score includes the positive and negative alignment to the relevant SDGs for each segment of company revenues. Net positive alignment is the measure of a company's contribution to the SDGs.

Minimum ESG criteria

A company's ESG risks are assessed using an in-house methodology and process (described in step 2 below). Any stock that is assessed by us at the highest internal risk level of 'avoid' has not met Alphinity's minimum ESG criteria and consequently is excluded from the investable universe.

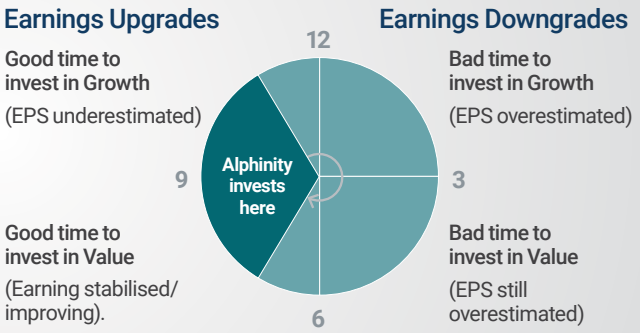
Step 2: Identify attractive investment opportunities from the investable universe

Detailed company research

Using Alphinity's investment philosophy and process, we combine Fundamental and Quantitative research to assess stocks within the Sustainable Investable Universe to identify companies 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).



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.

Step 3: Construct a balanced portfolio

The final portfolio will be made up of between 25 and 40 stocks (with the flexibility to go as high as 70) selected from the investable universe 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 or sector.

Global Sustainable Compliance Committee

The sustainable compliance committee, which includes two external ESG and sustainability experts, meets monthly and provides oversight and governance of the investable universe for the Fund to help ensure compliance with the Fund Charter. The ESG team are responsible for providing research to the Sustainable Compliance Committee and documenting and implementing decisions.

The Sustainable Compliance Committee also assists the Alphinity team to discuss grey areas in sustainability and ESG and support company engagement and broader stewardship activities.

A signatory to the United Nation's backed Principles for Responsible Investment

Alphinity has been a signatory to the United Nations-backed Principles for Responsible Investment since 2011. We have long adhered to these Principles as sound practice when managing money and supporting it reflects our desire to promote the principles as a matter of good corporate governance. Find out more about the Principles for Responsible Investment by visiting: www.unpri.org

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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 A$25.7 bn of funds as part of Alphinity Investment Management, an Australian based boutique firm, over $35.5bn funds under management as at 30 June 2024. Alphinity is majority owned by staff and supported by minority equity partner and Australia's leading distribution partner, Fidante.

Global Portfolio Managers

Jeff Thomson
Financials, Consumer Staples, Property

Jonas Palmqvist
Health Care, Materials, Utilities

Trent Masters
Technology

Chris Willcocks
Industrials, Energy

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

Internal and external ESG & sustainability experts

Jessica Cairns
Head of ESG & Sustainability

Moana Nottage
Senior ESG and Sustainability Analyst

Elaine Prior
External ESG Expert

Melissa Stewart
External Human Rights Expert

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**

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INVESTMENT MANAGEMENT

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 Sustainable Equity Fund (Managed Fund) (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 (TMD) 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.

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