

ALCapital

ALC Active Australian Equities Fund

Monthly report – June 2024

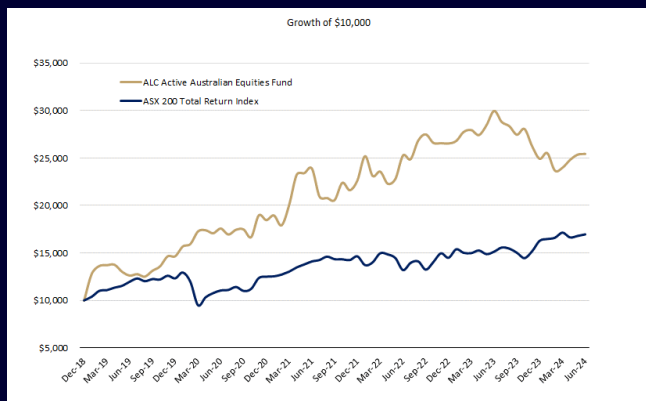
Returns	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 years p.a.	Since inception p.a.
Fund	0.30%	6.06%	2.03%	-15.12%	2.09%	14.99%	18.51%
ASX200	1.01%	-1.05%	4.22%	12.10%	6.37%	7.26%	10.13%
Outperformance	-0.71%	7.11%	-2.18%	-27.22%	-4.28%	7.74%	8.38%

Performance is reported net of all fees. Returns greater than one year are annualized. Historical performance shows the ongoing performance both of a different fund previously managed by the AL Capital that operated with the same strategy and investment management team as the ALC Active Australian Equities Fund, and the ALC Active Australian Equities Fund. This information has been provided for illustrative purposes only. Past performance is not a reliable indicator of future returns.

The Fund seeks to generate positive absolute returns above the performance benchmark by investing in Australian-listed equities. The Fund employs a mixed strategy comprising of a high-conviction portfolio that is designed to deliver strong total returns, augmented by a short-term portfolio with a number of holdings that are expected to deliver short-term returns and provide risk-mitigation.

AL Capital employs a combination of in-depth top-down and bottom-up research to construct the high-conviction portfolio, led by our portfolio managers with strong track records. To achieve the desired net market exposure, as well as for risk control, the actively traded short-term portfolio is also utilised. Through this, AL Capital aims to achieve positive returns regardless of the overall market direction.

Risk management sits at the heart of the investment process, playing both a defensive role in helping AL Capital avoid losses in a leveraged structure as well as an offensive role in identifying shorts where risks are often mispriced.



Past performance is no indication of future performance. Investments may rise and fall in value and returns cannot be guaranteed.

Performance

The portfolio returned +0.30% in June. The High Conviction portfolio (HCP) delivered +0.34%, with contributions from both long and short positions. The Short-Term portfolio (STP) detracted -0.04%, driven by the long positions.

June 2024	Total	Longs	Shorts	ASX200
HCP	0.34%	0.15%	0.19%	
STP	-0.04%	-0.07%	0.04%	
Total	0.30%	0.08%	0.22%	1.01%

The fund continues to show very strong absolute and relative performance over longer time frames, outperforming the ASX 200 by 8.4% p.a. since inception.

Largest contributors/detractors

The largest contributors in the HCP were our positions in CSL (CSL +0.53%), and Polynovo (PNV +0.41%). Both stocks continued their upward move from the past few months.

The largest detractor in the HCP was our position in Helia (HLI -0.37%). The stock was hurt by the news that its largest customer, CBA, announced plans to put the contract with Helia up for tender. While the outcome of this tender may in fact be positive for Helia, we nevertheless reduced our weight in the portfolio, as we expect that volatility will be elevated for some period of time.

Market commentary

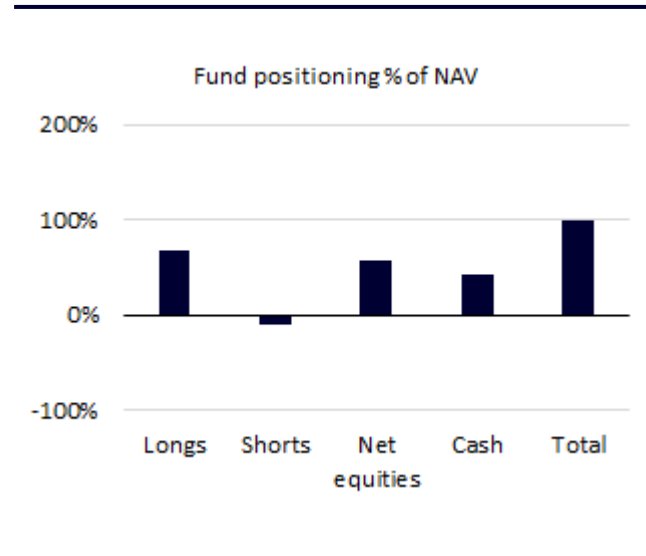
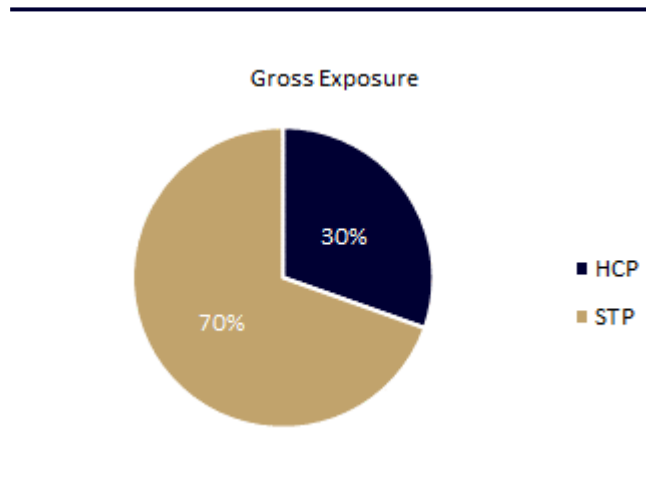
In June the market ended the financial year with a positive month, returning 1% and taking returns for the ASX200 to 12.1% for the 2024 financial year. There was, however, volatility during the month, as the higher-than-expected inflation numbers that came out during the month spooked investors. The market went from pricing in 1 to 2 rate cuts before the end of the calendar year, to pricing in a 1/3rd probability of a rate hike instead.

In contrast, in the US the expectations for rate cuts stayed in place, and US markets performed strongly (S&P500 was up 3.3%), as did markets worldwide (MSCI World was up 2.4%). Europe did worse, with London down -1.1% and Frankfurt down -1.4%, both driven by fears of further economic slowdown.

Portfolio positioning

At the end of the month, our largest positions in the HCP were Worley, CSL, and QBE. During the month we reduced our weight in Santos, while at the same time adding Beach Petroleum. We also initiated shorts in Centuria Capital Group (CNI), Temple and Webster (TPW) and Cochlear (COH).

We remained relatively lowly exposed to the market with a small net long during June. We continue to be cautious on the market due to the overall uncertainty on geopolitics, interest rate movement and macro-economic outlook.



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ALC Active Australian Equities Fund's Target Market Determination is available <https://www.eqt.com.au/insto>. A Target Market Determination describes who this financial product is likely to be appropriate for (i.e. the target market), and any conditions around how the product can be distributed to investors. It also describes the events or circumstances where the Target Market Determination for this financial product may need to be reviewed.