

ALCapital

ALC Active International Equities Fund

Monthly report – August 2024

Returns	1 month	3 months	6 months	Since inception*
Fund	1.17%	0.40%	2.20%	6.97%
MSCI World (AUD)	-1.21%	4.46%	6.19%	16.59%
Outperformance	2.38%	-4.07%	-3.99%	-9.62%

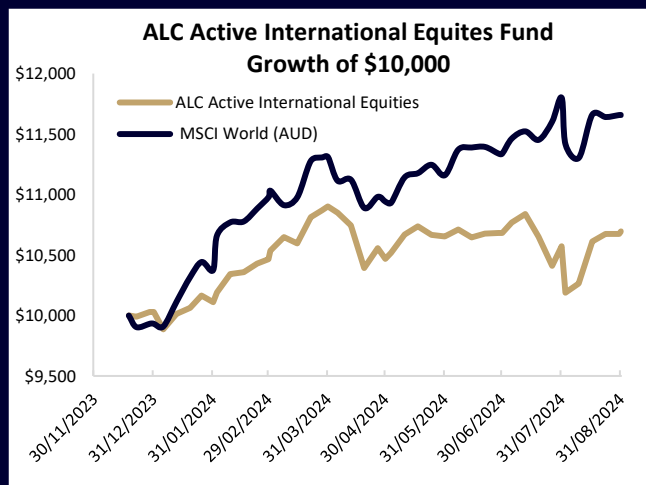
Performance is reported net of all fees. Returns greater than one year are annualized. Past performance is not a reliable indicator of future returns.

*The inception date of the ALC Active International Equities Fund is 19/12/2023.

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 1.17% in August, outperforming the MSCI World (in AUD) by 238 bps.

The stocks in the portfolio outperformed the benchmark in constant currency in the USA and Japan, while they outperformed in Europe and Asia, for a net contribution from stock picking.

Our relative allocation to the different regions detracted a bit from the stockpicking, mainly due to the overweight position in Asia.

On currency, the portfolio was broadly hedged. Since the currency movements constituted a headwind for the index, the portfolio also benefited from being currency hedged.

Finally, as flagged in previous months' reports, the portfolio's cash holdings are quite large, which did reduce the performance relative to what it would have been with a full cash allocation.

Largest contributors/detractors

The largest contributors for the month were Ely Lilly (USA, +25 BPS), Fortinet (USA, +23 bps), and Sea (USA, +23 bps). The largest detractors were Pinduoduo (USA, -29 bps), Wens Foodstuff (China, -11 bps), and Commerzbank (Germany, -11 bps).

Market commentary

While Europe and the US experienced low summer trading volumes, August marked the reporting season for Australian companies, which overall delivered positive results despite challenges from sustained high interest rates and ongoing cost of living pressures.

Despite the positive earnings reports, volatility was high during the month, with stock movements over 10% (on the upside and downside) becoming commonplace for companies that reported both unexpected and expected financial results. This resulted in this reporting season being declared the most volatile earnings season in recent memory, despite very few companies reporting out of guidance. This was heightened by the unwind of the Japanese Carry Trade, which saw the VIX Volatility index spike to levels only ever seen during the GFC and Covid-19 epidemic. The commodity markets also experienced significant fluctuations, with Iron Ore falling below \$100, Crude Oil exhibiting wide price swings, and Gold reaching new highs of \$2,500 per ounce. The S&P 500 closed up 2.28%, despite having an initial drawdown of -6.08%, while the ASX/200 was up 0.47% for August.

In the fixed income space, the Australian 10-year bond yield decreased by 15 basis points to 3.97%. Throughout the month, the Reserve Bank of Australia (RBA) maintained a hawkish stance. In contrast, expectations for the US Federal Reserve remained stable, with the market anticipating a

total of 35 basis points in cuts for September and 103 basis points for the year. Federal Reserve Chair Jerome Powell's speech at Jackson Hole was more dovish than expected, as he firmly addressed the labour market, assuring investors that the central bank will not tolerate any further increases in the unemployment rate. The US 10-year bond yield fell 12 basis points to 3.90%.

Portfolio positioning

At the end of the month our largest positions were Apple (USA), Amazon (USA), Nvidia (USA), Eli Lilly (USA), and Broadcom (USA). Apple is a new position in August. During the month we sold out of Alphabet and Chevron, among others.

The portfolio is well diversified with 77 stocks, and the top-5 positions less than 15% of exposure. The portfolio is currently slightly overweight the USA, overweight Asia, and underweight Europe and Japan.

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ALC Active International 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.