

ALCapital

ALC Active Australian Equities Fund

Monthly report – September 2024

Returns	1 Month	3 Months	6 Months	1 Year	3 Years p.a.	5 years p.a.	Since inception p.a.*
Fund	-0.55%	-7.45%	-1.83%	-14.24%	4.96%	12.62%	16.30%
ASX 200	2.97%	7.79%	6.65%	21.77%	8.45%	8.38%	11.11%
Outperformance	-3.52%	-15.24%	-8.48%	-36.01%	-3.48%	4.24%	5.19%

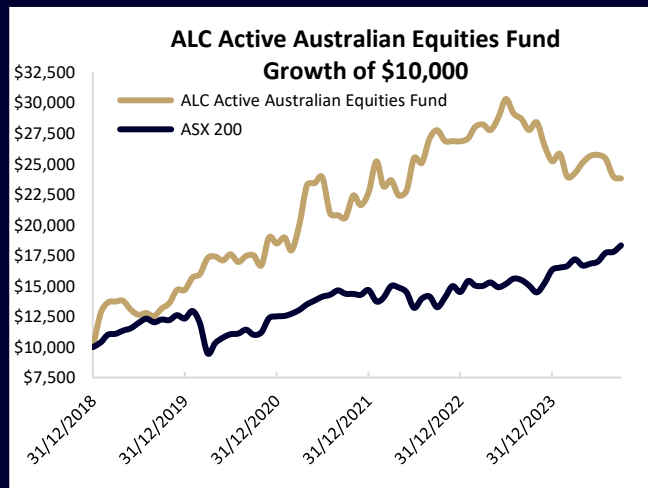
Performance is reported net of all fees. Returns greater than one year are annualized. Historical performance shows the ongoing performance both of a different fund previously managed by the AL Capital that operated with the same strategy as the ALC Active Australian Equities Fund, and the ALC Active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

*The inception date of the ALC Active Australian Equities Fund is 28/07/2023, and inception date of the Strategy is 2/1/2019. Since inception performance is shown at the Strategy inception date, annualized.

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 lost 0.55% in June. The High Conviction portfolio (HCP) contributed 0.51%, while the Short-Term portfolio (STP) detracted 1.06%.

The fund continues to show very strong absolute and relative performance over longer time frames, outperforming the ASX 200 by 5% p.a. since inception.

Largest contributors/detractors

The largest contributors in the HCP were our long positions in Polynovo (PNV, +0.24%, stock was up 12%), QBE (QBE, +0.23%, stock was up 5%), and Lynas (LCY +0.20%, stock was up 14%). QBE continued the end-of-August reversal of losses in the beginning of that month.

The largest detractors in the HCP were our positions in Medibank (MPL, -0.11%, stock was down 3%), and Santos (STO, -0.08%, stock was down 3%). Medibank was hit by some reports that payments to private hospitals need to increase for those hospitals to survive.

While the portfolio is still positioned to take advantage of the gap between the resource stocks and the banks mentioned last month, that bet is now smaller given the rally in the miners, and the underperformance of the banks during September. China's stimulus news has a large impact here, but either way we expect the gap will further shrink over time.

Market commentary

In September, a month known for its volatility, markets ended on a positive note amid macroeconomic and geopolitical influences. The FOMC began its first rate-cutting

cycle in four years, reducing the Fed Funds rate by 50 basis points to a range of 4.75% to 5% after US inflation showed significant cooling in August, with the Consumer Price Index (CPI) at +2.5% year-over-year (down from +2.9% in July) and the Producer Price Index (PPI) at +1.7% (compared to +2.1% in July). Toward the end of the month, China announced substantial stimulus measures aimed at combating deflation and addressing a weakening local economy. The S&P 500 gained 2.02%.

The ASX 200 increased by 2.97%, buoyed by unexpected stimulus announcements from China and the initiation of the Federal Reserve's easing cycle. Commodity prices performed well in September, with the Mining sector emerging as the top performer on the ASX, rising by +14.1%. This sector was particularly bolstered by China's stimulus news. Although tensions escalated in the middle east, market impacts were minimal.

In fixed income markets, the Australian 10-year bond yield was unchanged, while the AUD/USD appreciated by 2.2%. The Reserve Bank of Australia (RBA) held rates steady at 4.35%, signalling a shift from a mild tightening bias to a more neutral stance, as discussions of a rate hike were muted. Economic data continued to reflect weak growth and a gradual easing of inflationary pressures. The US 10-year bond yield also was lower again, dropping 12 bps to 3.78%. The Federal Reserve expressed comfort with the trajectory of inflation while increasingly voicing concerns about employment, as highlighted in both the September FOMC statement and press conference. Federal Reserve Chair Jerome Powell emphasised that the monetary easing actions should be viewed as precautionary measures aimed at maintaining economic stability rather than reactive steps to address significant economic deterioration.

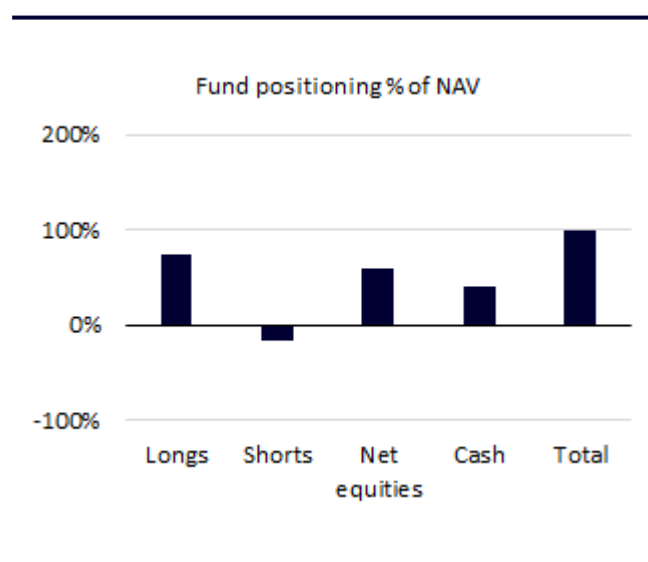
Japan experienced heightened volatility in both the Nikkei and the Yen following the election of former Defence Minister Shigeru Ishiba as leader of the LDP party. The new

Prime Minister is perceived as supportive of the Bank of Japan's gradual tightening strategy (indicating more potential rate hikes). This appointment follows July's BOJ meeting minutes indicating that several members saw room for further rate increases; however, officials and the new Prime Minister later moderated this hawkish rhetoric, asserting that the BOJ must maintain an accommodative monetary policy stance.

Portfolio positioning

At the end of the month, our largest positions in the HCP were QBE, Worley, and Medibank. During the month we initiated new long positions in Goodman Group, Coronado, NRW Holdings, and new short positions in Imdex, James Hardie, Bank of Queensland, and Netwealth.

Going into September the fund remains cautiously positioned, only being net long in the amount of 54% of NAV.



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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.