

ALC Active International Equities Fund

Monthly report – June 2024

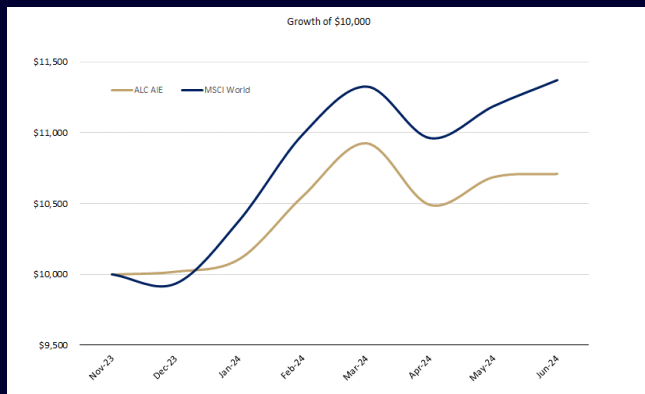
Returns	1 month	3 months	Since inception
Fund	0.2%	-2.0%	7.1%
MSCI World (AUD)	1.6%	0.4%	13.7%
Outperformance	-1.4%	-2.4%	-6.6%

Inception 18 December 2023. Performance is reported net of all fees. Returns greater than one year are annualized. Past performance is not a reliable indicator of future returns.

The Fund seeks to generate returns above the performance benchmark by investing in Global Equities. The Fund expects to generate outperformance from three sources: stock picking, regional allocation, and currency hedging. The benchmark is the MSCI World index measured in Australian Dollars.

AL Capital employs a combination of quantitative tools and fundamental stock analysis to select stocks in four regions: USA, Europe, Asia-ex Japan, and Japan. Similarly, the weight of the four regions in the portfolio is determined by a combination of quant signals and the manager's view on the relative short-term attractiveness of each region. Finally, hedging decisions are based on the manager's view of the relative value of the main currencies in the portfolio.

Risk management sits at the heart of the investment process, playing a defensive role in helping AL Capital avoid losses. AL Capital considers risk from both a bottom-up and top-down perspective. The bottom-up analysis employs a proprietary risk scoring methodology and considers risk at the security level while the top-down assessment considers risk at a portfolio level.



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

Performance

The portfolio returned 0.2% in June, underperforming the MSCI World (in AUD) by 143 bps.

The stocks in the portfolio underperformed the benchmark in constant currency. This was true for the stock picks in the US, Europe, and Asia, while the Japan stocks outperformed the regional index by a wide margin (8.6% vs 1.7%).

Unfortunately, our relative allocation to the different regions detracted further from performance, mainly driven by the underweight stance toward the US, which was the second-best performing region for the month.

On currency, the portfolio was broadly hedged, with a small exposure left in the portfolio to the Japanese yen, as we consider the yen to be undervalued. As mentioned, for the index, currency movements created a headwind for AUD-denominated performance, so the portfolio benefited from its hedge relative to the index.

Finally, as flagged in previous months' reports, the portfolio's cash holdings are quite large, which detracted from portfolio performance during June. We are continuing with this cautious stance into July.

Largest contributors/detractors

The largest contributors for the month were Mitsubishi Heavy (Japan, +24 bps), SK Hynix (Korea, +22 bps), Nvidia (USA, +20 bps), Amazon (USA, +14 bps). The largest detractors were Kuaishou Tech (Hong Kong, -14 bps), Vestas Wind Systems (Denmark, -14 bps) and Pinduoduo (China, -12 bps).

Market commentary

Global markets continued moving upward, as confidence about coming interest rate cuts increased further over the month.

The MSCI World index was up 2.4% in blended local currency, and 1.6% in AUD as the AUD strengthened against the currency basket over the month. The aggregate disguises quite disparate regional differences, however. The US and Asia had a positive return, returning 3.6% and 4.2% respectively in local currency but only 3.1% and 3.9% in AUD. Europe was down -1.4% in local currency and -2.6% in AUD. Japan was up 1.7% in yen but down -1.1% in AUD.

Portfolio positioning

At the end of the month our largest positions were Nvidia (USA), Amazon (USA), Alphabet (USA), ABB (Switzerland), and Netflix (USA). During the month we took some profits on Nvidia, and increased the weight in the other four. During the month we sold out of some Japanese stocks, as well as Daimler Trucks and Waste Management Inc, among others.

ABB is a new position, along with Exxon Mobil, Equinor, and Micron Technology, among others. The portfolio is well diversified with 77 stocks, and the top-5 positions less than 15% of exposure. The portfolio continues to be underweight the USA, and is now overweight Europe, Asia and Japan.

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