30 September 2023 – Factsheet

Centuria Lifegoals

Centuria

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.

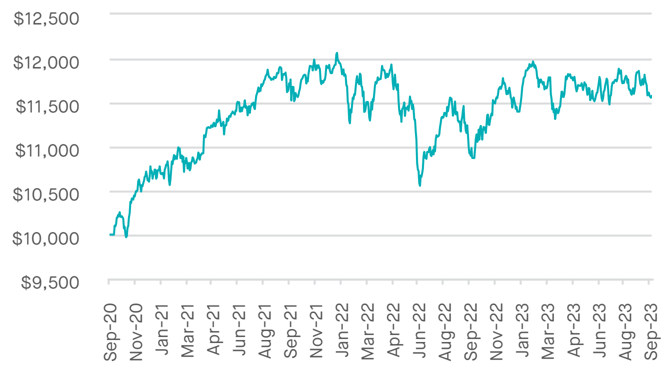
Target allocation

Australian equities	90-100%
Cash	0-10%

Performance returns

RETURNS TO 30/09/2023	1 MTH	3 MTH	6 MTH	1 YR	2YR[1]	3YR[1]
Net returns (%)[2]	-2.24%	-1.01%	-0.41%	6.50%	-0.63%	4.86%

Performance graph



A $10,000 investment in Centuria Alphinity Sustainable Australian Shares Fund made at inception is worth $11,577 as of 30 September 2023 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[3]	0.97%
Suggested timeframe	5 years

1. Periods greater than 1 year are expressed in annualised terms.
2. Past performance is not a reliable indicator of future performance.
3. Refer to PDS for fee breakdown.

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 lagged the market slightly in the September quarter. The clear winners were online advertising group carsales.com and industrial property developer and owner Goodman Group. Other positives were owning global medical device maker Cochlear and not owning global medical device maker Resmed Inc or supermarket Coles. The only notable detractors were mineral sands producer Iluka Resources and not owning gas producer Woodside Energy.

Market Outlook

Slowing yet resilient economic growth, falling yet still above-target inflation and, as a consequence, central banks keeping rates on hold for longer have been recurring themes in our reports this year. This "stronger for longer" environment has left the Australian equity market trading largely sideways for most of the 2023 to date, with only dividend payments pushing the total return from shares into positive territory.

What might change this? To us, it still comes down to the earnings cycle which, of course, is intrinsically linked to the economic cycle. While some parts of the market, especially expensive long-duration stocks, would continue to find high bond yields a headwind, a broad-based cyclical recovery in earnings would likely be needed in order to overcome the impact of interest rates staying high.

The key question, then, is: are we late or early in the economic cycle? While difficult to know for sure, we lean towards being late cycle. We think it would be risky to interpret from the resilience of the economy to date that a trough is within sight. Large savings buffers, full employment and strong corporate balance sheets have all so far effectively absorbed the shock of sharply-higher rates, but that doesn't mean people are ready to further increase consumption meaningfully, or that corporates are looking to step up their capital expenditure intentions any time soon.

Looking further afield the US economy has so far also been surprisingly resilient, despite the US Federal Reserve Bank's tightening efforts. More recently, it has even shown signs of growth rebounding in some areas with, for example, retail sales growing and job openings increasing again. At the same time, many leading indicators continue to suggest this reprieve will prove temporary with a further slowdown likely in 2024.

This leaves us with China as a potential source of better days ahead. Two Alphinity team members visited China in September and they concluded that while a meaningful rebound in property construction activity there looks unlikely, some other parts of the economy – such as manufacturing and services, and even to some extent infrastructure – are likely to enable an acceptable GDP outcome for 2023. This could be enough for the market's current relatively low Iron Ore and Metallurgical Coal consensus price expectations for 2024 to be exceeded. However, we will first need to get through the seasonally slow winter months before factoring too much of this upside into our projections.

In summary then, we are leaning towards stronger-than-expected growth for the rest of 2023 but also increased risks of a sharper economic slowdown in 2024 as rates stay high for longer. Those high rates will both constrain economic growth and provide a real alternative to equities, property and infrastructure until the rate cycle moves lower again.

Portfolio Outlook

In a year during which the macro environment continued to be challenging to navigate it's been encouraging to see stock selection contribute solidly to overall returns. Stock picking has been the key pillar of our long-term track record and, while macro factors will of course always influence individual companies' earnings, identifying companies which are in an earnings upgrade cycle will in our view will keep being rewarded. The Fund has maintained its greater-than-benchmark exposure to companies seeing positive earnings revisions. Until we see a meaningful shift in broader macro factors, we expect that those companies which have recently been delivering ahead of consensus expectations will be the most likely to do so in the next 3-6 months as well.

The August reporting season aligned well with this thesis, with a solid earnings upgrade score card for the portfolio in aggregate. As always, a few company results indicated deteriorating trends and we have taken action accordingly. We exited fund manager Perpetual which, after a promising start, has been disappointing as the inflection point for costs and improved funds flow continued to be pushed further into the future. We also sold out of mineral sands producer Iluka Resources as the price outlook for its key commodities deteriorated at the same time as the company is entering a heightened capex phase.

Financial services platform HUB24 delivered one of the stronger results in August. Ongoing market share gains (funds flow) resulting in positive margin leverage provides the potential for earnings growth to continue to surprise positively, in our view.

Finally, we switched our position in Fortescue Metals into Rio Tinto. Both companies remain intrinsically linked to the iron ore price in the short term but the numerous management changes at Fortescue as well as increased uncertainty about the capital allocation framework for the company's investment decisions in renewable energy projects has increased its company-specific risks. While its ambitions in renewables are admirable, the share price consequences of unrealistic project assumptions have been on stark display in Europe this year.

Disclaimer: This commentary has been directly sourced from the Alphinity quarterly factsheet available on their website.

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