

ALCapital

ALC Global Credit Fund

Monthly report - July 2024

Returns	1 Month	2 Months	3 months	6 months	Since inception*
Fund	1.03%	1.84%	3.36%	7.15%	11.38%
RBA + 2.50%	0.56%	1.11%	1.68%	3.35%	4.65%
Outperformance	0.47%	0.73%	1.68%	3.80%	6.73%

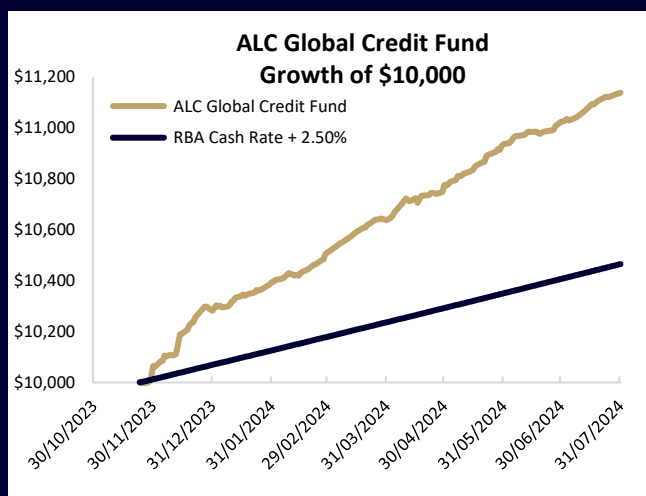
Performance is reported net of all fees. Returns greater than one year are annualized. Past performance is not a reliable indicator of future returns.

*The inception date of the ALC Global Credit Fund is 24/11/2023.

The Fund seeks to generate returns in excess of the RBA Cash Rate ("Benchmark") by 2.5% per annum after fees and expenses over a period of 3 – 5 years. The Fund seeks to do this by investing in fixed income securities that are expected to deliver income. The fund offers daily liquidity.

AL Capital will seek to achieve the Fund's investment objective by employing a range of active and dynamic investment strategies across the debt markets, both locally and internationally. The ability to source, understand and analyse the risk of the underlying securities and the issuers should enable a higher success of risk/return reward for investors. The portfolio takes advantage of the belief that the price of a security may differ from their intrinsic value at any point in time for a variety of reasons.

When selecting investments, AL Capital utilises a range of strategies including interest rate duration analysis, credit analysis, industry allocation and security selection. Investments are continuously evaluated in order to determine their inclusion in the Fund through the fully integrated risk management process.



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

Performance

The ALC Global Credit Fund returned 1.03% for the month of July, outperforming the target return of RBA Cash Rate + 2.50% by 0.47% for the month. The cumulative return for the Fund since inception in November 2023 is 11.38%, 6.73% above its target return, with consistent positive returns being delivered each month since inception.

The Fund continues to deliver stable, positive absolute returns in a market that has seen intense volatility for a sustained period.

Market commentary

In July, risk markets experienced significant sector rotation, shifting from growth to value and cyclical sectors, as stretched valuations and concerns about a potential growth slowdown weighed on technology and consumer-related stocks. Globally, the bond market saw considerable volatility, with a notable decline in yields. Commodity markets were similarly volatile, influenced by muted policy stimulus from China and geopolitical events.

Domestically, inflation came in below expectations at 0.8% versus the anticipated 1% for the quarter, which led to a short-lived rally in the ASX at the end of the month, closing up 4.18% (although the ASX has seen this reverse, trading 5.47% lower in the first 3 trading days of August). This lower inflation gives the Reserve Bank of Australia (RBA) more time to assess the need for another rate hike or potential cuts. The Australian 10-year yield declined 20 basis points to 4.11% as bonds rallied on the weaker than expected inflation data.

In the US, Federal Reserve Chair Jay Powell signaled the possibility of a rate cut in September, stating that a rate cut "could be" on the table. Powell emphasized the Fed's focus on potential labour market weaknesses, highlighting the risks to both sides of its dual mandate, rather than solely focusing on inflation risks. The S&P 500 closed up 1.13% for July, while the US Government 10-year yield declined 37

basis points to 4.03% as bonds rallied on US interest rate cut expectations.

The Bank of Japan (BOJ) surprised markets with a rate hike during its meeting and announced plans to halve the pace of quantitative easing by Q1 2026. This led to a significant rally in the Yen and prompted a reversal of the popular “Japanese Carry Trade”, where investors borrowed Yen at near zero rates and invested typically in US Treasuries.

Portfolio Positioning

The Fund continues to maintain a short interest rate and credit duration of 0.58 years and 3.65 years respectively and is fully currency hedged. At the end of July, the average rating of the entire portfolio is between A- and BBB+.

The fund was heavily invested in floating rate securities, accounting for 56% of the assets of the fund, and over the month sold out of a number of 3 year fixed bonds including the Macquarie 5.968% and Challenger 7.186%, as their spread had reduced significantly since when they were purchased into the fund. They were swapped for floating rate bonds from Ampol, as well as new floating rate issues

from Westpac, Banco Santander, HSBC and a new fixed rate issuance by ANZ.

At the end of July, the fund had a Yield to Call/Maturity of 6.39%.

Outlook

We continue to be cautious at this time of the cycle.

Recently we have seen the market move from pricing rate cuts, to hikes and back to cuts. We believe that we are likely at the end of the hiking cycle, but rate cuts in Australia are still some way off.

We also remain cautious on credit spreads, as they have tightened significantly in recent months, and could see some weakness in coming months – although we are not forecasting any significant moves.

We thank investors for their support and appreciate the ongoing confidence placed in our approach.

Monthly performance since inception

	Jul	Aug	Sep	Oct	Nov	Dec	Jan	Feb	Mar	Apr	May	Jun	Year
FY24					0.65%	2.15%	1.10%	1.13%	1.20%	1.30%	1.49%	0.80%	10.24%
FY25	1.03%												1.03%*

Performance is reported net of all fees. Financial Year returns are the compounded returns of each month, with current financial year the compound return of the current financial year to date. Past performance is not a reliable indicator of future returns.

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Equity Trustees Limited ("Equity Trustees") (ABN 46 004 031 298), AFSL 240975, is the Responsible Entity for the ALC Global Credit Fund ("the Fund"). Equity Trustees is a subsidiary of EQT Holdings Limited (ABN 22 607 797 615), a publicly listed company on the Australian Securities Exchange (ASX: EQT).

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ALC Global Credit 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.