30 June 2024 – 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.

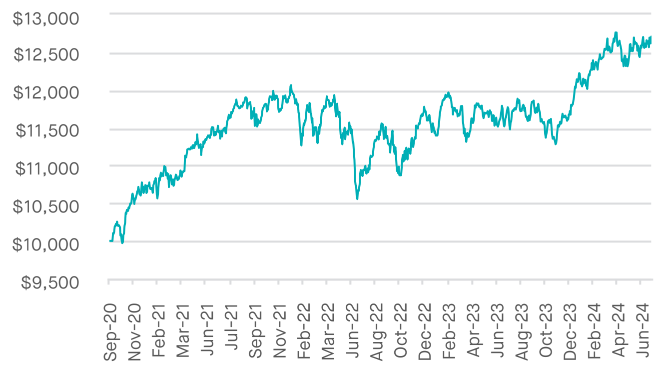
Target allocation

Australian equities	90-100%
Cash	0-10%

Performance returns

RETURNS TO 30/06/2024	1 MTH	3 MTH	6 MTH	1 YR	2YR[1]	3YR[2,1]
Net returns (%)[3]	2.19%	-0.43%	4.04%	8.66%	8.07%	3.17%

Performance graph



A $10,000 investment in Centuria Alphinity Sustainable Australian Shares Fund made at inception is worth $12,708 as of 30 June 2024 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[4]	0.97%
Suggested timeframe	5 years

1. Periods greater than 1 year are expressed in annualised terms.
2. Thomas Nielsen:
3. Past performance is not a reliable indicator of future performance.
4. 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 performed in line with the market in the June Quarter, with strong performances from positions in insurer Suncorp and industrial property developer Goodman Group; not owning iron ore miner Fortescue Metals or gas producer Woodside Energy also added to returns. These however were partially offset by positions in building materials company James Hardie, pallet pool operator Brambles and not owning gaming machine company Aristocrat Leisure.

Market Outlook

Global share markets continue to appear expensive, with earnings downgrades seeming to have bottoming out but not yet showing signs of the positive earnings revisions phase needed to justify the current level. While inflation is gradually falling in most countries, which potentially provides the option to cuts rates should economies deteriorate, inflationary forces remain and could be exacerbated if, for instance, tariffs are increased sharply in the US, as is the promise/threat of one of the Presidential candidates. Unless this were to be accompanied by a boost economic growth, stagflation could be the unwelcome result. At least market persistency, which is the proportion of months the market moves in the same direction as the previous month, is on the increase. This is encouraging as it indicates better stability.

At home, while the earnings and multiple pictures looks similar, stubborn inflation and solid growth in employment makes the situation tricky for our Reserve Bank to navigate, especially in light of the July tax cuts, and an interest rate lift might now be required in order to apply the brakes on the economy. If this turns out to be the case, consumers could be particularly negatively affected. We have witnessed since April a softening of consumer conditions which, combined with higher wages and rents, will likely put further pressure on the earnings of retailers. Banks' bad debt levels thus far remain benign, allowing the Banks to smooth their declining earnings by releasing provisions. A change in economic conditions could however bring an end to this which – given their elevated valuations – is a risk we are cognisant of. The consumer has remained resilient so far thanks to high savings and high employment, but another rate lift could be the tipping point for some cohorts. While negative earnings revisions across the market seem to have stabilised, the only sectors in which we are seeing some upgrades are Energy, Utilities, Banks (although largely through provision releases), and Insurers. We are however on the cusp of reporting the FY24 season so much will likely change in the next month or two.

Geopolitics remains a risk to keep monitoring as any further escalation in the various conflicts would likely result in higher oil prices and higher transportation costs, both of which would add further to inflation. China is showing the early signs of stabilising its problem child, the property market. Sales and prices are showing encouraging improvements in Shanghai, the first city in which incentives encouraged buyers to come back. The Resource sector however is experiencing mixed revisions: gold remains elevated, base metals have corrected downwards although fundamentals appear supportive in the medium term, and lithium keeps disappointing. The energy transition appears to be on pause for now as the studies conducted over the past few years have come back with challenging economics which will require government subsidies and/or customers willing to pay even higher costs. Given all the elections going on around the world, more certainty is required before these are progressed

Portfolio Outlook

While inflation in the month of May was concerningly high, it was one of the less-reliable partial measures, unlike the full-survey June quarter number which will be released late July, on which the Reserve Bank will place the most weight. If the June number confirms the recent upward trend in inflation the pressure to raise rates could become irresistible, and that might well be the final nail in the coffin of economic growth. Having said that, taxpayers are about to share in a meaningful amount of government largesse through income tax cuts. Some econometricians have estimated these as being equivalent to two 0.25% interest rate cuts, so it may end up being a case of giving by one arm of government and taking with the other. In the end, the most important indicator could end up being the employment numbers, which have been surprisingly strong for a long time.

The portfolio overall remains positioned in a reasonably balanced manner ahead of the all-important August reporting season. While much insight will be gleaned from that, in our view it is too early to add to cyclicals. On the other hand, we feel it is also too soon to become too defensive. Our bottom-up focus on identifying positive idiosyncratic earnings stories remains key to generating robust portfolio returns.

Our conviction in earnings has been tested over the past few months by meeting with companies in the US, Asia and Europe, as well as in various parts of our own beautiful country. As we head towards reporting season we maintain an overweight position in Insurers, which are still benefiting from rising premiums and deflating claim costs. We have lifted our exposure somewhat across Health Care as well as to some names in the Technology space. We hold a small number of Materials companies, and some Industrial and Utilities exposures, adjusting our positions based on rising or falling conviction around our companies' ability to deliver positive earnings surprises relative to the market's current expectation.

We continue to be underweight the Australian consumer but maintain decent weighting to some of the more internationally-exposed consumer stocks. Real Estate remains well out of favour with the exception of one company which has very strong stock-specific characteristics. We remain underweight Banks and Diversified Financials. We are fairly neutral Resources but maintain some selective exposures to diversified miners and base metals producers. We also remain neutral Energy. While the upcoming reporting season will test or prove many of the investment theses of companies in the Fund's portfolio, our focus on earnings should help us to pick winners, even in the current uncertain environment.

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

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