30 September 2021 – Factsheet

Centuria

Centuria LifeGoals

Alphinity Sustainable Australian Shares Fund

The fund aims to outperform the S&P/ASX 300 Accumulation Index after costs and over rolling five-year periods.

Investment Manager

Alphinity Investment Management Pty Ltd

Investment Strategy

The fund provides a diversified portfolio of Australian stocks listed on the ASX that have strong Environmental, Social and Governance (ESG) characteristics and, where possible, contribute towards the advancement of the UN Sustainable Development Goals (SDG) agenda. The fund aims to be invested across different industries and sectors in order to meet the fund's investment objectives in a risk-controlled manner. The fund will utilise Alphinity's unique process of seeking sustainable, undervalued companies in or about to enter an earnings upgrade cycle.

Target Allocation

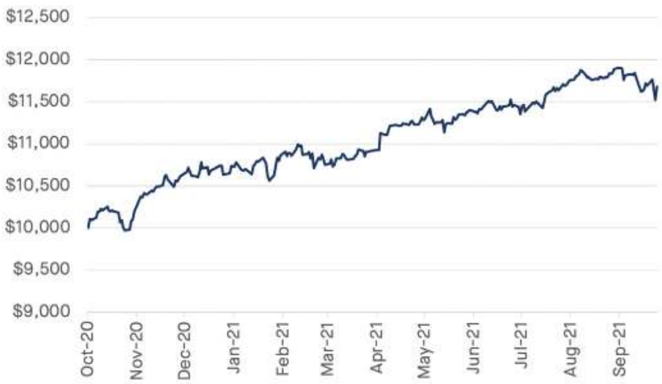
Australian Equities	90-100%
Cash	0-10%

Performance Returns

Returns to 30/9/2021	1 mth	3 mth	6 mth	1 yr	2yr
Net Returns (%)	-1.33	1.32	7.09	0.17	N/A

Past performance is not a reliable indicator of future performance.

Performance Graph



A $10,000 investment in Centuria Alphinity Sustainable Australian Shares Fund made at inception is worth $11,678 as of 30 September 2021 after all fees and taxes paid within the Investment Option.

Key Features

APIR Code	OVS9577AU
Minimum Initial Investment	$500
Minimum Additional Investment Plan	$100
Minimum Switching Amount	$500
Minimum Balance	$500
Contribution Fee	Nil
Annual Management Fee	0.97%
Suggested Timeframe	5 years

For more information contact Centuria on 1300 50 50 50 or visit lifegoals.centuria.com.au to download the PDS. Simple Flexible Versatile.

Fund Commentary

The Fund outperformed the market in the September quarter. The best contributors were retirement property operator Lifestyle Communities, auto advertising site Carsales.com, global asset manager Macquarie Group, health insurer Medibank Private, security app Life 360, insurance broker Steadfast and insurer QBE. Not owning diversified miner BHP helped too, although this was partially offset by positions in iron ore miners Fortescue Metals Group and Rio Tinto. Not owning takeover target Sydney Airport or gas producer Woodside Petroleum both detracted from returns.

Market Outlook

Simultaneous concerns about rising inflation at the same time global economic growth is fading weighed on equity markets in September. While somewhat unusual, this is of course not an impossible combination: there is even a term for it, stagflation. First identified in the 1970s, it didn't turn out to be a great environment for the share market. However, while many equity markets do still look somewhat stretched, talk about stagflation is overly pessimistic at this point, in our view.

Global growth is clearly slowing following a strong recovery from the initial Covid-induced slump over the last year or so. Some of that slowdown is simply the economic cycle maturing; some is due to the resurgence of Covid thanks to the Delta variant, not least here in Australia; and some is ongoing and even worsening bottlenecks in the global supply chain. Overall though, there are few signs of growth stalling altogether. With the vaccines looking to be winning and supply chain constraints likely to gradually ease, in our view growth should just moderate, not disappear.

Inflation looks to us to be the higher risk. And while some of the pressure we're presently seeing around the world is linked to the unexpectedly strong demand recovery and resulting bottlenecks, inflation appears to have become more entrenched and affecting more long-lasting factors such as housing rents and wages. Tellingly, the US Federal Reserve Bank has become less vocal in its argument that it is all transient.

We expect Central Banks will continue to take steps towards reducing monetary stimulus. Economic growth should be strong enough to allow this, and inflation should be strong enough to require it. While removing this impetus will likely cause some challenges for equity markets, the alternative – i.e. more growth and inflation now but sharper rate rises in 12-24 months – doesn't seem like a better alternative.

Portfolio Outlook

Portfolio positioning is complicated in the current environment. On the one hand, despite still having attractive valuations many cyclical companies have lost some of their appeal thanks to the slowdown in global and domestic economic growth. On the other hand, companies supported by more structural growth drivers are vulnerable to higher bond yields due their historically high valuation premiums.

As always, we continue to be led by where we see earnings leadership combined with attractive valuations. In the Resource sector, we continued to decrease exposure as the price cycle matured in a number of commodities. While we still hold a small position in iron ore producer Fortescue Metals, partly as a hedge against not being able to own BHP although also to keep exposure to some of that company's moves in the renewble energy space. Copper producer Oz Minerals is similar: we hold a much reuced position compared to earlier in the year after extreme share price performance. Other future-facing Resource exposures include Lynas and Iluka, both of which are engaged in rare earth production.

In the Insurance sector we complemented our holding in global insurer QBE with the more domestically-focused Suncorp. Suncorp still has some work to do but we are encouraged by early signs of improving insurance margins. We have also added to our holdings in global asset manager Macquarie Group, health insurer Medibank Private and building materials producer James Hardie following strong trading updates. These have been partly funded by trimming positions in conglomerate Wesfarmers and industrial property developer Goodman Group after both delivered very strong performance.

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